



# Framework to analyze Consumer Spending Patterns across Income Buckets



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## Goal:

Develop a framework to analyze the Consumer Spending Pattern across different Product Categories and Income Levels

## Source of Data:

Diary Survey (small everyday purchases)

Interview Survey (large purchases and regular expenditures)

## What does our Framework do?

Derives the key variables required for Consumer Spending Pattern analysis:

- Weighted Average of Spending grouped by Product Category
- Weighted Participation Rate grouped by Product Category
- Income Category by Income Decile (Highest – Level 10; Lowest – Level 1)

# Consumer Spending Vs. Income Elasticity

## Potentially Income Elastic

### Higher Spending by High-Income Buckets

- Installation of dishwashers, range hoods, and garbage disposals
- Gift to non-CU members of stocks, bonds, and mutual funds
- Installation of other video equipment or sound systems
- Electrical & Plumbing supplies, heating and cooling equipment
- Trailer & other campers, Outboard motors
- Interest paid, home equity
- Newsletters
- Souvenirs
- Wine & Non-Alcoholic Beers

### Higher Spending by Low-Income Buckets

- Boat and trailer rental out-of-town trips
- Construction materials for jobs not started
- Digital media players and recorders
- Flooring installation, repair, replacement
- Long term care insurance (BCBS)

## Potentially Income Inelastic

### Almost Equal Spending by High- & Low-Income Buckets

- Material for insulation, other maintenance and repair
- Bottled water, flavored drinks, vegetable juices
- Dried vegetables, canned corn, dried beans, sugar
- Meat - Pork chops, goat, lamb
- Suits, Sport coats, vests
- Rent & Utilities – Trash, Gas, Electricity
- Household appliances
- Residential phone w VOIP, Phone cards
- School and College supplies
- Dinner at employer/School Café
- Fuel Oil, Coal, wood and other fuels
- Parking
- Medicaid/Medicare premiums & Medical equipment
- Adult Diaper
- Cigarettes, Marijuana
- Cemetery lots

# Leverages of Framework

- Analyze spending pattern changes prior to and after recession period (Sensitivity)
- Product-wise regression analysis of Average Spending against Income Buckets
- Product-wise regression analysis of Participation Rates against Income Buckets