Analysing Consumer Spending Patterns

Our spending patterns change according to age, gender, incomes and tastes. It is useful to examine the consumption patterns of different income groups, age and gender groups and the factors that influence their spending decisions.

Firms find this information useful because it allows them to target the goods and services they produce and advertise at particular groups of consumers they want to attract to but their products.

Consumer spending also varies by income. The proportion of income that is spent on goods and services is measured by the **propensity to consume**. Those on lower incomes will likely have a higher propensity to consume over saving. They may spend everything they earn on necessities and put no money aside as savings. The opposite will likely be true of those on higher incomes. Look at the following households and suggest how their spending patterns may vary:





|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Households | Household A | Household B | Household C | Household D |
| Income Level |  |  |  |  |
| Propensity to consume |  |  |  |  |
| Typical spending patterns |  |  |  |  |
| Propensity to save  (Savings ratio) |  |  |  |  |

Recent trends in consumer spending

In the past 40 years there have been significant changes in consumer spending patterns. These have been the result in most developed countries of:

* Real incomes having risen
* People working fewer hours
* More women going into the labour market
* Population trends of smaller families, ageing populations, starting families later, savings patterns.
* People have become more health conscious
* Concern for the environment
* Technological advancement

Which consumer items do you think have seen the largest increase in spending since 1985? Explain your answer (you can use the table on page 151-153, 3rd Ed to help you.

|  |  |  |
| --- | --- | --- |
| Consumer item | Increased or decreased proportion of income spent (since 1985). Evidence? | Explanation refer to the bullet points above |
| Image result for creche |  |  |
| Image result for eggs |  |  |
| Image result for elderly in nursing homes |  |  |
| Image result for gym |  |  |
| Image result for public transport |  |  |
| Image result for chicken |  |  |
| Image result for tobacco |  |  |
| Image result for homes for sale |  |  |
| Image result for microwave ovens |  |  |
| Image result for mobile subscription |  |  |
| 21 Best Credit Cards for Low Credit Scores in 2020 |  |  |

How is household consumption and expenditure data useful to the following groups?

* Producers and Firms:

Farmers:

Manufacturers:

Retailers:

* Investors:
* Government: