

Buying Power of Gay Men and Lesbians in 2008

by Witeck-Combs Communications

Marketers, economists and journalists often puzzle over guesstimating the purchasing power of America's gay and lesbian households. Some tend to ballyhoo the gay market as a dream market precisely because of its presumed affluence. But is it really true?

Over the past several years, we've given this question considerable thought and research. We conclude that projections of gay wealth are likely overstated or simply a flat misconception, and therefore we come to rely most often on the excellent analysis conducted by economist and academic Dr. Lee Badgett and the work of the Williams Institute at UCLA.

Dr. Badgett and others have shown that it appears likely that gay men earn slightly less than their heterosexual counterparts, while lesbians appear to earn a bit more than other women. Over time, we will continue to examine these studies and to analyze their implications for public policy as well as for market strategies.

But let's step back a moment. It stands to reason that a certain portion of America's gay population enjoys wealth or merely higher than average earnings. But the real questions that marketers and journalists raise should go beyond earnings and household income, and instead focus on key lesbian and gay consumer traits such as brand loyalty and early adopting behaviors.

So how should we understand buying power, and attempt to measure the economic clout of gays and lesbians in today's market? When any company decides to pursue the gay dollar and to reach out to gay households, they're smart to understand their customers and to determine what market share they hope to achieve.

Since 2000, we have worked with an expert research team at Packaged Facts to evaluate the economic clout of gay households - in contrast with other households. For this purpose, we therefore use the term "buying power" (or "purchasing power") to measure the size of the gay and lesbian market in the United States based on its estimated population. Buying power is another term for "disposable personal income (DPI)," which is defined by the U.S. Bureau of Economic Affairs as the total after-tax income available to an individual to spend on personal consumption, personal interest payments, and savings.

America's Gay and Lesbian Population

Social scientists and market researchers alike grapple with the likely dimensions of the gay, lesbian and bisexual population. These estimates today range between 4 percent and 10 percent of American adults. In a nation with more than 300 million people, the U.S. Census Bureau estimates today that we have roughly 225 million adults (over the age of 18.)

Therefore, the most reliable projections of the GLB population may be as low as nine million or as high as 22 million adults. Demographers such as Dr. Gary Gates at the Williams Institute tend to estimate at the lower end of this range based largely on social science data and Census household data; while marketers forecast a higher percentage.

We tend to rely on a reasonably conservative estimate of 6.8% of adults, based on nearly a hundred general surveys conducted online over the

past eight years by our research partner, Harris Interactive, which frequently invites respondents to anonymously self-identify online by sexual orientation. We believe this is a reasonable benchmark, and this therefore suggests the U.S. population may be as high as 15 to 16 million. [Interestingly, in 2005, the United Kingdom (with a total population one fifth of the United States, roughly 60 million residents) officially estimated a combined population of 3.6 million gay men, lesbians and bisexuals - which approaches 8% of that nation's adult population.]

Buying Power Methodology

The methodology we chose to apply is similar to the approach taken by the Selig Center for Economic Growth at the University of Georgia in calculating the purchasing power of other multicultural consumer segments such as Hispanics and African Americans. This methodology uses aggregate disposable income data compiled by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce, a data source that provides the most comprehensive view of overall purchasing power in the United States.

Gay and lesbian purchasing power is calculated by allocating a proportion of aggregate disposable personal income to gay and lesbian consumers that is equivalent to their percentage of the overall population aged 18 years old and over. The most basic premise underlying this estimate of gay and lesbian buying power is that the income-generating power of the gay and lesbian population essentially mirrors that of the adult population as a whole. [Note: Although for the purposes of this article, we stipulate "gay and lesbian," we intend for it to mean individuals who self-identify as lesbian, gay and bisexual.

[Note: We do not customarily include transgender people in this analysis for two simple reasons. First, transgender people may be either heterosexual or homosexual in their orientation, and therefore do not necessarily and uniformly have same-sex relationships or attractions. Second, and as important, their true number in the total population has been very difficult to gauge given the scarcity of credible data. Until we have better data sources and understanding, we assume the number of transgender people may be as few as one-tenth of one percent to one percent of the adult population. That proportion also makes projections about their economic contributions difficult if not impossible to analyze.]

Reliable estimates of buying power for each multicultural population segment in the nation- including African-Americans, Hispanics and Asian-Americans-are reported widely by the University of Georgia's Selig Center and by others. Of course, gays, lesbians and bisexuals come from all walks of life, all ethnicities and all races. Thus, the projected buying power for gay adults includes individuals who will be part of buying power projections for other groups as well, including African Americans, Hispanics and Asian Americans.

Consequently, it is difficult to accurately compare gay and lesbian buying power to that of other populations without mischaracterizing the relative strengths of each.

Another key consideration in assessing the relative buying power of major multicultural consumer groups is that the buying power calculation for

gay Americans is based only on adults over the age of 18, while ethnic and racial buying power calculations include all members of all ages within each target household. It stands to reason one may easily identify a person's ethnicity or racial composition at birth, while sexual orientation is a naturally occurring characteristic that only becomes apparent in later adolescence or adult life. Thus, our estimates are based more appropriately and somewhat more conservatively on gay, lesbian and bisexual adults over the age of 18.

"Disposable Income" Not the Same as "Discretionary"

Although "disposable income" often is equated with "discretionary income," the two terms have different meanings. As mentioned above, disposable income refers to the total amount an individual has available after taxes for saving, making interest payments on loans, and spending of all kinds. Discretionary income refers to the amount that an individual has available to spend for non-essentials after taking care of necessities and fixed payments such as rent, car payments, and basic food costs.

Gay and Lesbian Buying Power Reached \$690 Billion in 2007 and Likely Will Top \$712 Billion in 2008

Gay and lesbian buying power has been calculated as follows:

- Based on the latest available data from BEA, it is expected that aggregate DPI totaled \$10,006 billion (or put another way, \$10 trillion) in 2007.
- The gay and lesbian population is assumed to account for 6.8% of aggregate disposable personal income in the population 18 years old and over, a proportion consistent with the percentage of gay men and lesbians in the adult population as a whole.
- Thus, the buying power of gay men and lesbians totaled an estimated \$690 billion in 2000 (.068 X \$10,006 billion).

Gay and Lesbian Buying Power Expected to Reach \$835 Billion by 2011

The Bureau of Labor Statistics has projected that aggregate disposable personal income will increase at an average annual rate of 4.9% during the period from 2004 through 2014. However, various U.S. government and private-sector sources have forecast that the economy now is growing at a relatively slower rate during late 2007 and 2008. As a result, we estimate that aggregate disposable personal income will grow at a rate of 4.5% between 2007 and 2008 and is then likely to grow at an average rate of 4.9% thereafter through 2011.

Based on these assumptions, the buying power of gay and lesbian consumers is expected to total \$835.3 billion by three years from now. This represents cumulative growth of 26.5% during the forecast period.

Table 9-1
Projected Growth in Total Gay and Lesbian Buying Power, 2007-2011

Year	Population (thousands)	Per Capita Buying Power	Aggregate Buying Power (millions)	Cumulative Growth
2011	16,314	\$51,204	\$835,337	26.5%
2010	16,115	49,415	796,317	20.6
2009	15,919	47,686	759,120	15.0
2008	15,726	45,298	712,368	9.4
2007	15,535	44,407	689,858	4.5

Source: *Packaged Facts, Witeck-Combs Communications.*

Featured Book:

Business Inside Out: Capturing Millions of Brand Loyal Gay Consumers

In this book, marketing experts Robert Witeck and Wesley Combs share more than thirteen years of real-life, research-based lessons that provide a complete approach to successfully targeting this emerging market. Harris Interactive® and Witeck and Combs have long partnered on learning the estimated size, strength, spending habits and brand loyalty factors of gay consumers.

In *Business Inside Out*, Witeck and Combs apply this knowledge to provide insights into how best to approach this valuable market segment, including:

- Why gay consumers have such high potential for brand loyalty
- Determining if a targeted or .gay-vague. approach is best for your business
- What strengths and weaknesses within a company have an impact on brand loyalty
- How to strike a balance between addressing this specialized audience and maintaining the interest of other customers

- How to manage negative consumer response and respond to tactics such as the threat of backlash
- Understanding how to leverage the emerging trends within the GLBT market, such as the increase of same-sex parents as well as retirement communities

Business Inside Out also profiles campaigns from major Fortune 500 brands that target gay consumers and includes an extensive list of resources for marketers interested in reaching this audience. It is the first book to provide a complete overview of the GLBT market from a business perspective.

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