

About the Data in *Who's Buying: Executive Summary of Household Spending*

Introduction

Welcome to the 10th edition of *Who's Buying: Executive Summary of Household Spending*. This report presents a broad overview of household spending in the year 2013. With this report in hand, students and researchers can gain important insights into consumer spending patterns and how those patterns differ by age, race, Hispanic origin, household type, region of residence, and other demographic characteristics.

Consumer spending is the result of a complex mix of wants and needs, hopes and fears. This mix determines the success of individual businesses and the health of our economy. Knowing how consumers spend their dollars is key to understanding where our economy is headed. *Who's Buying: Executive Summary of Household Spending* is for those who want to know the big picture of who does what with their money.

Who's Buying: Executive Summary of Household Spending is based on data collected by the Bureau of Labor Statistics' Consumer Expenditure Survey, an ongoing, nationwide survey of household spending. This report presents the average spending figures collected and published by the Bureau of Labor Statistics. It also presents indexed spending figures, showing at a glance which households spend the most on products and services. This report analyzes spending for the following demographic segments: age of householder, household income, high-income households, age by income, household type, single-person consumer units by age, region of residence, age by region of residence, region of residence by income, metropolitan area, race and Hispanic origin of householder, highest level of education of any household member, household size, housing tenure, number of earners in the household, and occupation of householder.

The Bureau of Labor Statistics' 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 videogames. The survey does not include expenditures by government, business, or institutions. Most of the data in this book are from the 2013 Consumer Expenditure Survey. The spending trend data in tables 1 through 27 are from the 2000, 2006, 2010, and 2013 Consumer Expenditure Surveys. For more information about the Consumer Expenditure Survey, see the appendix at the end of this report.

The data in *Who's Buying: Executive Summary of Household Spending* reveal how American households allocate their spending. The starting point for all calculations are the average household spending data collected by the Consumer Expenditure Survey. These are shown in the average spending tables. New Strategist's statisticians produced the indexed spending tables based on the average figures. The indexed spending tables reveal whether households in a given segment spend more or less than the average household (or the average household in that segment), and by how much. These two types of tables are described below.

- **Average Spending Tables.** The average spending tables show the average annual spending of households on each major product and service category in 2013. The Consumer Expenditure Survey produces average 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 an item. When reviewing the spending data, it is important to remember that by including both purchasers and nonpurchasers in the calculation, the average is diluted—especially for infrequently purchased items. For universally purchased items, such as food, the average spending figures give a fairly accurate account of actual spending. But for infrequently purchased items, such as new cars and trucks, the average spending figures are less revealing than the indexes.

Average spending figures are useful for determining the market potential of a product or service in a local area. By multiplying the average amount households in Dallas spend on women's clothing, for example, businesses can estimate the size of the women's clothing market in Dallas. The Dallas media could show those figures to potential advertisers as evidence of the local demand for women's clothes.

Note that because of sampling errors, average values can vary—especially for infrequently purchased items. To examine the standard errors for these data, visit <http://www.bls.gov/cex/csxcmbined.htm>.

- **Indexed Spending Tables.** The indexed spending tables compare the spending of each household segment with that of the average household. To compute the indexes, New Strategist's statisticians divide the average amount each household segment spends on a particular category by how much the average household spends on the category and multiply 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 category. Households with an index of 177 for furniture, for example, are a strong market for that product. They spend 77 percent more than the average household on furniture. Those with an index below 100 are either a weak or an underserved market.

Spending indexes reveal the household segments with a high propensity to buy a particular product or service. Householders aged 65 to 74, for example, spend 43 percent more than the average household on reading material. This is a higher index than that of any other age group, which makes householders aged 65 to 74 the best customers for reading material. Married couples with school-aged children spend 60 percent more than the average household on milk, which makes them the best customers of this category. Researchers can use the indexed spending tables to target their best customers. Note that because of sampling errors, small differences in index values are usually insignificant. But the broader patterns revealed by indexes can guide researchers to their best customers.

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/ce/>. The web site includes news releases, technical documentation, and current and historical summary-level survey data.

For a comprehensive look at detailed household spending data for all products and services, see the 20th edition of *Household Spending: Who Spends How Much on What*. Each of New Strategist's books is available in hardcopy or as a download 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.