

Esri Consumer Spending Methodology 2015

An Esri® White Paper
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Introduction

Esri has combined the latest Consumer Expenditure Surveys (CEX), 2011–2012, 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 2011 and 2012 surveys.

Esri has updated the models used to estimate consumer spending with its 2015 demographic updates and the next generation of 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. In 2014, Esri released a new Tapestry system that expanded the number of consumer markets from 65 to 67, incorporating new markets and current profiles of stable markets. Models have been recalibrated to reflect the new Tapestry markets and updated with Esri's 2015 demographic estimates.

Spending patterns are developed by Tapestry markets and updated to 2015 by adjusting to current levels of income. Expenditures represent the 2015 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.

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 Trends

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 uncertainty, spending patterns shift to accommodate economic reality.

Consumer spending continues to reflect both economic change—a challenging job market and limited wage growth—and demographic change. The youngest householders are Millennials, who are opting for rentals, not real estate. The oldest householders now include Baby Boomers (aged 51 to 69 years in 2015), who are looking to downsize and retire. Just how much do these macro level forces affect the individual household?

Spending on rental housing continues to increase (2.5 percent in the past two years), while spending on owned dwellings declined slightly. Spending on most utilities also decreased, with the exception of water and cellular phone service. Spending on residential landlines continues to decline, as consumers progressively rely exclusively on cell phones. Spending on furniture is still increasing, by 3.6 percent, but spending on major appliances is down by 1.3 percent.

Food budgets increased slightly, by less than 2 percent. Dining out is increasing, but preparing meals at home is increasing a bit faster. Budgeting is still evident in consumers' choices—more poultry and eggs, less beef or prepared foods. Snack foods and coffee remain impervious to budget constraints. Discretionary spending is focused. Consumers are buying new vehicles, but trucks and vans are more popular than cars. Spending on used cars is still outpacing the purchase of new cars. New pressures on household budgets are evident from the aging of the population—elder home care, nursing homes, and escalating health care expenses.

Average budget expenditures have increased, at 1.8 percent in the past two years. However, spending on retail goods has slipped to an annual average of 2.8 percent in the past two years. Consumer spending is increasing, but slowly and selectively. Personal savings also continue to increase. The side effects of a weakened economy remain evident in consumer expenditures. Consumers remain thrifty in their choices.

Esri's Data Development Team

Led by chief demographer Lynn Wombold, Esri's data development team has a history of more than 35 years 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 annual demographic updates, Tapestry Segmentation, Consumer Spending, Market Potential, and Retail MarketPlace, which are now industry benchmarks.

For more information about 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.



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