

# About the Data in Who's Buying by Age

## Introduction

The spending data in *Who's Buying by Age* are based on the Bureau of Labor Statistics' Consumer Expenditure Survey, an ongoing, nationwide survey of household spending. The Consumer Expenditure Survey is a complete accounting of household expenditures. It includes everything from big-ticket items such as homes and cars, to small purchases like laundry detergent and videos. The survey does not include expenditures by government, businesses, or institutions. The lag time between data collection and dissemination is about two years. The data in this report are from the 2007 Consumer Expenditure Survey, unless otherwise noted. For more about the methodology behind the Consumer Expenditure Survey, see Appendix A.

To produce this report, New Strategist Publications analyzed the Consumer Expenditure Survey's household spending data by age. Here you will find detailed annual, quarterly, and weekly spending data for the major product and service categories: Alcoholic Beverages; Apparel; Entertainment; Financial Products and Services; Gifts for People in Other Households; Groceries; Health Care; Housing: Household Operations; Housing: Shelter and Utilities; Personal Care, Reading, Education, and Tobacco; Restaurant Meals and Other Food Away from Home; and Transportation.

On the following pages you will see three types of tables: annual spending, quarterly spending, and weekly spending. Each type of table provides insights into consumer spending patterns and how they differ by age.

## Annual spending

The Consumer Expenditure Survey consists of two separate surveys, a diary survey and an interview survey. In the diary survey, a representative sample of households records the purchases of smaller, less expensive items (such as food and shampoo) for a two-week period. In the interview survey, government surveyors ask a different representative sample of households about their expenditures on less frequently purchased items (such as refrigerators and property insurance) over the past three months. Bureau of Labor Statistics statisticians integrate the results of the diary and interview surveys to produce the annual average spending figures. (Note: The Consumer Expenditure Survey uses consumer unit rather than household as the sampling unit. The term household is used interchangeably with the term consumer unit in this report for convenience, although they are not exactly the same. For the definitions, see Appendix A.)

New Strategist's editors use the Consumer Expenditure Survey's average annual spending data to calculate the indexes, aggregates, and market shares shown in this report. The indexed annual spending tables reveal whether households in a given segment spend more or less than the average household on an item and by how much. The total (or aggregate) annual spending tables show the overall size of the household market for each item. The market share tables reveal how much spending on an item each household segment controls. These analyses are described in detail below.

• **Average Annual Spending** These tables show the average annual spending of households in 2007. The Consumer Expenditure Survey produces average annual spending data for all households in a segment, e.g., all households with a householder aged 25 to 34, not just for those who purchased the item. When examining annual spending data, it is important to remember that by including both purchasers and nonpurchasers in the calculation, the average is less than the amount spent on the item

by buyers. (To see the percentage of households that purchased an item and how much purchasers spent, see the quarterly or weekly spending tables in each chapter.)

Because average spending figures include both buyers and nonbuyers, they reveal spending patterns by demographic characteristic. By knowing who is most likely to spend on an item, marketers can target their advertising and promotions more efficiently and businesses can determine the market potential of a product or service in a city or neighborhood. By multiplying the average amount householders under age 35 spend on fast-food breakfasts in a local area, for example, a restaurant chain can determine the importance of young adults to its market and determine how best to reach them with promotional offers.

• **Indexed Annual Spending (Best Customers)** The indexed annual spending figures compare the spending of each household segment with that of the average household. To compute the indexes, New Strategist divides the average annual amount a household segment spends on an item by average household spending and multiplies the resulting figure by 100.

An index of 100 represents the average for all households. An index of 125 means the spending of a household segment is 25 percent above average (100 plus 25). An index of 75 indicates spending that is 25 percent below the average (100 minus 25). Indexed spending figures identify the best customers for a product or service and can reveal hidden markets—household segments with a high propensity to buy a particular product or service but which are overshadowed by other segments that account for a larger share of the market. For example, householders aged 65 to 74 control 20 percent of spending on ship fares, a smaller share than the 23 percent controlled by householders aged 45 to 54. But the spending index shows that the older householders are the better customers, spending 99 percent more than the average household on ship fares (with an index of 199), while householders aged 45 to 54 spend only 11 percent more (with an index of 111).

Note that because of sampling errors, small differences in index values may be insignificant. But the broader patterns revealed by indexes can guide marketers to the best customers.

• **Total (Aggregate) Annual Spending** To produce the total (aggregate) spending figures, New Strategist multiplies average spending by the number of households in a segment. The result is the dollar size of the total household market and of each market segment. All totals are shown in thousands of dollars. To convert the numbers in the total spending tables to dollars, you must append 000 to the number. For example, households headed by people aged 35 to 44 spent approximately \$2.5 billion (\$2,455,870,000) on ready-to-eat cereals in 2007.

When comparing the total spending figures in this report with total spending estimates from the Bureau of Economic Analysis, other government agencies, or trade associations, keep in mind that the Consumer Expenditure Survey includes only household spending, not spending by businesses or institutions. Sales data also differ from household spending totals because sales figures for consumer products include the value of goods sold to industries, government, and foreign markets, which may be a significant proportion of sales.

• **Market Shares (Biggest Customers)** New Strategist produces market share figures by converting total (aggregate) spending data into percentages. To calculate the percentage of total spending on an item that is controlled by an age group—i.e., its market share—each segment's total spending on the item is divided by aggregate household spending on the item.

Market shares reveal the biggest customers—the demographic segments that account for the largest share of spending on a particular product or service. Householders aged 55 or older, for ex-

ample, control 58 percent of annual household spending on newspaper and magazine subscriptions. This stunning fact should not only help publishers sell advertising, but also alert them to the need to target younger householders or become increasingly irrelevant.

### **Quarterly spending**

The quarterly spending tables come from the interview portion of the Consumer Expenditure Survey, in which government interviewers ask respondents whether they bought big-ticket or less frequently purchased items over the past three months. Two types of quarterly spending tables are presented in this report—the percentage of households that bought a particular item and the amount purchasers spent.

- **Percent Purchasing during Quarter** These tables show the percentage of households that bought an item during the average quarter of 2007 by age. The percent purchasing tables give researchers an indication of how commonly items are purchased. For example, 1 percent of households headed by 45-to-54-year-olds purchased new cars during the average quarter of 2007, and 11 percent purchased airline tickets.

- **Amount Spent during Quarter** These tables, calculated by New Strategist, show how much households that bought an item during the average quarter spent on the item during the quarter. The 1 percent of householders aged 45 to 54 who purchased new cars during the average quarter of 2007, for example, spent an average of \$21,243 on them during the quarter. (Note: The entire cost of an item is included in the purchase amount, whether it is financed or not.) While it is likely that these households purchased only one new car during the quarter, this is not necessarily true for all items in the interview survey. The 11 percent of householders aged 45 to 54 who purchased airline fares during the average quarter of 2007, for example, spent an average of \$978 on the tickets. Some of these purchasers bought more than one airline ticket.

### **Weekly spending**

The weekly spending tables come from the diary portion of the Consumer Expenditure Survey, which asks respondents to record their purchases of smaller items over a two-week period of time. Two types of weekly spending tables are presented in this report, one showing the percentage of households that bought an item and the other showing the amount purchasers spent.

- **Percent Purchasing during Week** These tables show the percentage of households that purchased an item during the average week of 2007 by age of householder. The percent purchasing tables give researchers an indication of how commonly items are purchased. For example, 48 percent of households headed by 25-to-34-year-olds purchased lunches at fast-food restaurants during the average week of 2007, but only 21 percent purchased lunches at full-service restaurants.

- **Amount Spent during Week** These tables, calculated by New Strategist, show how much the households that purchased an item during the average week spent on the item during the week. The 48 percent of householders aged 25 to 34 who purchased fast-food lunches, for example, spent an average of \$18.48 on them. Note that this is not the amount they spent on one fast-food lunch, but how much the household spent on all fast-food lunches during the week. The 21 percent of householders aged 25 to 34 who purchased full-service lunches during the average week of 2007 spent an average of \$27.57 on them.

**For more information**

To find out more about the Consumer Expenditure Survey, contact the specialists at the Bureau of Labor Statistics at (202) 691-6900, or visit the Consumer Expenditure Survey home page at <http://www.bls.gov/cex/>. The web site includes news releases, technical documentation, and current and historical summary-level data. The detailed spending data shown in most of the tables of this report are available from the Bureau of Labor Statistics only by special request.

For a comprehensive look at detailed household spending patterns by household type, race and Hispanic origin, income, region of residence, and education, see the 14th edition of *Household Spending: Who Spends How Much on What* available from New Strategist Publications.

For detailed household spending data by single product category, see New Strategist's *Who's Buying* series of reports. These reports examine spending patterns by demographic characteristics for the categories Alcoholic and Nonalcoholic Beverages, Apparel, Entertainment, Groceries, Health Care, Household Furnishings, Information and Consumer Electronics, Pets, Restaurants, Transportation, and Travel.

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