

# Methodology

## Analyze Consumers' "Attitudes" to Sharpen Your Market Research

If you're reading this document, you no doubt understand the value of consumer data as a powerful tool for making better market decision. You no doubt already use consumer population segmentation data to make smarter decisions regarding market selection, product development, and direct marketing. Now, you're looking for even more insightful consumer data. STI: Spending Patterns delivers insight on consumers that can take you to a whole new level of market targeting precision.

Consumer spending patterns are a powerful, yet often overlooked, tool that businesses use to assess market potential and pinpoint consumers who are likely to purchase specific products and services. Because STI: Spending Patterns is based on the most up-to-date consumer spending data collected by the Bureau of Labor Statistics, it gives savvy marketers the best possible insight available today on:

- What consumers are buying in specific geographic areas,
- How much they are spending in hundreds of relevant product and service categories, and
- What they have the potential to spend on specific product and services.

The consumer consumption habits and purchasing propensities revealed in STI: Spending Patterns is created using the comprehensive consumer spending data collected every year by the Bureau of Labor Statistics (BLS) in two survey formats conducted with about 48,000 households representing about 120,000 consumers.

### Overview of the BLS Consumer Data Collection Surveys

The Consumer Expenditure Survey (CE) program collects information from the nation's households and families on their buying habits (expenditures), incomes, and household characteristics. Data collection is carried out by the U.S. Census Bureau under contract with Bureau of Labor Statistics. The program consists of two consumer surveys: the quarterly interview survey and the weekly diary survey, each with its own questionnaire and sample. The two survey components are designed to collect different types of expenditures. Together they deliver important data that allows data providers to relate the expenditures and incomes of consumers to the characteristics of those consumers.



## Pricing Potential

### If You Build It, How Much Will They Spend?

Unlike any other consumer spending data product available today, STI: Spending Patterns gives marketers critical insight into consumers' spending patterns and their potential to purchase products in the future. So with one product you learn not only if consumers are currently spending their income on products and services similar to the ones you're selling, but also what they have the possibility of spending on those items or their potential to start purchasing new products.

For example, say the average expenditure of the average household in the U.S. on music CDs is \$10, and this figure was calculated based on a total expenditure of \$70,000 for CDs by the 7,000 consumers interviewed. But, in fact, all of the CDs bought were likely purchased by only a percent of the 7,000 households interviewed. So, say 700 of the consumers bought all \$70,000 worth of CDs. That means they each spent \$100 on CDs in a year's time. As a result, your target customer may also possess the potential to spend \$100 on CDs. Gaining this enhanced insight into consumers' potential-to-purchase is significant, because it delivers the power to help you make smarter market decisions on introducing new products in existing markets and moving into new markets.

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## The Quarterly Interview Survey

In the Interview Survey, each consumer unit is interviewed every three months over five calendar quarters. In the initial interview, information is collected on demographic and family characteristics and on the consumer unit's inventory of major durable goods. Expenditure information is also collected in this interview, but is used only to prevent duplicate reporting in subsequent interviews. Expenditure information is collected in the second through the fifth interviews using uniform questionnaires. Income and employment information is collected in the second and fifth interviews. In the fifth interview, a supplemental section is administered in order to account for changes in assets and liabilities over a 1 year period.

The Interview Survey, which includes hundreds of detailed questions, is designed to obtain data on the types of expenditures respondents can recall for a period of three months or longer. These include relatively large expenditures, such as those for property, automobiles, and major durable goods, and those that occur on a regular basis, such as rent or utilities. Each consumer unit is interviewed once per quarter for five consecutive quarters.

## The Weekly Diary Survey

In the Diary Survey, respondents are asked to keep track of all their purchases made each day for two one-week periods. Participants receive each weekly diary during a separate visit by a Census Bureau interviewer. Respondents are asked to report all expenses (except overnight travel) that the consumer unit incurs during the survey week.

The Diary Survey is designed to obtain data on frequently purchased smaller items, including food and beverages, both at home and in food establishments, housekeeping supplies, tobacco, nonprescription drugs, and personal care products and services. Each consumer unit records its expenditures in a diary for two consecutive one-week periods.

Because the two survey components are designed to capture different types of expenditures, integrating their data combines the important features of both. The integrated data provides a complete accounting of consumer expenditures and income.

## The Methodology for STI: Spending Patterns

The consumer spending surveys are released by the Bureau of Labor Statistics every December. Synergos Technologies takes the thousands of individual surveys, enters the consumers' spending data into models, and the models analyze the expenditures according to several factors. This modeling of spending patterns continues until it's possible for marketers to determine the typical spending habits for any household in the U.S.

The predominant factors used to model the data are income, age, and geographic regions. Other demographic factors are applied to the model, such as marital status and children, but income, age, and region are the three dominant factors that have the greatest impact on determining what people spend on specific products and services, and what they have the potential to spend in the future.