



# Consumer Spend Potential Australia

2014

PRODUCT GUIDE

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### **Further Information**

Pitney Bowes Software Inc.

Asia Pacific/Australia:

Phone: +61.2.9437.6255

Fax: +61.2.9439.1773

Technical Support: 1.800.648.899

<http://www.pitneybowes.com.au/software/>

Contact us at: <http://www.pitneybowes.com.au/contact-Us/Contact-Us.shtml>

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# Overview

The amount of potential spending available per person in any conceivable trade area which one might draw in Australia is information that is important for a wide variety of businesses, ranging from property owners and retailers to local governments, financial institutions and marketers of all products. The Pitney Bowes Software Consumer Spend Potential (CSP) data set allows users to work up the retail market for any or all of 182 categories and sub-categories of consumption for any part or all of Australia.

Using this building block in conjunction with the demographic information in AnySite enables the operator to marry the amount of potential spend originating in any designated area with the corresponding characteristics of the people who make up that market. The result is a powerful, 3D view of the market that gives the user tremendous insight into a region. Census data, by itself, can only lead an analyst to the front door – you know that a neighbourhood has lots of families with young kids, but the depth of knowledge stops there. With the CSP, you can open the door and get a sense of how they live, what's in the cupboard and discover the items and services that are important to them.

The CSP is produced yearly with each new version an update on the old. In this way, estimates for trade areas do not gyrate widely, but rather evolve from release to release. This means that you can trust that a decision based on CSP data in one year is just as valid several years later.

Whether your interest is the spend differential between fruit and chocolate, or the wallet share for home mortgages, Pitney Bowes Software's CSP will give you the analytical fidelity you need to visualise the bottom line of your potential market.

## What's New in 2014

- All categories updated to 2014 spending levels with aggregate spend updated to reflect 2014 population levels.
- Special consideration and further refinement of the market size of the following categories:
  - Online spending at the SA1 level
  - Alcohol

# Scope of Categories

Pitney Bowes Software's Consumer Spend Potential is comprised of 182 categories and sub-categories that were chosen because they represent the key elements of household expenditure. (Should users require more detail than is provided in the CSP's data set, Pitney Bowes Software can provide estimates of spending for over 200 more detailed goods and services.) The full set of categories for which estimates are produced is shown in Section 4.

The scope of categories provided in the CSP has been informed, primarily, by the data available from the Australian Bureau of Statistics' Household Expenditure Survey, a six-yearly project that investigates detailed spending habits from nearly 10,000 households. The resulting output covers 725 unique headings of household goods and services. It is this hierarchy on which the CSP category framework is based.

The choice of which categories to model is predicated on the extensive consulting work that PBS has performed for its clients as well as feedback from CSP users. This demand for information is balanced against the standard errors in the Household Expenditure Survey, for which the median standard error for each of the states and territories ranges from 16% to 38% (with some standard errors on individual spending categories reaching in excess of 100%). While PBS uses a variety of sources to balance out some of the methodological issues with the HES, the Survey remains an important input into the CSP and we are not able to overcome the inherent weaknesses therein.

The CSP provides estimates of total and per capita expenditure for 99.2% of all Australians while covering 81.2% of the landmass. This coverage translates into providing estimates of household spending for just over 95% of the 54,805 SA1s in Australia. An SA1 is a region that is comprised of, on average, about 150 households and is the smallest geography for which the Australian Bureau of Statistics currently provides full Census information. The SA1s that are excluded from the CSP are those that are atypical and for which the ABS cannot calculate a SEIFA score: They either have too few people in them, or the SA1 in question covers a very specialised area, such as a national park or the men's prison in Goulburn NSW.

# Transparent, Robust Model

Unlike other products on the market, the CSP has been put together on a 'top-down' basis. That is, we start with the overall market, and then appropriately apportion that total amount to each SA1 by category. The benefits of this approach are as follows:

- The SA1 estimates roll up to an established benchmark
  - Pitney Bowes Software first determines the size of the market, by state and territory, before any modelling begins. This ensures that the estimates are part of a consistent and robust benchmark.
  - PBS recognises that there are inherent problems with the overall amount of spending when rolling up the averages in the Household Expenditure Survey. Therefore, we put considerable effort into calculating the size of the market for each of the categories in the CSP.
- Base data on household expenditure is biased. The PBS method overcomes these deficiencies.
  - The Household Expenditure Survey from the Bureau of Statistics is designed to provide weights for the CPI. As such, the scope of households surveyed is not in proportion to the spending profile of Australian households.
    - Lone person households make up 30% of the households surveyed, but only 13% of spending
    - Couple families with children make up 37% of spending, but only 19% of the households surveyed
    - Households headed by persons aged 65 or older make up 33% of the households surveyed, but only 12% of total spending
    - The survey relies too heavily on the smaller metropolitan areas
      - Sydney and Melbourne metropolitan regions are both somewhat under-surveyed, relative to their share of spending.
      - Adelaide, Perth, Hobart, Darwin and Canberra are all over-surveyed.
- New versions of the CSP are comparable with older ones.
  - Because PBS starts with the size of the market, new versions of CSP evolve from one version to the next.

The size of the market for each CSP category is calculated from a variety of sources, with the primary one being the Household Final Consumption Expenditure (HFCE) tables from the National Accounts (the GDP figures). Because this dataset is an integral part of the GDP statistics, it is the final arbiter of the size of the household market in Australia. For the purposes of the CSP, the only downside to the use of the GDP figures is that they are presented at a relatively high level. For example, the Expenditure tables only report on total Food expenditure and do not break this spending down into anything more granular.

As a result, we have to look at other data sources to augment the HFCE data. These include the following:

- From the Australian Bureau of Statistics
  - Other data tables from the National Accounts
  - Retail Trade
  - Apparent Consumption of Alcohol
  - International Trade in Services
  - SEIFA
- From other Commonwealth sources
  - Tourism Research Australia
  - Private Health Insurance Administration Council
  - APRA
  - Productivity Commission
- Other publically available sources

As a result, we have to look at other data sources to augment the HFCE data. These include the following:

- Household income
- Number and percentage of persons aged 5 to 14
- Number and percentage of persons aged 20 to 34
- Number and percentage of persons aged 65 and over
- Number and percentage of households paying off a mortgage
- Number and percentage of households paying rent
- Number and percentage of households who have moved within the last five years
- Number and percentage of persons who have gone to or graduated from university

This 'top-down' approach produces estimates that are robust and transparent and provide a stable set of figures on which businesses and organisations can rely now and in the future.



# Consumer Spend Potential (CSP) Data

The 182 categories and sub-categories of the CSP are listed below.

Those categories that have one digit to the right of the first decimal point (for example: 1.x) roll up to the total figure for each main category (1). Those categories that have two digits to the right of the first decimal point (1.x.x), roll up to the total figure for the sub-category in question (1.x). The more detailed categories, signified by having three or more digits to the right of the first decimal point (1.x.x.x), do not necessarily roll up to the category above them in the hierarchy.

**1 - TOTAL FOOD & NON-ALCOHOLIC BEV**

- 1.1 - Food and Groceries
  - 1.1.1 - Bakery Products Flour & Cereals
  - 1.1.2 - Meat (Excluding Seafood)
  - 1.1.3 - Fish and Seafood
  - 1.1.4 - Eggs and Egg Products
  - 1.1.5 - Dairy Products
  - 1.1.6 - Edible Oils and Fats
  - 1.1.7 - Fruit and Nuts
  - 1.1.8 - Vegetables
  - 1.1.9 - Condiments/Additives/Prepared Meals
    - 1.1.9.1 - Chocolate
    - 1.1.9.2 - Prepared Meals
  - 1.1.10 - Non-Alcoholic Beverages
    - 1.1.10.1 - Soft Drinks
    - 1.1.10.2 - Packaged Water
    - 1.1.10.3 - Juices
    - 1.1.10.4 - Tea
    - 1.1.10.5 - Coffee
    - 1.1.10.6 - Food Drinks
  - 1.1.11 - Other Food and Non-Alcoholic Beverages
- 1.2 - Meals Out and Fast Foods
  - 1.2.1 - Meals In Rest/Hotel/Club
  - 1.2.2 - Fast Food/Takeaway/School Lunch

**2 - TOTAL ALCOHOLIC BEVERAGES**

- 2.1 - Off Premises Beer
- 2.2 - On Premises Beer
- 2.3 - Off Premises Wine
- 2.4 - On Premises Wine
- 2.5 - Off Premises Spirits and RTD
- 2.6 - On Premises Spirits and RTD

**3 - TOTAL TOBACCO PRODUCTS**

- 3.1 - Cigarettes
- 3.2 - Other Tobacco
- 3.3 - Tobacco Products

**4 - TOTAL CLOTHING and FOOTWEAR**

- 4.1 - Mens Clothing

- 4.2 - Womens Clothing
  - 4.2.1 - Womens Underwear
- 4.3 - Boys Clothing
- 4.4 - Girls Clothing
- 4.5 - Infants Clothing
- 4.6 - Unisex Clothing
- 4.7 - Other Clothing
  - 4.7.1 - Hosiery
  - 4.7.2 - Clothing Materials and Haberdashery
- 4.8 - Footwear
- 4.9 - Clothing and Footwear Services

## **5 - TOTAL HOUSEHOLD FURNISHINGS & GOODS**

- 5.1 - Furniture/Floors/HH Goods
  - 5.1.1 - Furniture and Floor Coverings
    - 5.1.1.1 - Furniture - All
      - 5.1.1.1.1 - Bedroom Furniture & Mattresses
    - 5.1.1.2 - Floor Coverings
  - 5.1.2 - Household Linens/Furnishings
    - 5.1.2.1 - Blankets and Linen
    - 5.1.2.2 - Ornamental Furnishings
- 5.2 - Household Appliances/Utensils
  - 5.2.1 - Stoves, Ovens and Ranges
  - 5.2.2 - Whitegoods
  - 5.2.3 - Small Domestic Appliances
  - 5.2.4 - Glassware/Tableware/Utensils
- 5.3 - Tools and Other HH Durables
  - 5.3.1 - Tools Garden Durables
    - 5.3.1.1 - Hand and Power Tools
    - 5.3.1.2 - Lawn and Garden Equipment
  - 5.3.2 - Telephone Equipment
  - 5.3.3 - Household Non-Durables
    - 5.3.3.1 - Tools Garden Non-Durables
      - 5.3.3.1.1 - Metal Fasteners
      - 5.3.3.1.2 - Garden and Outdoor Non-Durables
    - 5.3.3.2 - Soaps and Household Cleaning Supplies
    - 5.3.3.3 - Household Paper Products
    - 5.3.3.4 - Other Non-Durables

## **6 - TOTAL HOUSING COSTS**

- 6.1 - Rent Payments
- 6.2 - Mortgage Interest Repayments

- 6.3 - Mortgage Principal Repayments
- 6.4 - Rate Payments Principal Dwelling
- 6.5 - Home and Contents Insurance
- 6.6 - Repairs/Maintenance Labour
- 6.7 - Repairs/Maintenance Materials
  - 6.7.1 - *Paint*
- 6.8 - Other Current Housing Costs

### **7 - TOTAL CAPITAL HOUSING**

### **8 - TOTAL DOMESTIC FUEL and POWER**

- 8.1 - Electricity/Gas/Heating Oil/Wood
- 8.2 - Other Domestic Fuel and Power

### **9 - TOTAL HH SERVICES/OPERATIONS**

- 9.1 - Communications
  - 9.1.1 - *Postal Charges*
  - 9.1.2 - *Telephone and Fax Charges*
    - 9.1.2.1 - Fixed Telephone Accounts
    - 9.1.2.2 - Mobile Telephone Accounts/Charges
- 9.2 - Internet and Pay TV Accounts
- 9.3 - Household Services
- 9.4 - Child Care Services
- 9.5 - Maintenance of HH Durables
- 9.6 - Other HH Services/Operation

### **10 - TOTAL MEDICAL and HEALTH CARE**

- 10.1 - Medical Products/Appliances
  - 10.1.1 - *Pharmacy Groceries*
  - 10.1.2 - *Pharmaceuticals*
- 10.2 - Health Care and Practitioners
  - 10.2.1 - *Health Practitioner Fees*
    - 10.2.1.1 - Optician Fees
    - 10.2.1.2 - Other Health Practitioner Fees
  - 10.2.2 - *Other Medical Care and Expenses*
- 10.3 - Accident and Health Insurance

### **11 - TOTAL TRANSPORTATION**

- 11.1 - Vehicle Purchase
  - 11.1.1 - *Motor Vehicle Purchase*
  - 11.1.2 - *Caravan, Trailer, Bicycle*
- 11.2 - Vehicle Operations
  - 11.2.1 - *Vehicle Fuel*
  - 11.2.2 - *Vehicle Lubricants*
  - 11.2.3 - *Vehicle Registration/Insurance*

11.2.4 - *Vehicle Accessories Separately*

11.2.5 - *Other Vehicle Charges*

11.3 - Transport Services

11.3.1 - *Public Transport Fares*

11.3.2 - *Other Transport*

**12 - TOTAL MISC GOODS and SERVICES**

12.1 - Stationery Equipment

12.2 - Other Misc Retail Goods

12.2.1 - *Jewellery/Oth Fashion Accessories*

12.2.2 - *Travel Goods*

12.3 - Edu Fees Primary/Secondary/Tertiary

12.4 - Fees

12.5 - Other Misc Services/Payments

12.6 - Non-Mortgage Interest Payments

12.6.1 - *Credit Card Interest Payments*

**13 - TOTAL PERSONAL CARE**

13.1 - Toiletries and Cosmetics

13.1.1 - *Toiletries*

13.1.2 - *Cosmetics and Fragrances*

13.2 - Personal Care Services

13.2.1 - *Hair Care - Female*

13.2.2 - *Hair Care - Male*

13.2.3 - *Hair Care - Unisex*

13.2.4 - *Other Personal Services*

**14 - TOTAL RECREATION**

14.1 - Audio-Visual Equipment/Parts

14.1.1 - *Televisions and Video Equipment*

14.1.2 - *Audio Equipment*

14.2 - Home Computer Equipment

14.3 - Blank and Pre-Recorded Media

14.4 - Books

14.5 - Newspapers

14.6 - Magazines/Comics/Other Printed Mats

14.7 - Other Recreation/Edu Equipment

14.7.1 - *Toys & Electronic Games*

14.7.2 - *Photographic Equipment & Supplies*

14.7.3 - *Sporting Goods and Sports Equipment*

14.7.4 - *Other Recreation Goods*

14.8 - Gambling - Net Losses

14.9 - Hire of Recreation/Edu Equipment

- 14.10 - Sports Fees and Charges
- 14.11 - Cultural Fees and Charges
- 14.12 - Other Services (Excl. Holiday Expenses)
- 14.13 - Holidays-Australia (Selected Expenses)
  - 14.13.1 - Holiday Air Fares - Australia*
  - 14.13.2 - Holiday Accommodation - Australia*
  - 14.13.3 - Other Holiday Australia Spend*
- 14.14 - Holidays-Overseas (Selected Expenses)
  - 14.14.1 - Holiday Air Fares - Overseas*
  - 14.14.2 - Holiday Motel/Hotel Charges - Overseas*
  - 14.14.3 - Other Holidays Overseas Spend*
- 14.15 - Animal Expenses
- 14.16 - Animal Groceries
- 14.17 - Animal Care

### **15 - TOTAL RETAIL**

### **16 - TOTAL EXPENDITURE**

### **17 - TOTAL RETAIL ONLINE**

- 17.1 - Online Food/Groceries
- 17.2 - Online Alcohol
- 17.3 - Online Books/Magazines
- 17.4 - Online Cosmetics/Toiletries
- 17.5 - Online Music/Video/Games/Software/Etc
- 17.6 - Online Clothing/Footwear
- 17.7 - Online Computer/Electrical/Appliances
- 17.8 - Online Other Retail Goods