Exploring patterns of expenditure: Segmenting the older UK consumer using the Living Costs and Food Survey

David Hayes

ESRC/AGE-UK Showcase Event 29\textsuperscript{th} January 2014
Our Approach

• Using the Living Costs and Food (LCF) Survey, we:
  1. Describe average household expenditure by age (using descriptive analysis);
  2. Segment older households based on their patterns of expenditure (using cluster analysis);
  3. Explore cluster membership (using descriptive and CHAID analysis).
Standard LCF expenditure categories

- Alcohol & tobacco
- Clothing & footwear
- Communication
- Education
- Food & non-alcohol drinks
- Health
- Household goods & services
- Housing, fuel & power
- Recreation & culture
- Restaurants & hotels
- Transport
- Miscellaneous goods & services

www.pfrc.bris.ac.uk/esrc
Data Considerations

• Good sample of household heads aged 50+
  • To cover transition into and beyond retirement
  • Total sample size of 2,769
  • Good distribution of age groups (even 80+ ~ 12%)

• Equivalised expenditure
  • To take account of household size
Absolute and equivalised expenditure by age

Pounds per week (£)

- 510
- 286
- 189
- 160

Age groups:
- 50 but under 55 yrs
- 55 but under 60 yrs
- 60 but under 65 yrs
- 65 but under 70 yrs
- 70 but under 75 yrs
- 75 but under 80 yrs
- 80 and above yrs
Proportion of total expenditure by age

↑ Food & non-alc. drink increases: 12% to 19%
↑ Housing, fuel & power doubles: 12% to 24%
↔ Communication constant: 3%
↓ Clothing & footwear halves: 6% to 3%
↓ Transport decreases: 18% to 7%
↓ Recreation drops: 16% to 11%
The segmentation (clustering) process

- Exploring how types of expenditure co-vary
  - Identifies dominant patterns
  - Classifies people into segments based on these
- Clustered on the 12 expenditure categories
- ...the optimal solution contained six clusters
Drivers of cluster membership

• Highly statistically significant variations in expenditure for all 12 categories

• Three categories were particularly strong
  • Alcohol and tobacco
  • Clothing and footwear
  • Housing, fuel and power
The clusters

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Percentage in cluster (%)</th>
<th>Mean weekly expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Conservative consumers’</td>
<td>46</td>
<td>138</td>
</tr>
<tr>
<td>‘Foodies’</td>
<td>19</td>
<td>228</td>
</tr>
<tr>
<td>‘Burdened by bills’</td>
<td>11</td>
<td>231</td>
</tr>
<tr>
<td>‘Smokers’</td>
<td>9</td>
<td>245</td>
</tr>
<tr>
<td>‘Recreation and clothing’</td>
<td>4</td>
<td>392</td>
</tr>
<tr>
<td>‘Socialites’</td>
<td>12</td>
<td>405</td>
</tr>
</tbody>
</table>

The average equivalised expenditure across the sample is £217.
Conservative Consumers

- Spent £138 on average
- Transport (£18) much lower than average (£32)
- Only 47% connected to the internet
- More likely to be the oldest old (22% cf. 15%)
- 38% in the lowest income quartile; 60% retired
- 56% gave benefits as main source of income

Spend far below average on non-essentials (such as recreation and hotels)
Foodies

• Spent £228 on average
• Close to average expenditure in most categories
• A half (54%) live in two-adult households
• Very few households are renting (12%, cf. 25%)
• Only 18% in lowest income quartile
• Larger houses (58% cf. 50% with 6+ rooms)

Very high expenditure on food (£58 compared to the average of £34)
Burdened by Bills

• Spent £231 on average
• All other expenditure is relatively low
• Low transport costs (lowest petrol expenditure)
• 70% in rented accommodation (cf. 24%)
  • Including 45% from a social landlord
• More single households

Very high proportion of expenditure on housing costs (£4 in every £10, twice the average)
Smokers

- Spent £245 on average
- Very high spend on alcohol and tobacco (£36 per week/15% of total expenditure, cf. 3%)
- One of the ‘younger’ clusters (62% under 65)
- Almost a third still in full-time employment
- Home-ownership is relatively low (42% cf. 54%)

Spent £28 a week on tobacco products
Recreation and Clothing

• One of the two high-spending clusters (£392)
• High spend on recreation (£65) & transport (£53)
• Only 21 per cent of this cluster are 70 and above
• Two-thirds in larger houses (6+ rooms)
• 20% say benefits main income (cf. 10% socialites)
• Half of the cluster in the highest income quartile

At £65 each week, these fashionistas spend more on clothing than all the other groups combined!
The Socialites

- One of the two high-spending clusters (£405)
- Spent £96 on transport costs (24% cf. 15%)
- Three quarters under 65; 41% working full time
- Income – 57% earnings; 33% investments
- More than half in highest income quartile
- 90% of households connected to the internet

Enjoy the finer things in life, spending £131 per week on eating out, holidays and recreation
Important socio-demographic characteristics

• Tenure: 97% of Socialites were homeowners
  • Compared with 29% of Burdened by Bills

• Age: 40% of Smokers aged under 60
  • Compared with just 26% of Conservative Consumers

• Income: 7% of R&C in lowest income quartile
  • Compared with 39% of Burdened by Bills
Policy implications

• Expenditure poverty not atypical
• Housing costs key in wellbeing
• Smokers are young (stop/morbidity)
• No such thing as the ‘older consumer?’
  • Depends on preferences/constraints, resources, mobility
What else would help inform policy?

• Conservative Consumers are a diverse group
  • Positive/negative constraints?
• Hostels, boarding houses, and institutions such as rest/care and nursing homes are excluded
• The true effect of ageing vs. generational effects remains unclear – further analysis needed
Questions and further discussion

- [http://www.bris.ac.uk/geography/research/pfrc/esrc/](http://www.bris.ac.uk/geography/research/pfrc/esrc/)
- david.hayes@bristol.ac.uk
- @PFRC_David