

About the Data in *Who's Buying by Race and Hispanic Origin*

The spending data in *Who's Buying by Race and Hispanic Origin* 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, business, 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.

To produce this report, New Strategist Publications analyzed the Consumer Expenditure Survey's household spending data by race and Hispanic origin, calculating household spending indexes, aggregate (or total) household spending, and market shares. This report presents detailed spending data by race and Hispanic origin for the 10 major product and service categories: Apparel; Entertainment; Financial Products and Services; Food and Alcoholic Beverages; Gifts for People in Other Households; Health Care; Housing: Household Operations; Housing: Shelter; Personal Care, Reading, Education, and Tobacco; and Transportation.

Race and Hispanic origin definitions

When examining the data in *Who's Buying by Race and Hispanic Origin*, keep in mind the definitions of the race and Hispanic origin categories used in the Consumer Expenditure Survey. Asians include both Hispanics and non-Hispanics who identify themselves as being Asian alone and no other race. Blacks include both Hispanics and non-Hispanics who identify themselves as being black alone and no other race. Hispanics include people of any race (they could be Asian, black, or white) who identify themselves as Hispanic. The Non-Hispanic white and other group includes people who identify themselves as non-Hispanic *and* white and/or any other race except black. Thus, the non-Hispanic white and other group includes Alaska Natives, American Indians, Asians (who are also counted in the Asian column), Native Hawaiians and other Pacific Islanders, and the multiracial. Because of these overlapping definitions, numbers by race and Hispanic origin do not sum to the total in the Total Spending and Market Share tables of this report. Asians are counted twice (in the Asian group and in the Non-Hispanic white and other group). Hispanic blacks are counted twice (in the Black group and in the Hispanic group). Hispanic Asians are counted twice (in the Asian group and in the Hispanic group). Despite these overlaps, the Consumer Expenditure Survey's race and Hispanic origin categories succeed in revealing the unique spending patterns of Asians, blacks, Hispanics, and non-Hispanic whites.

How to use the tables in this report

The starting point for all calculations in this report are the unpublished, detailed average household spending data collected by the Consumer Expenditure Survey. (Note: The Consumer Expenditure Survey uses the consumer unit rather than the household as the sampling unit. This report uses household interchangeably with consumer unit for convenience, although they are not exactly the same. For the definitions, see Appendix A.) The Consumer Expenditure Survey's average spending data are shown in this report's average spending tables. New Strategist's editors calculated the figures in the other tables of this report based on the average figures. The indexed spending tables reveal whether households in a given segment spend more or less than the average household and by how

much. The total (or aggregate) spending tables show the overall size of the household market. The market share tables reveal how much spending each household segment controls. These analyses are described in detail below.

- **Average Spending** The average spending figures show the average annual spending of households in 2007. The Consumer Expenditure Survey produces average spending data for all households in a segment, e.g., all households with a black householder, not just for those that purchased an item. When examining 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. (See Appendix C for the percentage of households spending on products and services in 2007 and how much purchasers spent.)

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 Hispanics spend on groceries by the number of Hispanic households in a local area, for example, a supermarket chain can determine the importance of Hispanics to its market and how much to emphasize the foods preferred by Hispanics in its advertising.

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

An index of 100 is 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 for all households (100 minus 25). Indexed spending figures identify the best customers for a product or service. Asian households spend 26 percent more than the average household on full-service restaurant lunches (with an index of 126), for example, indicating their status as a strong market for this service. In contrast, black households spend 48 percent less than average on full-service restaurant lunches (with an index of 52), indicating their status as a weak or underserved market.

Spending indexes 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. Indexes are a particularly important tool when examining minority markets. Because Asians, blacks, and Hispanics account for a relatively small proportion of the U.S. population, the non-Hispanic white share of the market will almost always surpass the minority share. Spending indexes overcome this problem by revealing the household segments with a high propensity to buy a product or service. Black households, for example, control 20 percent of the girls' footwear market, although the black population accounts for just 12 percent of the nation's households. Consequently the spending index shows that blacks are more likely to spend on girls' footwear than any other racial or ethnic group. The average black household devotes 71 percent more than the average household to shoes for girls. This kind of information should be of vital importance to the footwear industry, keeping it focused not just on its biggest customers but also its best customers.

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) 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 Hispanics spent over \$2 billion (\$2,408,471,000) on laundry and cleaning supplies 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 can 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 each racial and ethnic group—i.e., its market share—each segment's total spending on an 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. This report examines the spending of minorities, but naturally minority market shares are relatively small. For many products and services, however, Asians, blacks, and Hispanics account for a disproportionate share of the market. The three groups together (with some overlap, because Hispanics may be of any race) account for a substantial share of household spending on many products and services. With competition for customers more heated than ever, and with minority populations growing rapidly, business prosperity increasingly depends on successfully targeting Asian, black, and Hispanic consumers.

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 average spending data shown in this report are available from the Bureau of Labor Statistics only by special request.

For a comprehensive look at detailed household spending data for other demographic characteristics such as age, income, and household type, see the 14th edition of *Household Spending: Who Spends How Much on What*. New Strategist's books are available in hardcopy or as downloads with links to the Excel version of each table. Find out more by visiting <http://www.newstrategist.com> or by calling 1-800-848-0842.