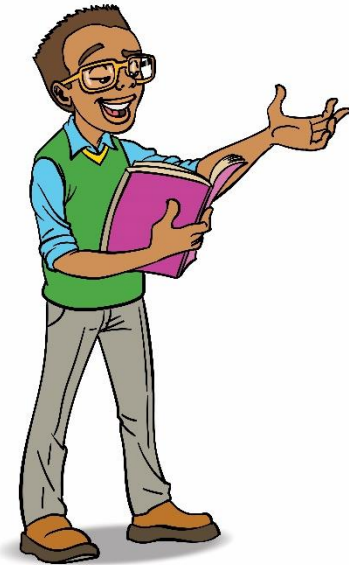


What's Expendable?



Each year the National Retail Federation (NRF) conducts a survey of thousands of consumers to determine if goods and services are considered expendable (I can live without it) or untouchable (I must have it). After the Great Recession of 2008-2009, many consumers cut back on items that had once been considered untouchable needs.

“... when you compare the current survey to data compiled in December 2008, it's evident that consumer attitudes toward spending are heading [upward],” says Chrissy Wissinger, director of communications.

“Communication [is very important] for today's consumers. They don't want to be without Internet service or their smartphone, and the idea of streaming video on demand via Netflix or Hulu has become more important every year since we began watching the category,” she says.

NRF Chief Economist Jack Kleinhenz says he's seen a trend toward more dollars being spent on services versus goods — a shift supported by the data. “Consumers are spending on services such as smartphone plans and on-demand streaming, and there's some pent-up demand for vacations and entertainment in the form of movie tickets and eating out.”

It is generally acknowledged that consumer spending varies by age. Millennials should be the prime spending age group setting up homes, starting a family, etc. — but this has not been the reality. Because of student debt, many in this age group have cut back on big purchases such as cars and houses; they spend money primarily on mobile devices and media content. They are champions of the sharing economy (like Uber). They are happy to rent rather than own everything from special occasion apparel and jewelry to cars.

The research supports the conclusion: 18- to 34-year-old respondents are far more likely than any other age group to consider on-demand video streaming untouchable — 42 percent, compared with 29 percent of 35- to 54-year-olds. They also are less likely to give up their daily cup of gourmet coffee and gym membership when compared with adults 35 and older.

“Millennials are now the largest generation of potential shoppers, and they have certain traits that are shaping their buying habits. They’ve lived through the Great Recession and it had an effect on them: They tend to be frugal,” says Paula Rosenblum, co-founder and managing partner at RSR Research.

“If you ask them if purchasing jeans is expendable, they’ll say ‘sure,’ because they can buy another pair from a discount store or second-hand shop for \$20.

“Part of the reason why department stores and some specialty retailers are in a world of hurt is because Millennials don’t want to go into stores and wander,” Rosenblum says. They tend to shop more on line.

Older consumers have a different attitude about what’s expendable and untouchable. Having spent years amassing various goods, they now prefer to spend money on experiences. Organic and gourmet foods are expendable for nearly 90% of the 55 and older crowd, but travel is a must.

On the other hand, older consumers are in sync with the younger generation when it comes to Internet service. In fact, 87 percent cite their connection as untouchable — which may have something to do with live chatting with grandkids and monitoring retirement funds.

Moreover, 62 percent say basic cable television is something they can’t live without; 33 percent have the same feeling for premium cable or satellite television. It appears that once you reach 55, the lion’s share of entertainment takes place in the living room recliner, remote in hand — 83 percent of these consumers deem movie/theater tickets to be expendable.

Digging into the research by household income and gender yields interesting insights. Among consumers with a household income of \$150,000 or more, 53 percent indicate that having their hair cut or colored is an untouchable item — a greater percentage than any other income or age group; 21 percent say maid service is untouchable and 22 percent feel the same way about lawn care service.

The research provides a curious snapshot of differences when it comes to dining outside the home. Men and women are on the same page when it comes to eating at casual restaurants such as Panera Bread, but men are more likely to view both fine dining and casual sit-down establishments like Applebee’s as untouchable. When it comes to fast food, 71 percent of women feel it’s expendable. Men are not quite as willing to give up their Big Mac and fries; 34 percent say there’s no way they’ll give up their fast food fix.

Deciding what is expendable is based on your own budget and preferences.

