



Methodology Statement: Consumer Expenditure Database

Copyright © 2008 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, Community, Tapestry, www.esri.com, and @esri.com are trademarks, registered trademarks, or service marks of ESRI in the United States, the European Community, or certain other jurisdictions. Other companies and products mentioned herein may be trademarks or registered trademarks of their respective trademark owners.

Methodology Statement: Consumer Expenditure Database

An ESRI White Paper

Contents	Page
Consumer Expenditure Database Methodology	1
Consumer Spending Trends	2
ESRI's Data Development Team	3

Methodology Statement: Consumer Expenditure Database

Consumer Expenditure Database Methodology

ESRI has combined the latest Consumer Expenditure Surveys (CEX), 2004–2005, 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 2004–2005 surveys.

Over the years, both the BLS and ESRI have updated their methods of collecting and estimating the consumer spending data. In 2004, the BLS introduced multiple imputation of income data to estimate data for missing records, and in 2001, the BLS revised the Interview Survey to collect income by using ranges in addition to discrete totals. The goal was to improve the accuracy of income reporting, but the changes also affect expenditures derived directly from income data such as Social Security deductions. Additionally, the values reported in the surveys vary for select data items due to coding and definition changes.

For example, items such as investments are commonly top coded to a select upper limit. Top coding replaces data when the value of the reported item exceeds prescribed critical values. The critical values for each top-coded variable are estimated in accordance with Census Disclosure Review Board guidelines. The top-coded value represents the mean of the subset of all outlying observations and, therefore, is subject to large changes from year to year. Any average, including average expenditures, can be influenced by the presence of extreme values. Therefore, when the top code is changed, the average also changes. The BLS may include other coding changes.

ESRI has updated the models used to estimate consumer spending with its market segmentation system, CommunityTM TapestryTM. 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 Community Tapestry. Community Tapestry truly differentiates consumer spending by market—especially among the smallest U.S. market areas, where distinctions can be difficult to measure, and for the largest ticket items, where consumer preferences are more pronounced. However, changes in the methods of estimating consumer spending, including changes in the methods of data collection, may preclude direct comparison with previous CEX databases.

Spending patterns are developed by Community Tapestry markets and updated to 2008 by adjusting to current levels of income. Expenditures represent the 2008 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 20 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 trouble, market conditions drive spending patterns. Current economic news is dominated by the downturn in the housing market and the rising costs of fuel and food. Homeownership is a form of savings and the only form of savings for retirement for many households. The market value of stocks, bonds, and mutual funds has also fallen. These factors, coupled with tight labor markets and higher costs of living, have eroded consumer confidence. Consumers are reprioritizing their budgets to meet their daily needs.

During the last decade, escalating home prices enabled easy access to home equity loans. Major home improvements and home services were popular. With increasing interest rates and tighter restrictions on credit, spending for home improvements is shifting away from service-oriented products to only the necessary do-it-yourself projects. Spending for housekeeping and landscaping services is down as is spending on noncritical home maintenance materials such as fencing and hardwood flooring. The savings do not stop at high-ticket items. To make ends meet, consumers are also curtailing spending on small appliances and housewares.

Explosive suburban growth has increased vehicle ownership as a necessity for many households. Though a depreciating asset, vehicles are the next big investment after a home and the next step in economizing. Average expenditures for both new and used vehicles are down as consumers elect to keep older vehicles or purchase more fuel-efficient cars instead of trucks or SUVs.

In today's high-tech marketplace, consumers are not willing to give up connectivity. They continue to sign up for cell phone, cable television, and Internet services. They stay abreast of technological improvements and make room in their budget for new-model televisions and MP3 players. After all, consumers are moving toward activities and entertainment at home. The high cost of transportation is cutting back on travel and outdoor activities. Spending for outdoor activities, such as water sports, camping, and recreational vehicles, is declining. Spending at movie theaters and on recreational lessons has declined. Those who choose to travel are restricting their entertainment budget by seeking value or free alternatives.

Convenience or luxury is no longer an option for many families. There is less room in the budget for child-care services. For many mothers, it is more economical to be a stay-at-home mom than to pay for expensive day care or preschool and the commute to work. Consumers are also economizing on personal care products and services by reducing the frequency of services and opting for price over quality.

Convenience still rules the kitchen. The most popular grocery items are frozen or prepared meals, prepared salads, and snack foods. However, an emphasis on healthier diets is also evident from decreased spending for select foods such as bakery and cereal goods (especially white bread), beef and pork, processed fruits (such as orange juice), and sugar that is matched by increased spending for fresh fruits and vegetables, seafood, dairy products, and artificial sweeteners. This is also reflected in the sharp drop in spending for breakfast away from home, lunch at fast food restaurants, and snacks away from home. Packed lunches and lunch at employer sites are becoming more popular.

Significant increases in spending remain evident in education and health care. More than 60 percent of the increase in health care spending is for insurance, not medical care. The increase in education costs can be attributed primarily to rising college tuitions. To support the household's current expenses, contributions to retirement and savings plans have declined.

ESRI'S Data Development Team

Led by chief demographer Lynn Wombold, ESRI's data development team has a 30-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 has crafted data methodologies, such as the demographic update, segmentation, the diversity index, and the Retail MarketPlace database, that are now industry benchmarks.

For more information, visit www.esri.com/data.



ESRI

380 New York Street
Redlands, California
92373-8100 USA

Phone: 909-793-2853
Fax: 909-793-5953
E-mail: info@esri.com

For more than 35 years, ESRI has been helping people make better decisions through management and analysis of geographic information. A full-service GIS company, ESRI offers a framework for implementing GIS technology and business logic in any organization from personal GIS on the desktop to enterprise-wide GIS servers (including the Web) and mobile devices. ESRI GIS solutions are flexible and can be customized to meet the needs of our users.

For More Information

1-800-GIS-XPRT (1-800-447-9778)

www.esri.com

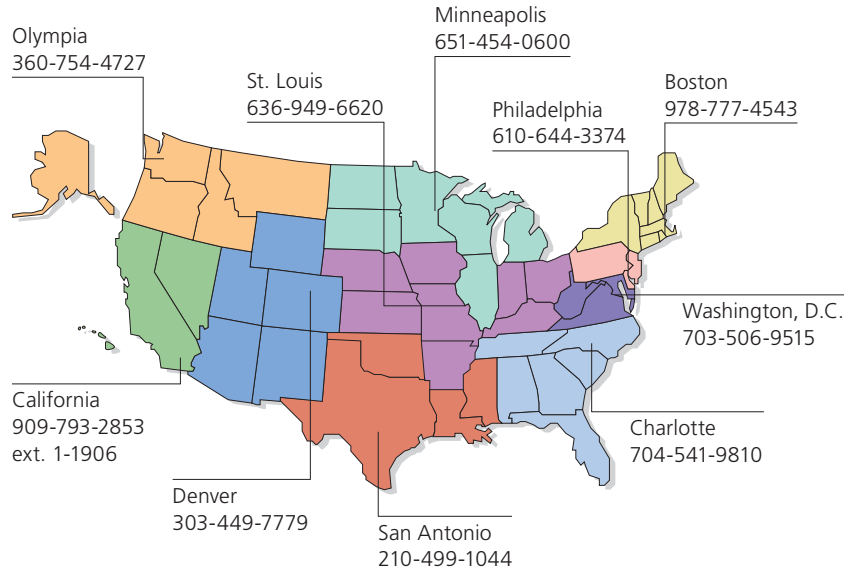
Locate an ESRI value-added reseller near you at

www.esri.com/resellers

Outside the United States, contact your local ESRI distributor. For the number of your distributor, call ESRI at 909-793-2853, ext. 1-1235, or visit our Web site at

www.esri.com/distributors

ESRI Regional Offices



ESRI International Offices

Australia
www.esriaustralia.com.au

Belgium/Luxembourg
www.esribelux.com

Bulgaria
www.esribulgaria.com

Canada
www.esricanada.com

Chile
www.esri-chile.com

China (Beijing)
www.esrichina-bj.cn

China (Hong Kong)
www.esrichina-hk.com

Eastern Africa
www.esri-ke.co.ke

Finland
www.esri-finland.com

France
www.esrifrance.fr

Germany/Switzerland
www.esri-germany.de
www.esri-suisse.ch

Hungary
www.esrihu.hu

India
www.esriindia.com

Indonesia
www.esrisa.com.my

Italy
www.esriitalia.it

Japan
www.esrij.com

Korea
www.esrikr.com

Malaysia
www.esrisa.com.my

Netherlands
www.esri.nl

Northeast Africa
www.esri-nea.com

Poland
www.esripolska.com.pl

Portugal
www.esri-portugal.pt

Romania
www.esriro.ro

Singapore
www.esrisa.com

Spain
www.esri-es.com

Sweden
www.esri-sgroup.se

Thailand
www.esri-th.com

Turkey
www.esriturkey.com.tr

United Kingdom
www.esriuk.com

Venezuela
www.esri-ven.com



No. GS-35F-5086H