

Non-discretionary spending a recession rule

During the recession, the movement has been in the opposite direction, with non-discretionary consumer spending taking an increased share of total spend—at the expense of discretionary spending.

This has been true even at American Express, a financial services brand synonymous with affluence.

- According to Packaged Facts' August 2010 *Rewards Cards in the U.S., 3rd Edition*, during 2007-09, American Express reported higher relative non-discretionary spend (which it defines as spending in oil, supermarket and warehouse) among its cardholders than discretionary spend (which it defines as spending in department store, electronics, restaurant, fitness and wellness, fashion, lodging, airline, entertainment, home improvement and home furnishing).

But affluent may help drive growth in discretionary spend

But the consumer burden is also relative, as those with higher incomes and more stable household balance sheets are naturally in a better position to spend money. This, too, can be illustrated by credit card trends.

According to the same Packaged Facts report, JPMorgan Chase's Card Services division reports that creditcard spending volume trends are strongest among cardholders with \$XXXK+ HH incomes:

- During Q4 2009, spending volume among this group rose XX% compared to the year-prior quarter, whereas spend among those with \$XXXK-\$XXXK HH incomes rose XX%, and among those with <\$XXXK+ HH incomes it rose only XX%.
- Sales have also improved among cardholders carrying lower debt-to-income ratios, with Q4 2009 sales volume growth of XX% among cardholders with a debt-to-income ratio of less than XX%. Spend among cardholders with ratios of XX-XX% dropped XX%, and they dropped XX% among those with ratios above XX%.

HH income: fast food enjoys egalitarian status

The amount of discretionary income is tied closely with household income, so it comes as no surprise that as household income increases, restaurant usage also increases.

The exception to the rule, of course, is fast food/QSR, which enjoys mass appeal based on its ability to reach any audience with an approachable price point.

Table 3-3: Mean Restaurant Usage in Last Month, by Restaurant Type, 2010, by HH Income

		\$25K-	\$50K-	\$75K-	
Agree	<\$25K	49.9K	74.9K	99.9K	100K+

As with mean usage, the same trends follow with overall usage. Respondents with \$XXXK+ are XX% more likely than average to use XXXXX (and use it frequently), whereas XXXXX are XX% less likely to patron XXXXX restaurants.