Fast Food's Complicated History with Lower-Income Consumers

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Companies walk a tightrope when targeting just about any demographic group, but it's especially pronounced in the low-income bracket.

It's hard to discuss the relationship between fast food and low-income consumers without raising eyebrows and, in some cases, inviting controversy. After all, policymakers and health researchers routinely point to legacy chains as key contributors to rising obesity rates and poor health among less-affluent Americans. In recent years, legislation has even gone so far as banning trans fats and leveraging taxes on unhealthy items like soda.

Rather than waiting for additional regulations, restaurants (especially the often derided quick-serve giants) have a rare opportunity to evolve in step with these consumers.

Who are they?

As with all population data, the parameters for low-income households vary over time and by source. In 2017, the U.S. census set the poverty line at $25,000 for a family of four, representing some 39.7 million individuals (or 12.3 percent of the total population).

Younger Americans were more likely to be living in poverty, including 17.5 percent of children under 18; 11.2 percent ages 18–64; and 9.2 percent of those 65 years and older.

African Americans comprised 21 percent of the population living below the poverty line, compared with 18.3 percent of Hispanic Americans, 10 percent of Asian Americans, and 8.7 percent non-Hispanic whites. 2017 was the third consecutive year of declining poverty rates, with only one group—bachelor's degree holders—experiencing an increase in the number of individuals living below the line.

Fast food first

Given extreme budgetary constraints, low-income consumers do not frequent restaurants as often as their higher-earning counterparts. Only about a quarter of the former eat out once a week or more, compared with 41 percent of those with mid to high incomes, according to the Hartman Group. (Note: Hartman Group defines "low income" as households earning less than $35,000 per year, which is higher than the federal poverty line.)

When Americans in this earnings bracket dine away from home, they seek out less expensive options, making traditional, value-driven quick service an ideal destination. Per Hartman, 77 percent have visited a fast-food establishment in the last three months, but that amount drops for other dining formats. The second-most frequented segment is casual restaurants such as Applebee's (39 percent) followed by coffee shops at 31 percent and fast casual at 30 percent.

Healthy aspirations

The data suggests that fast casuals could curry favor with lower-income patrons if they leaned into value options, although balancing price and quality remains a challenge. Instead, it's fast food that can most impact these consumers—and ensure their continued business—so long as companies don't rest on their laurels. Like all income groups, financially strapped Americans do care about health and nutrition, but they are often luxuries they cannot afford.

A survey by the Hartman Group revealed that more than half (57 percent) of low-income consumers would buy more and/or better-quality food if they had an extra $100 each month. It's significantly more than mid- and high-income consumers, of whom only 39 percent would spend the extra money on better food. As things stand, however, nearly three-quarters of low-income Americans reported that they strived to reduce unnecessary food and beverage purchases over the past month.

Similarly, customer sentiment around nutritional information appears proportional to income. Kantar found that 31 percent of Americans below the poverty line like it when limited-service restaurants include nutritional facts on their menu; that average jumps to 38 percent when incomes above $35,000 are included.

Genuine connections

Companies walk a tightrope when targeting just about any demographic group, but it's especially pronounced in the low-income bracket, where marketing could be construed as exploitative. Even when restaurants take the right steps (offering affordable, wholesome food; hiring within the local community) they can still come up short. Case in point: Roy Choi's Locol was billed as the antidote to traditional fast food, but the concept folded within two years.

Nevertheless, the needle is moving. Major chains like McDonald's are sourcing less processed ingredients, while Taco Bell and Burger King are leaning into vegetarian options. Upstarts like Everytable are rethinking foodservice's relationship—and responsibility—to Americans near the poverty line. The Los Angeles concept adjusts its prices to ensure those of limited financial means can still enjoy its healthy menu of salads, hot plates, and bowls.