

Introduction

Welcome to the 3rd edition of *Who's Buying: Executive Summary of Household Spending*. This report presents a broad overview of household spending in the year 2005. With this report in hand, students and researchers can gain important insights into consumer spending patterns and how those patterns differ by age, race, household type, region, and other significant 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 the 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 (BLS). 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, region, region by income, metropolitan area, race and Hispanic origin of householder, educational attainment of householder, household size, housing tenure, earners in the household, and occupation of householder.

The Bureau of Labor Statistics' Consumer Expenditure Survey is a complete accounting of household expenditures, including 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 publication is about two years. The data in this book are from the 2005 Consumer Expenditure Survey, unless otherwise noted. For more 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 is the average household spending data collected by the Consumer Expenditure Survey. These are shown in the average spending tables. The indexed spending tables were produced by New Strategist's statisticians and are based on the average figures. The indexed spending tables reveal whether households in a given segment spend more or less than the average for all households (or for all households 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 2005. The Consumer Expenditure Survey produces average spending data for all households in a segment; i.e., 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, visit: <http://www.bls.gov/cex/csxstnderror.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, multiplying 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 55 to 64, for example, spend 33 percent more than the average household on reading material. This is a higher index than that of any other age group, making householders aged 55 to 64 the best customers of these products. Married couples with children at home spend 55 percent more than the average household on cereal, making 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 usually are not significant. But the broader patterns revealed by indexes can guide researchers to the best customers.

For more information

To find out more about the Consumer Expenditure Survey, contact the CEX 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 CEX web site includes news releases, technical documentation, and current and historical summary-level CEX data.

For a comprehensive look at detailed household spending data for all products and services, see the 12th edition of *Household Spending: Who Spends How Much on What*. Each of Strategist's books is available in hardcopy or as pdf downloads by visiting <http://www.newstrategist.com> or by calling 1-800-848-0842.