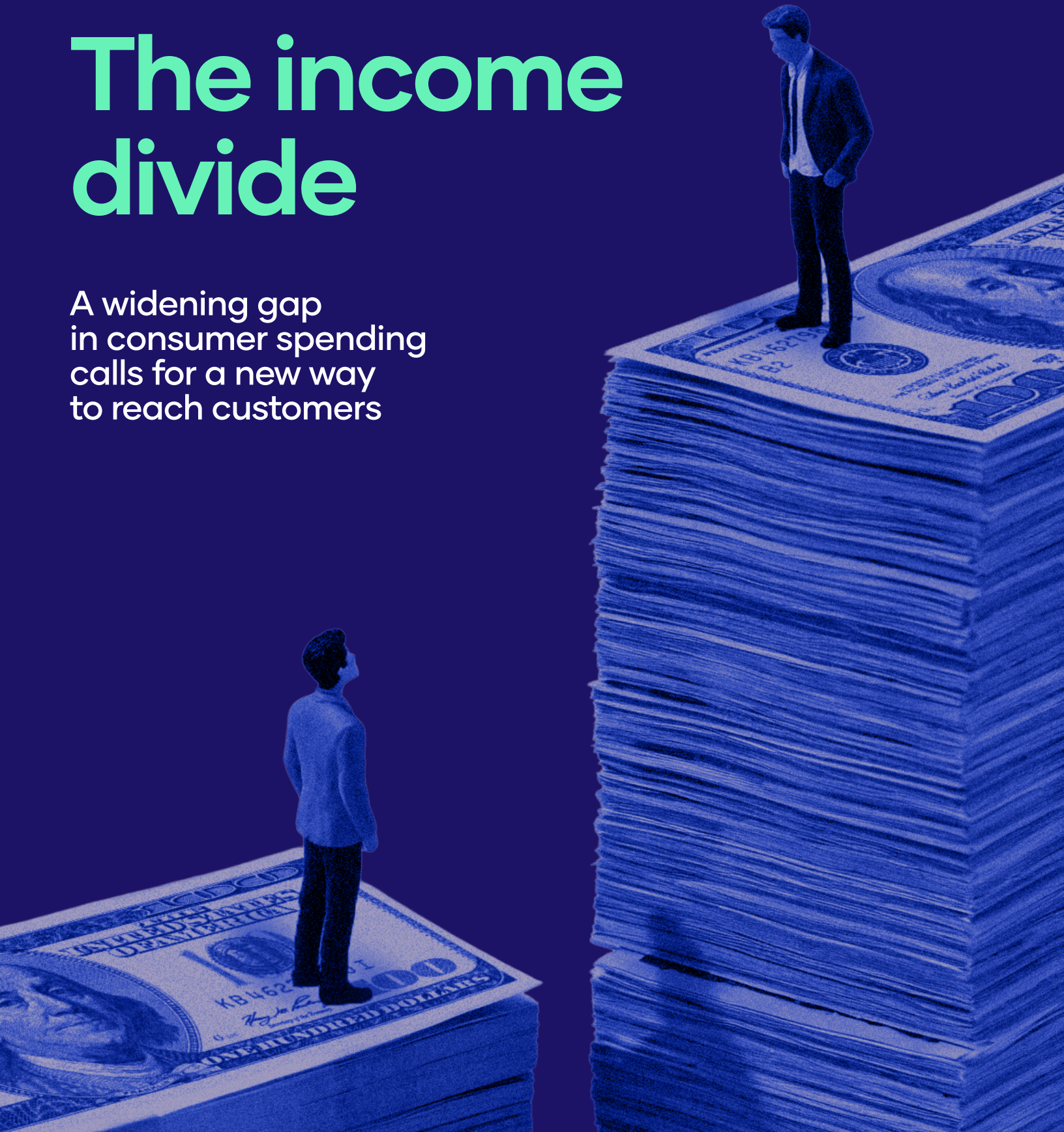


# The income divide

A widening gap  
in consumer spending  
calls for a new way  
to reach customers



# Introduction

Most retailers would describe consumer demand right now as “stable.” In fact, when we polled them in the beginning of 2026, 93% of respondents rated the current financial health of their business as “excellent” or “good.”

Even with some macroeconomic uncertainty, traffic hasn’t collapsed, and topline spending hasn’t fallen sharply. But we see some cracks beneath the surface.

Upside has been tracking consumer behavior for years, so we have the advantage of showing changes in that behavior over time. In our most recent analysis, we found that aggregate spending trends are hiding a growing gap in how households are navigating price and value.

In plainer terms, we’re calling it the “income divide.”

While average spending may appear steady, this divide reflects two different approaches to spending that are not immediately visible in topline metrics.

**Why does this gap matter? Because strategies built around the “average customer” are less reliable when behavior is moving in different directions.**

## Key findings:

**1** Average spending appears stable, but behavior diverges at the \$75,000 household income line.

**2** Higher earners are more optimistic about the economy, increasing their spending accordingly — but still selectively.

**3** Lower-income shoppers are reducing trips, consolidating purchases, and trading down.

**4** Both groups seek value, but they define it differently.

**5** Mass promotions risk missing consumers from both populations.

To compile this report, Upside relied on the following data:



We analyzed **10+ billion retail transactions from 21,000+ retailers** across the fuel, grocery, and restaurant categories.



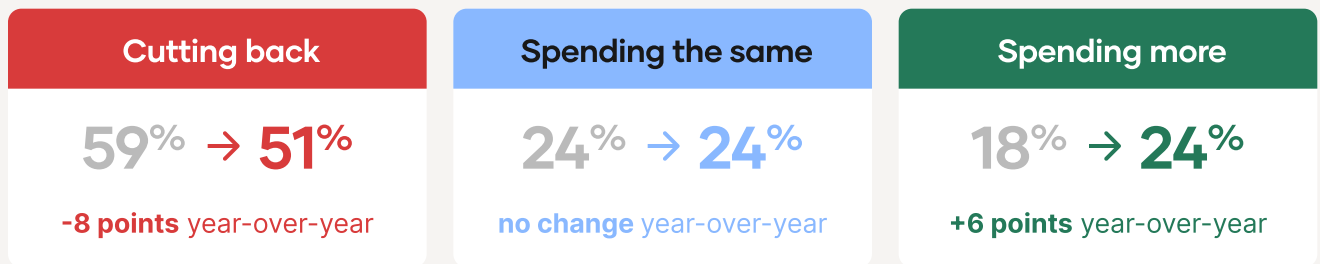
We surveyed **3,500+ consumers and 1,700+ retailers** from the general population over multiple waves.

# The paradox in the data

At the aggregate level, consumer behavior appears to be stabilizing. Granted, twice as many customers say they're trying to cut back spending, rather than spending more. But when we look year-over-year, the group of shoppers spending more is growing, and overall spending has not declined sharply. By traditional measures, demand looks steady.

## Fewer consumers are cutting back spending year-over-year

"Compared to this time last year, how, if at all, has your perception of the economy changed how you're budgeting for your household?"



**On its own, this would suggest improving conditions. But the averages tell only part of the story.**

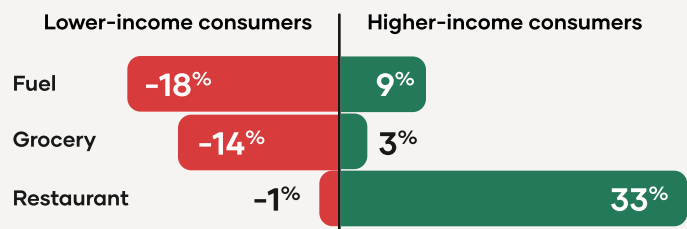
When we break the data out by household income, a different pattern emerges — one that we pinpointed at \$75,000 in annual household income. Using this dividing line, we find that higher-income households are more likely to report steady or increased spending and greater confidence in their financial position. Lower-income households, by contrast, are more likely to report constrained budgets and continued efforts to reduce spending.

Stable topline demand is being driven more by higher-income households, even as lower-income households continue to pull back. The result is a set of aggregate metrics that appear resilient while masking meaningful differences in how customers are making buying decisions.

There is no sign of this income gap shrinking any time soon, so retailers should get to know these shoppers and adjust their strategies accordingly. From here, we'll take a closer look at the habits and preferences of each individual group.

## Lower-income consumers are pulling back, while higher earners are spending more

Change in self-reported spending from 2024 to 2025



Source: Upside survey responses from 3,515 consumers, conducted across two waves in 2024 and 2025.

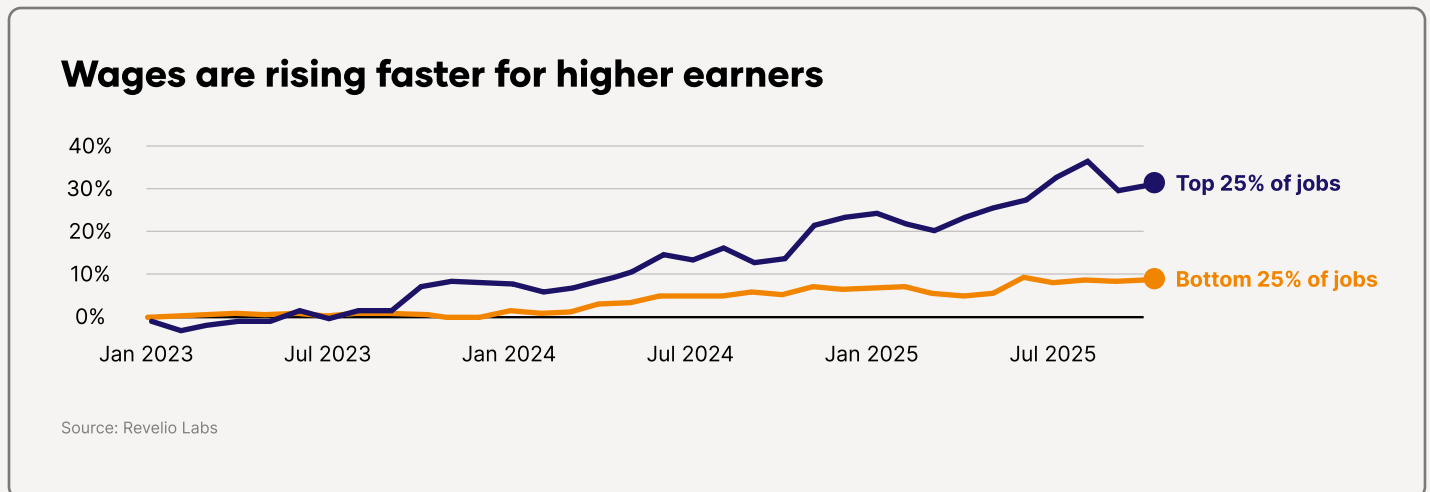


# How did the income divide come to be?

What were the macroeconomic conditions that created the income divide?

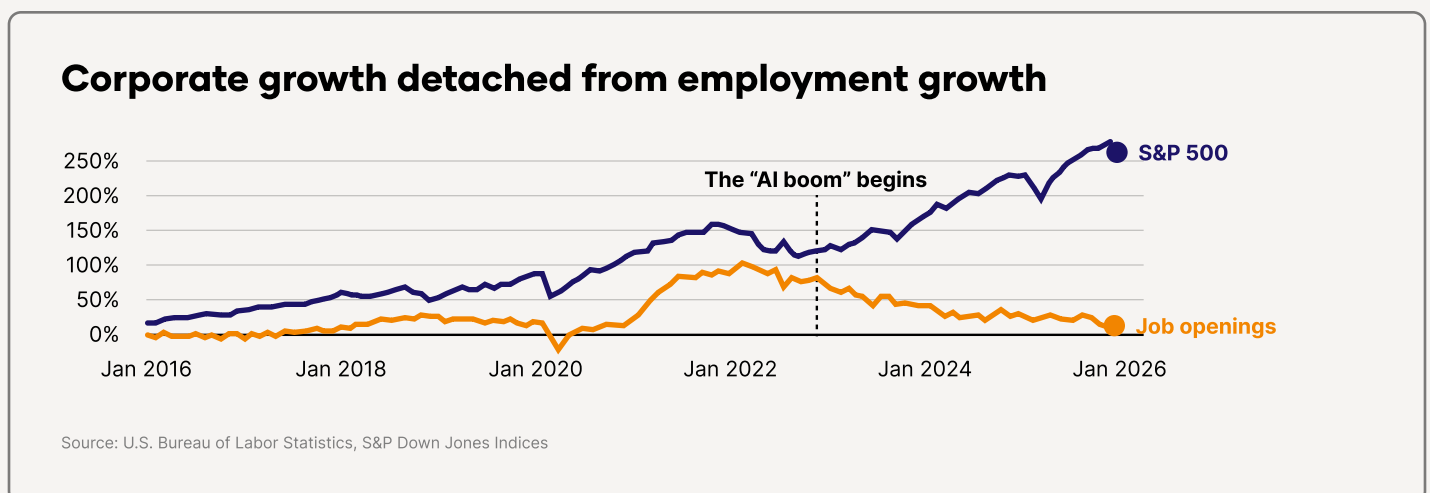
For one, the price of all items rose 26% from January 2020 to January 2026, according to the Bureau of Labor Statistics. Groceries rose even faster than the overall average, up 30% over that time. Inflation disproportionately affects lower-income households, which spend a larger share of their budgets on goods.

Second, incomes are rising faster for higher earners. Note the growing discrepancy in growth of salaries at the top and bottom of the income spectrum.



Finally, asset prices — things like stocks, real estate, and more — have risen significantly faster than incomes over the past three years. Higher-income households are much more likely to hold these assets and benefit disproportionately from them, whereas lower-income households earn wealth primarily through their wages.

For most of recent history, though, assets and the job market moved in lockstep. The economy would grow as employment grew. In late 2022, ChatGPT launched to the public and sparked a frenzy of AI investment. Ever since, the performances of the job market and stock market have moved in opposite directions. The chart below depicts this gap — the S&P 500 index has taken off over the past three years, but job growth has not. Ultimately, this is the primary cause of the income divide.



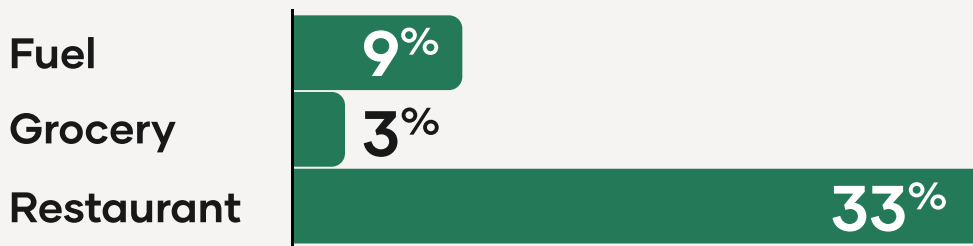
# Higher-income households

A willingness to spend more — but not just at one brand

We asked our survey respondents to gauge how their spending levels changed year-over-year. Across all retail categories in our survey, the higher-income group said they spent more — sometimes considerably more.

## Higher earners report large spending increases

Change in self-reported spending from 2024 to 2025



Source: Upside survey responses from 3,515 consumers, conducted across two waves in 2024 and 2025.

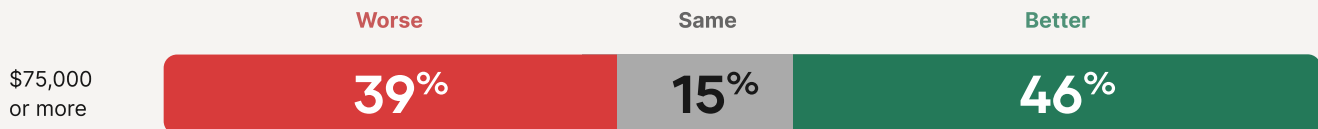


Now, remember these spending figures are survey data, and they are therefore based on perception. A gap between perception and reality is common — consumers tend to exaggerate their activity.

Still, perception matters. Higher-income respondents not only report spending more, they also report stronger confidence in the economy and their personal finances. That confidence increases their willingness to transact.

## Most higher earners feel the economy is not getting worse

“What is your outlook on the state of the U.S. economy compared to a year ago?”



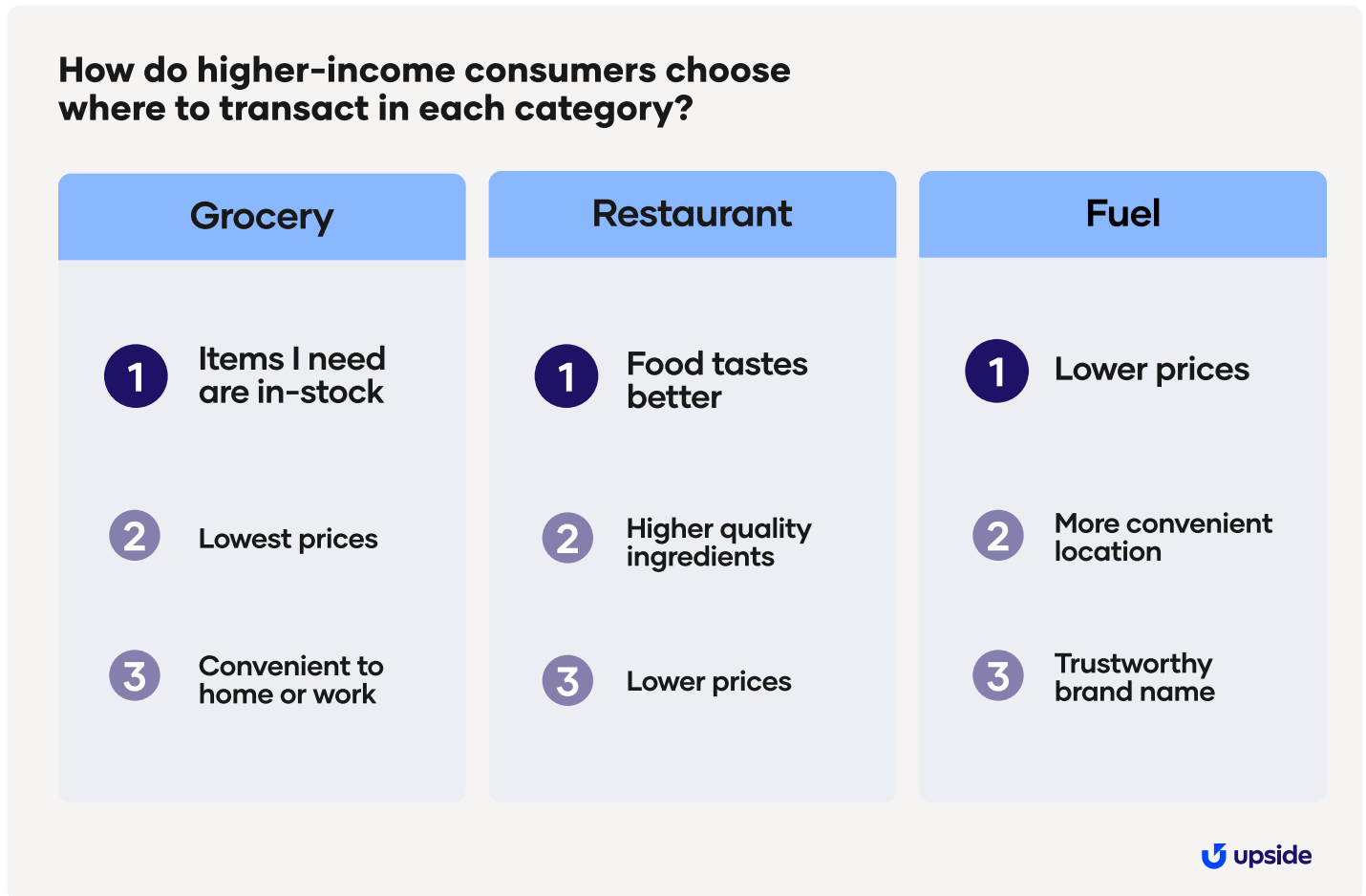
Source: Upside survey responses from 1,711 general population consumers, September 2025. Values may not add up to 100 due to rounding.



Could you extrapolate from these figures that high-income customers don't think about the higher prices they're paying for goods and services? It's more complicated than that. In our survey, we observed that higher-income consumers are actually **most likely to make use of loyalty programs** to stretch their dollars. In each of our key retail categories, the average number of loyalty memberships increases as household income increases.

Look at fuel customers, for instance. Our respondents with household incomes between \$50,000 and \$74,999 said they belong to 2.1 fuel loyalty programs, on average; meanwhile, those making \$150,000 or more said they have 3.7 fuel loyalty cards — nearly double. A similar trend occurs with grocery and restaurant customers.

At the same time, though, prices are not always the most important criteria when they think about where to shop. Take the below chart, for example. It shows a ranking of their most important criteria when deciding where to buy.



Decision factors vary by category, with quality and convenience often ranking ahead of price. At grocery stores, higher-income consumers care more about finding the items they want than they do the lowest prices. Likewise, at restaurants, it's most important to them that the food tastes good and that the kitchen is using high-quality ingredients.

The ultimate takeaway here is that higher-income households are more willing to increase their spend for the products they want. But that doesn't necessarily mean spending more at one brand — it means spending more *between* brands.

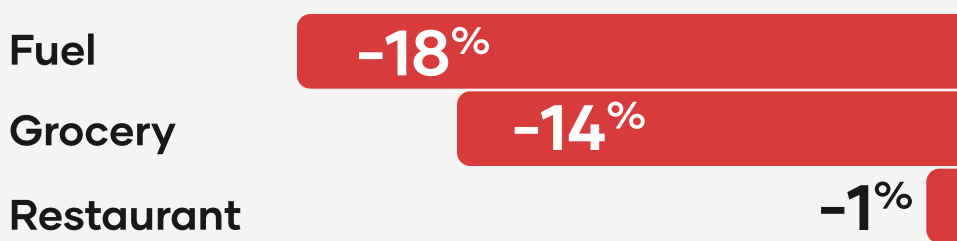
# Lower-income households

Extreme price sensitivity, with pessimism about the bigger picture

As we alluded to above, lower-income households are reporting that they're trying to cut back in every retail category. Compare their self-reported spending changes to their higher-income peers below. Self-reported spending is down in all three categories.

## Lower earners say they're pulling back amid economic uncertainty

Change in self-reported spending from 2024 to 2025



Source: Upside survey responses from 3,515 consumers, conducted across two waves in 2024 and 2025.



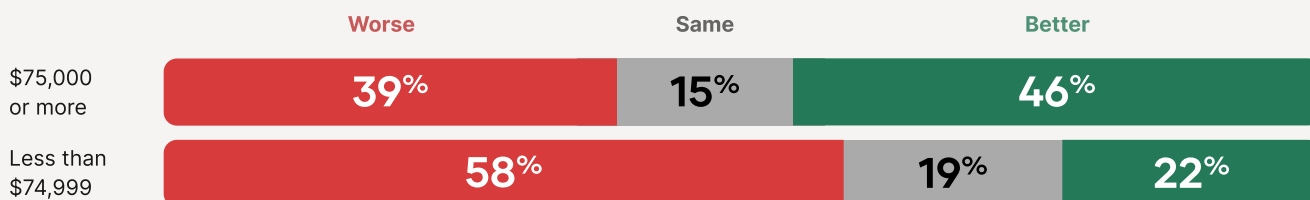
What can we make of these self-reported decreases? Restaurants fall into the category of discretionary spend — purchases from these businesses might be considered ones that consumers could go without. When people start cutting, you'd expect these categories to be first on the chopping block.

Grocery and fuel, meanwhile, are two categories considered non-discretionary spend for many Americans. Yet even so, lower-income consumers reported cutting back there, as well. Cutting discretionary spending makes sense, but cutting essentials is more serious and telling. Consumers from this subgroup told us they sometimes buy less food or drive less often in order to save — considerable sacrifices so that they can provide for their households.

Once again, we see a relationship between economic optimism and spending behavior — just in the opposite direction. Whereas higher-income consumers have better economic perceptions influencing their behavior, their lower-income counterparts are more pessimistic. Overall, we see that lower-income consumers are far more likely to say the economy is not getting better — by a gap of nearly 25 percentage points.

## Economic optimism increases with household income

"What is your outlook on the state of the U.S. economy compared to a year ago?"



Source: Upside survey responses from 3,515 consumers, conducted across two waves in 2024 and 2025.



From here, we can connect the dots and figure out what lower-income consumers consider the most important decision-making criteria.

## How do lower-income consumers choose where to transact in each category?

Grocery	Restaurant	Fuel
<ol style="list-style-type: none"><li>1 Lowest prices</li><li>2 Discounts / coupons</li><li>3 Items I need are in-stock</li></ol>	<ol style="list-style-type: none"><li>1 Lower prices</li><li>2 Food tastes better</li><li>3 Discounts / coupons</li></ol>	<ol style="list-style-type: none"><li>1 Lower prices</li><li>2 More convenient location</li><li>3 Trustworthy brand name</li></ol>



In all four of our key retail categories, they say low prices are paramount. That sets them apart from higher earners, who listed other factors as most important in two of three categories. Though retailers in all categories make tremendous investments to differentiate their brand, those initiatives don't motivate a lower-income consumer to visit. Retailers have to find a different way from brand to win this type of consumer.

**The only instance where higher earners agreed on the importance of low prices was in fuel — in fact, the two subgroups had identical top-three rankings.**

And this actually makes plenty of sense. For many Americans, gas is a commodity with few differentiating factors from brand to brand or station to station.

# Two ways households make buying decisions

So what can retailers take from this data?

Ultimately, households are thinking about their retail purchases in two different ways. Higher-income households tend to optimize spend, trading up selectively but seeking out value in their daily purchases. Lower-income households tend to preserve cash flow, reducing trips and relying on promotions to manage budgets.

Both groups remain value-seeking, but the mechanisms and objectives differ. Price plays a different role for each group. For high-income shoppers, it's one of several factors. For lower-income shoppers, it acts as the primary gatekeeper.

	<b>Optimize the experience</b> More common in higher-income households	<b>Minimize the risk</b> More common in lower-income households
<b>Their big question</b>	<b>Is it worth it?</b>	<b>Can I afford this?</b>
<b>Key behaviors</b>	Selectively trading up, joining many loyalty programs	Finding the lowest prices and best deals when they shop
<b>Retail risk, if treated the same</b>	Unnecessary blanket discounting that erodes margin	Fewer trips if savings aren't obvious and easy to understand

# The implications of the income divide

Stable demand can hide real differences in how consumers are responding to price and value.

**When those differences widen, planning around the “average” becomes less dependable.**

Many retailers try to address this by segmenting promotions or targeting offers to broad groups of customers. But when shoppers are responding to value in fundamentally different ways, even those strategies can miss the mark.

- For higher-income households, deeper discounts may reduce margin without changing where they shop.
- For lower-income households, insufficient savings can determine whether a trip happens at all.

As these patterns continue, retailers need to distinguish between offers that bring shoppers in and those that simply lower the price of purchases that would have happened anyway.

In a market where demand is uneven, the ability to influence even small shifts in trip behavior becomes increasingly important.

What remains true about all customers, though, is the desire for value — the sense that they’re paying a fair price for their transaction. Personalizing to the individual shopper, one-to-one, gives retailers the ability to create everyday value for any kind of customer in a profitable, additive way.

# About Upside

Upside is a digital marketplace that helps brick-and-mortar retailers reach 35+ million consumers nationwide. Through our personalized promotions, retailers can influence where customers choose to shop, redirecting more trips and spend to their stores. These targeted, one-to-one offers help retailers create meaningful value for different types of shoppers while maintaining profitable growth. For more information, get in touch with our team of retail experts.

[Get in touch](#)