

# Methodology Statement: 2013 Esri US Consumer Spending Data

An Esri® White Paper  
August 2013



Copyright © 2013 Esri  
All rights reserved.  
Printed in the United States of America.

The information contained in this document is the exclusive property of Esri. This work is protected under United States copyright law and other international copyright treaties and conventions. No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, except as expressly permitted in writing by Esri. All requests should be sent to Attention: Contracts and Legal Services Manager, Esri, 380 New York Street, Redlands, CA 92373-8100 USA.

The information contained in this document is subject to change without notice.

Esri, the Esri globe logo, Tapestry, [esri.com](http://esri.com), and @esri.com are trademarks, service marks, or registered marks of Esri in the United States, the European Community, or certain other jurisdictions. Other companies and products or services mentioned herein may be trademarks, service marks, or registered marks of their respective mark owners.

---

# Methodology Statement: 2013 Esri US Consumer Spending Data

## An Esri White Paper

Contents	Page
Introduction.....	1
Consumer Spending Trends.....	2
Esri's Data Development Team.....	3

# Methodology Statement: 2013 Esri US Consumer Spending Data

## Introduction

Esri has combined the latest Consumer Expenditure Surveys (CEX), 2010–2011, from the Bureau of Labor Statistics (BLS) to estimate current spending patterns. The continuing surveys include a Diary Survey for daily purchases and an Interview Survey for general purchases. The Diary Survey represents record keeping by consumer units for two consecutive weeklong periods. This component of the CEX collects data on small, daily purchases that could be overlooked by the quarterly Interview Survey. The Interview Survey collects expenditure data from consumers in five interviews conducted every three months. Esri integrates data from both surveys to provide a comprehensive database on all consumer expenditures. To compensate for the relatively small CEX survey bases and the variability of single-year data, expenditures are averaged from the 2010 and 2011 surveys.

Esri has updated the models used to estimate consumer spending with its 2013 demographic updates and its market segmentation system, Tapestry™ Segmentation. The model that links the spending of consumer units in CEX surveys to all households with similar socioeconomic characteristics is a conditional probability model that integrates consumer spending with Tapestry to differentiate consumer spending by market. The distinction is effective among the smallest US market areas, where differences in consumer spending can be difficult to measure, and for the largest ticket items, where consumer preferences are more pronounced.

Direct comparison with previous CEX databases is affected not only by changes in consumer spending but also by changes in the data. Esri's 2013 demographic updates and Tapestry markets employ a Census 2010 base and sample data from the 2006–2010 and 2007–2011 American Community Surveys (ACS). The changes introduced with Census 2010, including the replacement of census sample data with ACS data, also influence differences from earlier updates.

Spending patterns are developed by Tapestry markets and updated to 2013 by adjusting to current levels of income. Expenditures represent the 2013 annual averages and totals. Data is reported by product or service and includes total expenditures, average spending per household, and a Spending Potential Index (SPI). Because the average expenditure reflects the average amount spent per household, total expenditure represents the aggregate amount spent by all households in an area. The SPI compares the average expenditure for a product locally to the average amount spent nationally. An index of 100 is average. An SPI of 120 shows that average spending by local consumers is 20 percent above the national average.

## Consumer Spending Trends

Since 1980, the CEX survey program has provided the data to study consumer spending and its effect on the gross national product. Nationally, the data is also used to measure the effects of economic policy changes or to assess the welfare of populations such as the elderly or low-income families. For more than 30 years, Esri consumer spending estimates have provided the data to measure local demand for goods and services.

Consumer spending is all about choices—decisions that are influenced not only by market conditions but also by trends. In periods of economic boom, consumer trends feature opportunity and convenience; in times of economic trouble, spending patterns shift to accommodate economic reality.

Consumer spending continues to reflect the personal effects of the Great Recession and the slow pace of recovery. Just how much do these macrolevel forces affect the individual household? Homeownership peaked in 2007 at 68 percent, along with interest rates. Then foreclosures increased, and home values dropped. The rate of homeownership is still declining, to 62.3 percent in 2013—slightly below the 1990 rate of 62.5 percent. Consumer confidence has also declined.

According to the Consumer Confidence Index (CCI) from The Conference Board, consumer confidence dropped from 110 in January 2007 to a low of 25 in February 2009. Consumer confidence has gradually recovered to 81.4 in June 2013, but it remains well below the average of 93.7 since its inception. How important is consumer confidence in the economic outlook? Two-thirds of the national economy is driven by consumer spending, and the CCI measures consumers' optimism about the state of the economy. The CCI is a key economic indicator. Until the CCI reaches 90, a level of economic stability, households will watch their budgets closely. One thing is clear; this recession has changed us all.

Average budget expenditures are still down, -0.3 percent annually, from the prerecession level of spending in 2007. However, recent growth has improved the overall rate from -2.3 percent each year *during* the Great Recession. Similarly, lower spending on retail goods persists, but recent growth has improved the rate from a drop of more than 4 percent a year during the recession to an average decrease of -1.6 percent during recovery. An increase in household income in 2013 has helped to stanch the overall drop in consumer spending—and retailers' red ink. Consumers remain thrifty in their choices.

Food budgets have increased slightly, 3 percent, since 2007, but consumers' selections reveal caution, less expensive cuts of meat, canned tuna in lieu of fresh fish, or instant over roasted coffee. Households are still spending less on eating out; savings are gained from packing breakfast, lunch, and snacks. However, spending on dining out for dinner has increased, but only at fast food services.

Spending on basic shelter continues to increase, especially rent payments. Although increases in mortgage payments and property taxes have ensured that spending on owner-occupied housing continues to rise, households have cut spending on home improvement and maintenance. Major remodeling projects remain on the shelf, but spending on major appliances and household furnishings has increased in the past year. Although current spending on home furnishings does not equal the amounts spent prior to the recession, the change has been positive in the past year.

J9945

Like the individual household, businesses and government are taking every measure they can to balance their budgets. Unfortunately, much of the burden falls on the consumer through price and tax hikes. Spending on electricity, water, and public services continued to increase in the last year. Customers continue to drop their residential telephone service and rely only on mobile services. However, with the technological gains in cellular phones, and the popularity of smartphones in particular, the question is whether the household is saving money or not.

Technology appeals to consumers that continue to opt for in-home entertainment, too. Spending for cable or satellite service and streaming/downloading video or audio continues to increase, while expenditure on televisions and video and audio equipment is recovering. Expenditure on toys and playground equipment is increasing, but the real growth has been in online gaming. Naturally, expenditures on luxury items like recreational vehicles and boats are minimized.

Consumer spending has increased in the past year, slowly and selectively. However, savings are also increasing, from personal savings accounts to retirement plans. The effects of the recession remain evident in consumer expenditures.

### **Esri's Data Development Team**

Led by chief demographer Lynn Wombold, Esri's data development team has a 35-year history of excellence in market intelligence. The combined expertise of the team's economists, statisticians, demographers, geographers, and analysts totals nearly a century of data and segmentation development experience. The team develops datasets, including the demographic update, Tapestry Segmentation, Consumer Spending, Market Potential, and Retail MarketPlace, that are now industry benchmarks.

For more information about the Consumer Spending data, call 1-800-447-9778.



Esri inspires and enables people to positively impact their future through a deeper, geographic understanding of the changing world around them.

Governments, industry leaders, academics, and nongovernmental organizations trust us to connect them with the analytic knowledge they need to make the critical decisions that shape the planet. For more than 40 years, Esri has cultivated collaborative relationships with partners who share our commitment to solving earth's most pressing challenges with geographic expertise and rational resolve. Today, we believe that geography is at the heart of a more resilient and sustainable future. Creating responsible products and solutions drives our passion for improving quality of life everywhere.



## Contact Esri

380 New York Street  
Redlands, California 92373-8100 USA

1 800 447 9778  
T 909 793 2853  
F 909 793 5953  
info@esri.com  
[esri.com](http://esri.com)

Offices worldwide  
[esri.com/locations](http://esri.com/locations)