

# Consumer Spending Classification

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An alternative grouping of household expenditures using the Living Costs and Food Survey

**Which?**

# Backstory

**Which?**

# Who are we?

Which?

- Which? exists to make individual consumers as powerful as the organisations they deal with in their daily lives.
- We began life in a garage 56 years ago as a volunteer organisation committed to providing expert and impartial advice. We are now the largest consumer body in the UK with over 800,000 members: we understand consumers and what makes them tick.
- We plough the money from our commercial ventures back into our campaigns, policy work and free advice for all. Over the last 10 years this has enabled our charitable arm to increase its spending six-fold to around £10m a year.
- We operate as an independent, a-political, group social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income.
- We work closely with political, corporate and regulatory stakeholders to drive change for consumers.

# Why are we interested in spending?

Which?

- Understanding consumer spending is of vital importance to Which?.
- It is key to understanding:
  - Economic context of spending
  - Scale of consumer detriment in a range of markets.
- Without understanding what consumers spend their money on - it is hard for policy makers, regulators, government, industry and consumer groups to effectively prioritise and reform policy / behaviour.
- In short - without it, we cant do our job.



# Why not use COICOP and ONS Family Spending?

**Which?**

**ONS' Family Spending uses COICOP (mostly)**

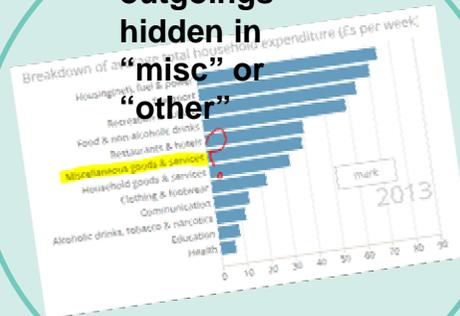
**This doesn't meet our needs for several reasons**

**Too many high level categories**

**(12)**

- Housing (net)<sup>1</sup>, fuel and power
- Transport
- Recreation and culture
- Food and non-alcoholic drinks
- Restaurants and hotels
- Miscellaneous goods and services
- Household goods and services
- Clothing and footwear
- Communication
- Alcoholic drinks, tobacco and narcotics
- Education
- Health

**32% of outgoings hidden in "misc" or "other"**



**Others more suited to GDP accounting than reflecting "real" consumers:**

- Insurance**
- Mortgages**
- Holidays**

# We did our own

Which?

So we built our own classification using the Living Costs and Food Survey.

Our key aims:

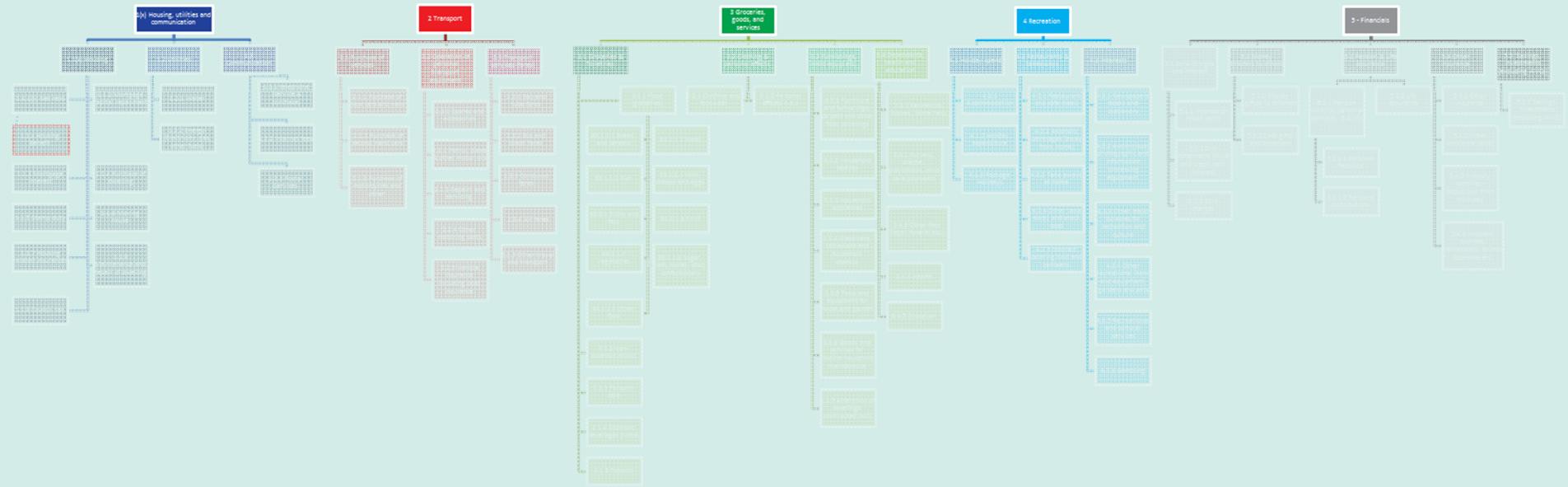
- To represent spending from a consumer's view point
- To capture **all** consumer outgoings
- To make the data accessible to those trying to understand behaviour

So what does it look like....

# The Classification-a-gram

**Which?**

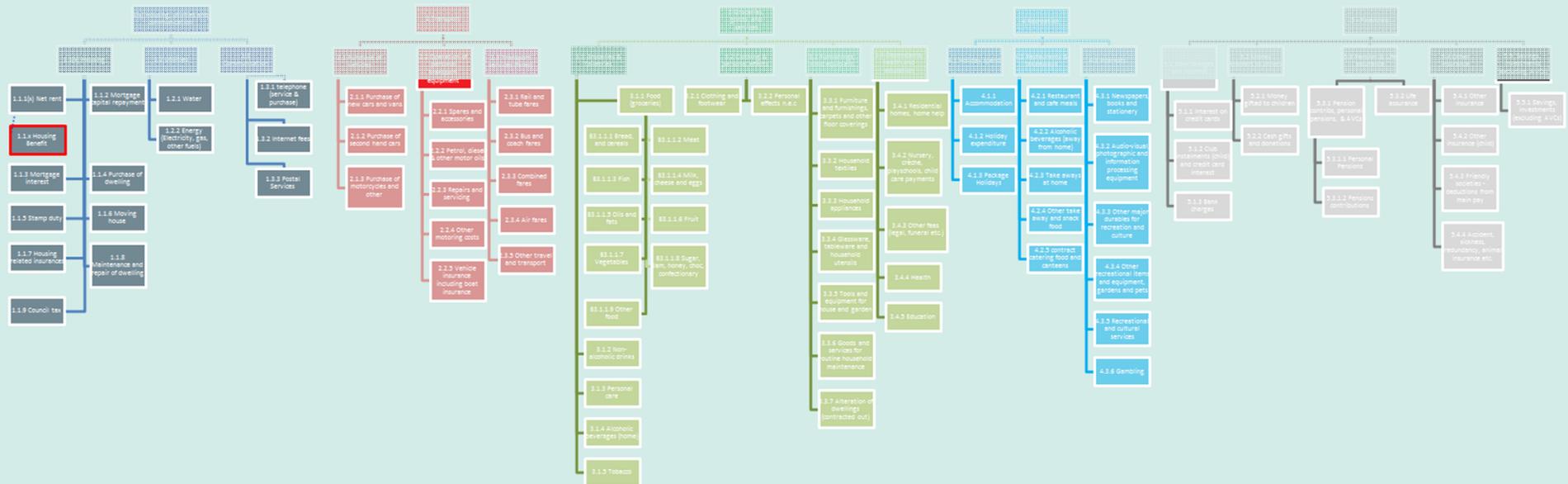
# Summary: T-Level



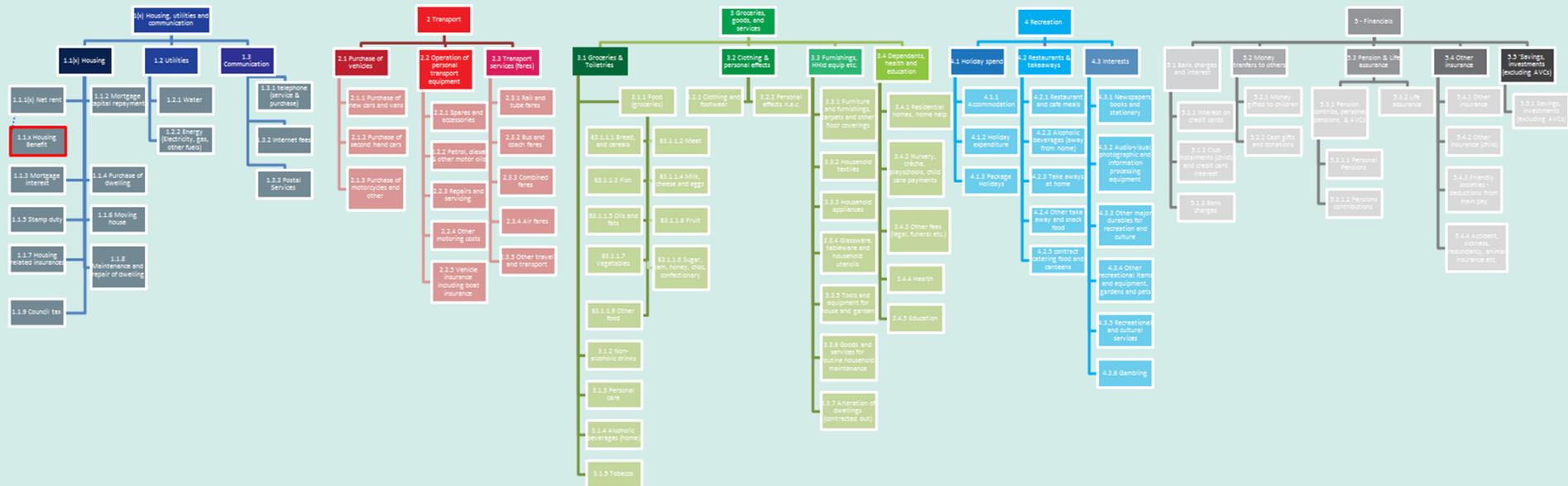
# 1<sup>st</sup> Detail level: A-Level



# 2<sup>nd</sup> level detail: B-Level



# Consumer Spending Classification





We include:

- **Mortgage interest** - FS counts it as “other expenditure item” not in COICOP
- **Capital repayment of mortgage** is not counted as expenditure (as in the long term it’s an investment)
- We also included **house purchase** and associated spending.
- And we included contents/buildings **insurance**, and **council tax** too
- We’ve brought **communication** into this group as telecoms and broadband are widely viewed as the new essential utilities.

# T2 - TRANSPORT

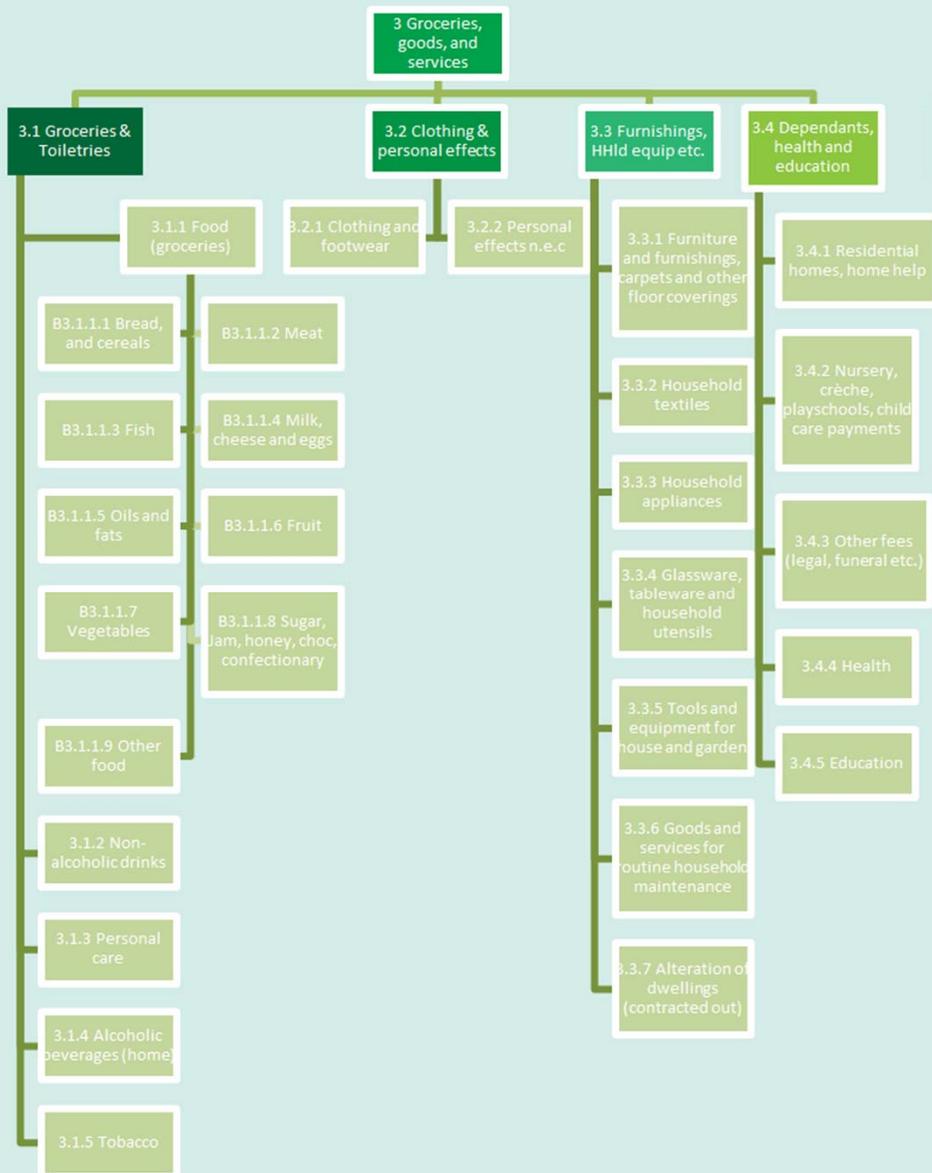
Which?



The transport group is almost identical to COICOP with the addition of vehicle insurance

# T3 - GROCERIES, GOODS AND SERVICES

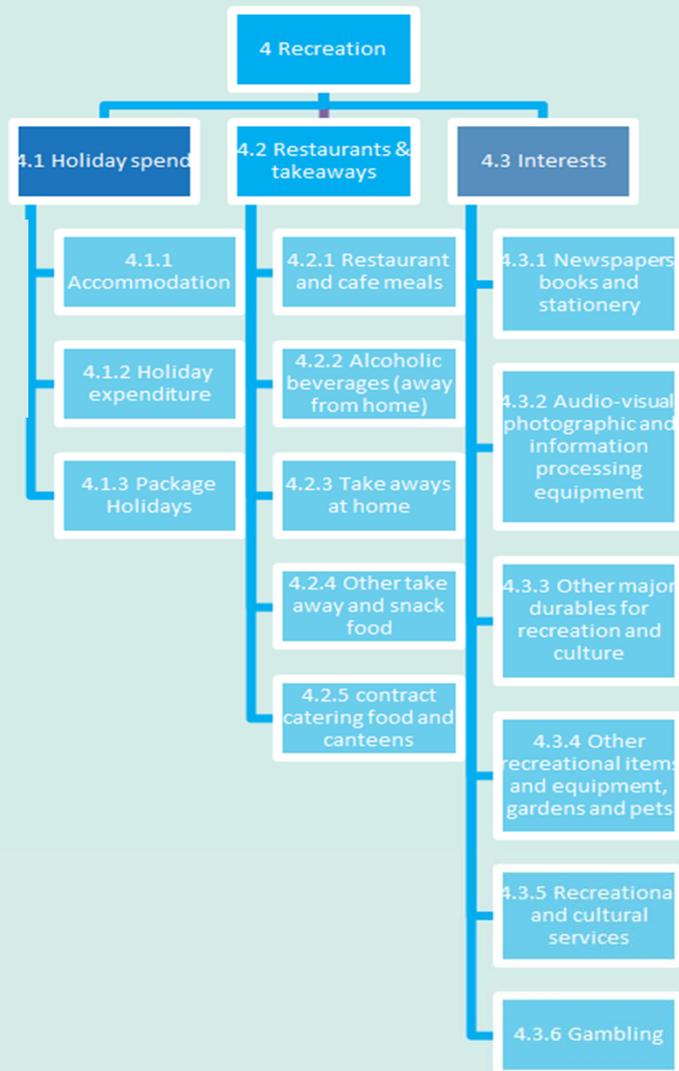
Which?



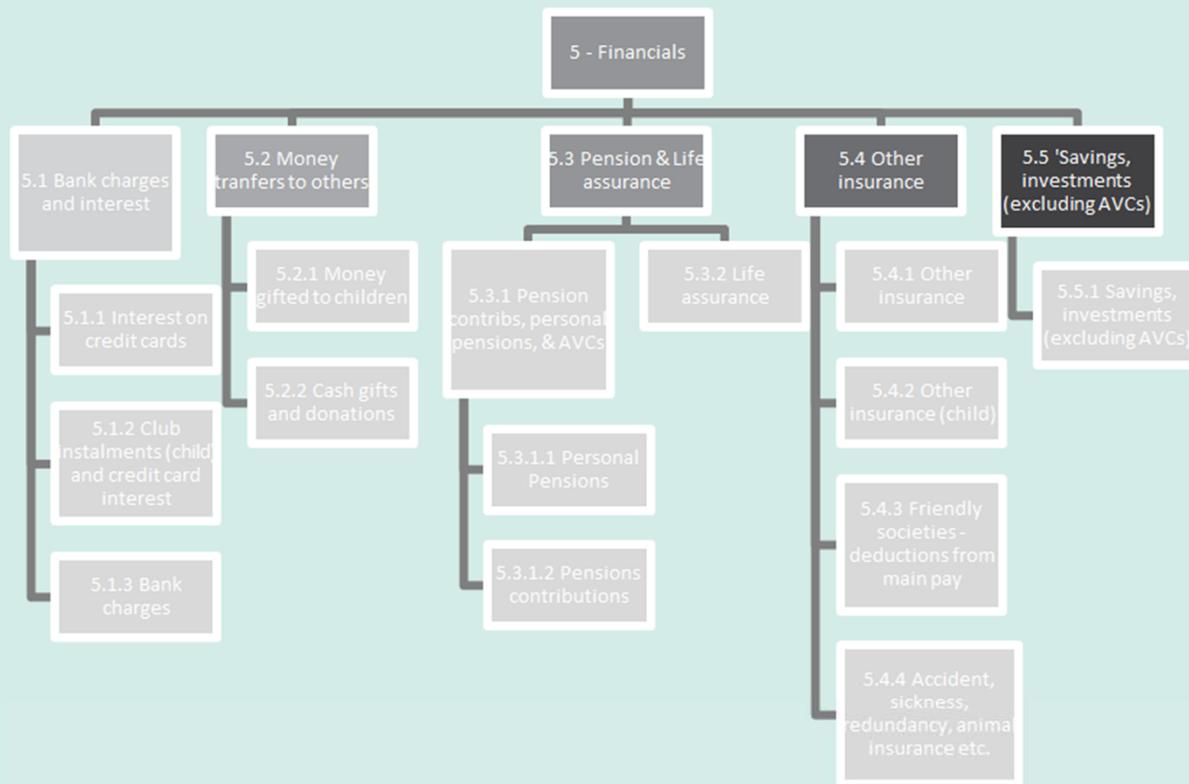
- The CSC essentially brings together COICOP categories 1 (Food), 2 (Alcoholic drinks), 3 (clothing and footwear) and 5 (household goods and services).
- It additionally brings together spend on residential care, child care, health (all mostly from COICOP's misc. goods) alongside education (COICOP 10)

# T4 - RECREATION

Which?



- Recreation mainly expands COICOP's (9) 'Recreation and culture' by also integrating restaurants and hotels (11)
- Aggregate holiday spend is brought together from various places in the COICOP (9, 11, 13)
- Also gambling from COICOP non-expenditure (14).



Financials is a net to capture most purely financial transactions whether they be net loss (e.g. bank charges) or gain (e.g. savings) to the household, so the overall 'T' level needs to be interpreted with caution.

Many of these are counted in the COICOP as 'non-expenditure items' (14), which

- a) we felt would not represent how the consumers themselves would view them (e.g. life insurance)
- b) would inhibit our analysis of issues such as pension contribution and saving.

# The results

**Which?**

# The various data outputs we've created.

Which?

- **Average spending** (mean) on each item over time in **nominal** terms - i.e. unadjusted for inflation across all households.
- **Average spending** (mean) on each item over time in **real** terms i.e. adjusted for inflation by overall CPI across all households.
- **Prevalence** of spending (% of all households spending > £0) on each item.
- **Average spending** (mean) on each item over time in **nominal** terms - i.e. unadjusted for inflation for **applicable** households only.
- **Average spending** (mean) on each item over time in **real** terms i.e. adjusted for inflation by overall CPI across all households for **applicable** households only.
- **Percentage spend** on each item as a proportion of total expenditure

For these household sub-groups.

**Which?**

■ **Tenure**

*Social Renters*

*Private Renters*

*Owned with a Mortgage*

*Owned outright*

■ **Equivalised (and non) income quintiles**

Lowest 20%

2nd

3rd

4th

Highest 20%

■ **Age group (of HRP)**

18-29

30-49

50-64

65+

■ **Household composition**

'Single person, no children'

'Single person with children'

'Couple, no children'

'Couple, with children'

'3 adults or more'

'Retired Household'.

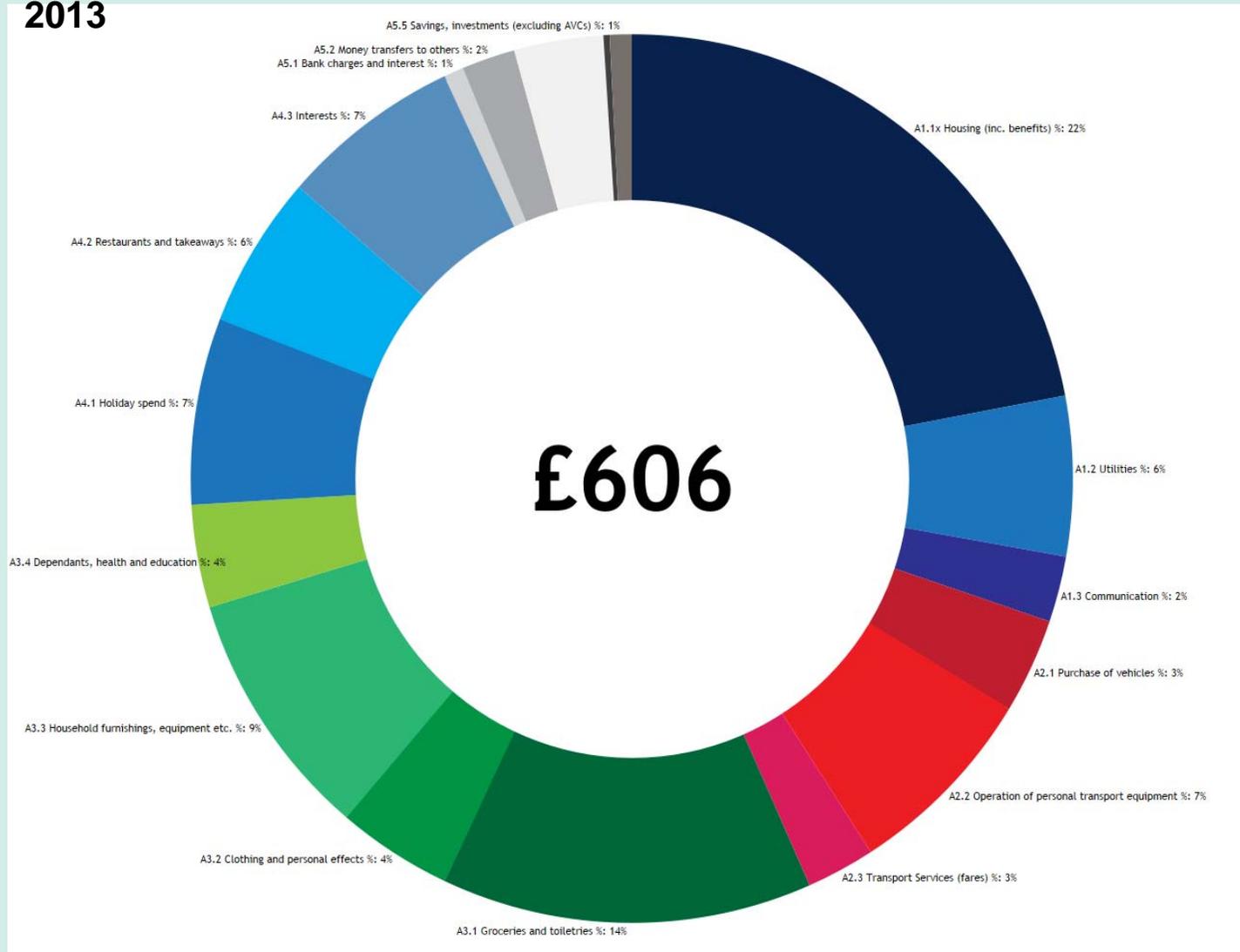
■ **Region**

Gov't office regions with devolved countries

# Overall CSC 2013



## Consumer Spending Classification of ONS LCF data; 2013



Overall we find “housing, utilities and comms” and “groceries, goods and services” took up equal highest shares of spending overall (30% and 31%) in 2013.

Recreation made up 19%, transport 13% and financials 7%.

We estimate average total household spend to be £606 per week compared to £517 according to ONS’ Family Spending.

Our housing spend (inc. benefits) represents 22% of all spending, whereas the official COICOP based figure is just 14%\*

\*Please note Family spending contains a chapter on housing spend to partially account for this problem



# Overall CSC 2013 B-level detail - 18-29 year olds



B1.1.1 Actual rentals for housing (net)			B1.1.3 Mortgage interest payments	B1.1.9 Council tax and domestic rates	B1.1.2 Capital mortgage repayment	B4.2.1 Restaurant and cafe meals		B4.2.2 Alcoholic beverages (away from home)	B4.1.2 Holiday expenditure	B4.3.4 Other recreational items and equipment, gardens and pets			
			B1.3.1.2 Telephone, postal and telefax services	B1.2.2.1 Gas	B1.1.8	B1.3.2 Internet	B4.3.5 Recreational and cultural services						
			B1.2.2.2 Electricity	B1.2.1.1 Water charges and water tax	B1.1.6	B1.1.7 Housing related	B4.1.3 Package Holidays		B4.2.3 Take away meals eaten at home	B4.1.1			
					B1.2.1.2 Misc services relating to			B4.2.4 Other take away and snack food	B4.3.2 Audio visual equipment	B4.3.1			
									B4.2.5 Contract catering (food) and				
B3.4.5 Education			B3.3.1 Furniture and furnishings, carpets and other floor coverings	B3.1.1.1 Bread, and cereals	B3.1.2 Non alcoholic beverages	B3.1.5 Tobacco	B3.4.2 Nursery and Childcare payments	B2.2.2 Petrol, diesel and other motor fuels		B2.2.5 Vehicle insurance including boat insurance	B2.3.1 Rail and tube fares	B2.3.4 Air fares	
				B3.1.1.7 Vegetables	B3.4.4 Health	B3.3.6 Goods and services for routine household	B3.1.1.8 Sugar, Jam, honey, choc,	B3.1.1.6 Fruit	B2.1.2 Purchase of second hand vehicles		B2.2.3 Repairs and servicing	B2.1.1 Purchase of vehicles	B2.2.4 Other Motor Costs
B3.2.1 Clothing and footwear			B3.1.3 Personal care	B3.1.1.4 Milk, cheese, eggs	B3.1.1.9 Other food	B3.2.2 Personal effects n.e.c	B3.3.5 Tools and			B2.3.5 Other travel and transport	B2.3.2 Bus and coach fares		
			B3.1.1.2 Meat	B3.1.4 Alcoholic beverages	B3.3.7 Alterations of dwelling (purchase moved to	B3.3.3 Household Appliances	B3.3.2 HHld		B5.3.1 Pension contribs and personal pensions	B5.3.1.2 Pensions contributions	B5.5.1 Savings, investments (excluding AVCs)	B5.1.1 Interest	
					B3.1.1.3 Fish	B3.3.4					B5.2.2 Cash gifts and donations		

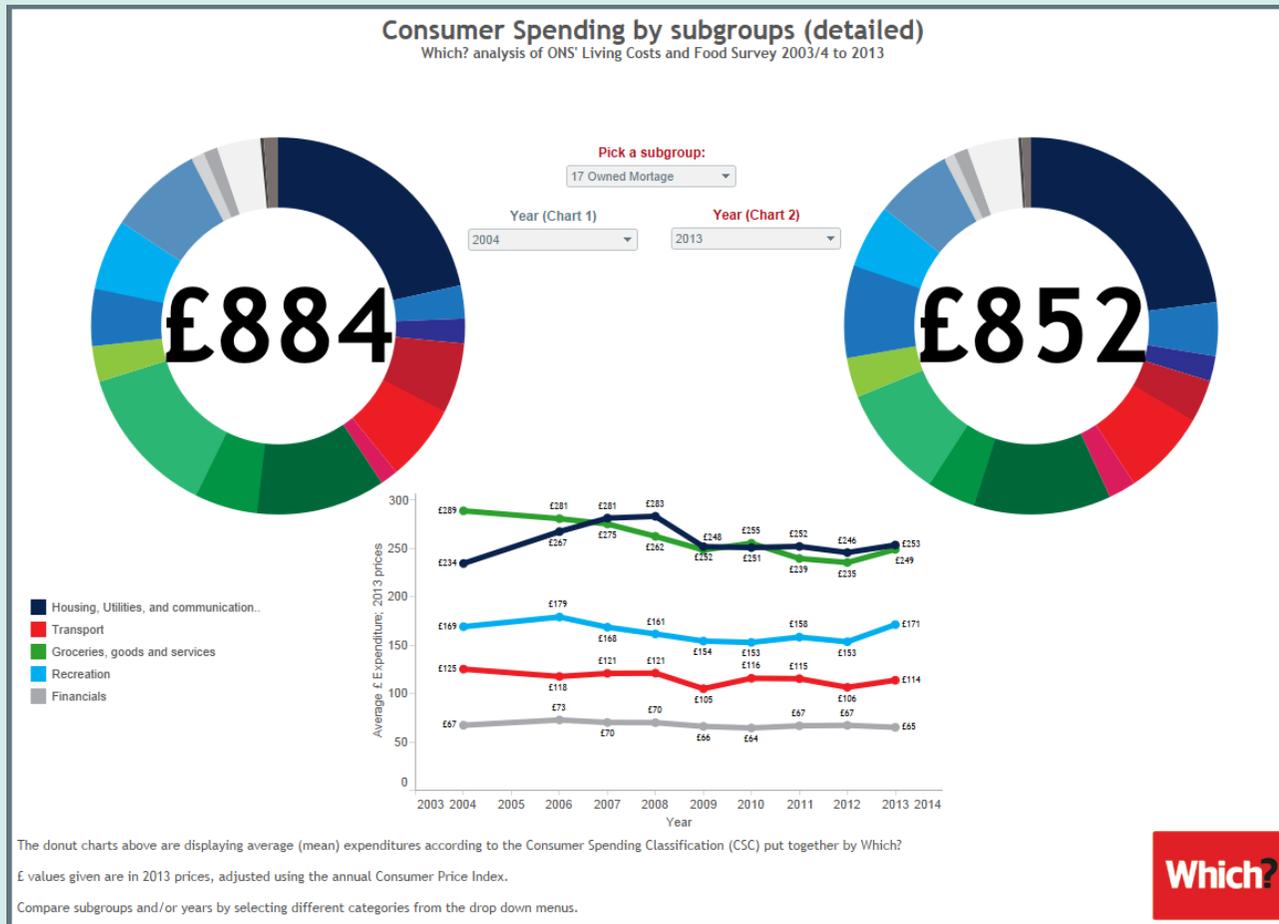
# Overall CSC 2013 B-level detail - 50-64 year olds



B3.3.7 Alterations of dwelling (purchase moved to housing)	B3.1.1.2 Meat	B3.1.3 Personal care	B3.1.1.1 Bread, and cereals	B3.4.4 Health	B4.1.3 Package Holidays	B4.1.2 Holiday expenditure		B2.2.2 Petrol, diesel and other motor fuels			
B3.2.1 Clothing and footwear	B3.1.4 Alcoholic beverages	B3.3.6 Goods and services for routine household maintenance	B3.1.1.6 Fruit	B3.1.1.8 Sugar, Jam, honey, choc,	B3.3.3 Household	B4.3.5 Recreational and cultural services	B4.2.1 Restaurant and cafe meals	B4.3.4 Other recreational items and equipment, gardens and pets	B2.1.2 Purchase of second hand vehicles	B2.1.1 Purchase of vehicles	
B3.3.1 Furniture and furnishings, carpets and other floor coverings	B3.1.1.7 Vegetables	B3.1.2 Non alcoholic beverages	B3.2.2 Personal effects n.e.c	B3.1.1.9 Other food	B3.3.2 HHld textiles				B2.2.5 Vehicle insurance including boat insurance	B2.2.3 Repairs and servicing	B2.3.4 Air fares
	B3.1.1.4 Milk, cheese, eggs	B3.4.5 Education	B3.3.5 Tools and equipment for house and garden	B3.3.4 Glassware, tableware	B3.4.3 Other services				B2.3.5 Other travel and transport	B2.2.4 Other Motor Costs	B2.3.2 Bus and coach fares
			B3.1.1.3 Fish						B2.3.1 Rail and tube fares	B2.2.1 Spares and accessories	
B1.1.2 Capital mortgage repayment	B1.1.3 Mortgage interest payements	B1.2.2.2 Electricity	B1.3.1.2 Telephone, postal and telefax services	B4.2.2 Alcoholic beverages (away from home)	B4.3.1 Newspapers, Books and Stationary	B4.2.4 Other take away and snack food	B4.2.3 Take away meals eaten at home	B2.3.5 Other travel and transport	B2.2.4 Other Motor Costs	B2.3.2 Bus and coach fares	
	B1.1.1 Actual rentals for housing (net)	B1.1.8 Maintenance and repair of dwelling	B1.1.7 Housing related Insurances Structural, contents, appliances	B1.1.4 Outright purchases of house, flats etc	B4.1.1 Accommodation	B4.3.2 Audio visual equipment	B4.3.3 Other major	B4.2.5 Contract catering	B2.3.1 Rail and tube fares	B2.2.1 Spares and accessories	
B1.1.9 Council tax and domestic rates	B1.2.2.1 Gas	B1.2.1.1 Water charges and water tax	B1.3.2 Internet subscription fees	B1.1.6	B5.3.1 Pension contribs and personal pensions	B5.3.1.2 Pensions contributions	B5.2.2 Cash gifts and donations	B5.5.1 Savings, investments (excluding AVCs)	B5.3.2 Life assurance		
			B1.2.2.3 Other fuel				B5.3.1.1 Personal pensions	B5.4.1 Other insurance			

# Comparing years and subgroups

Which?

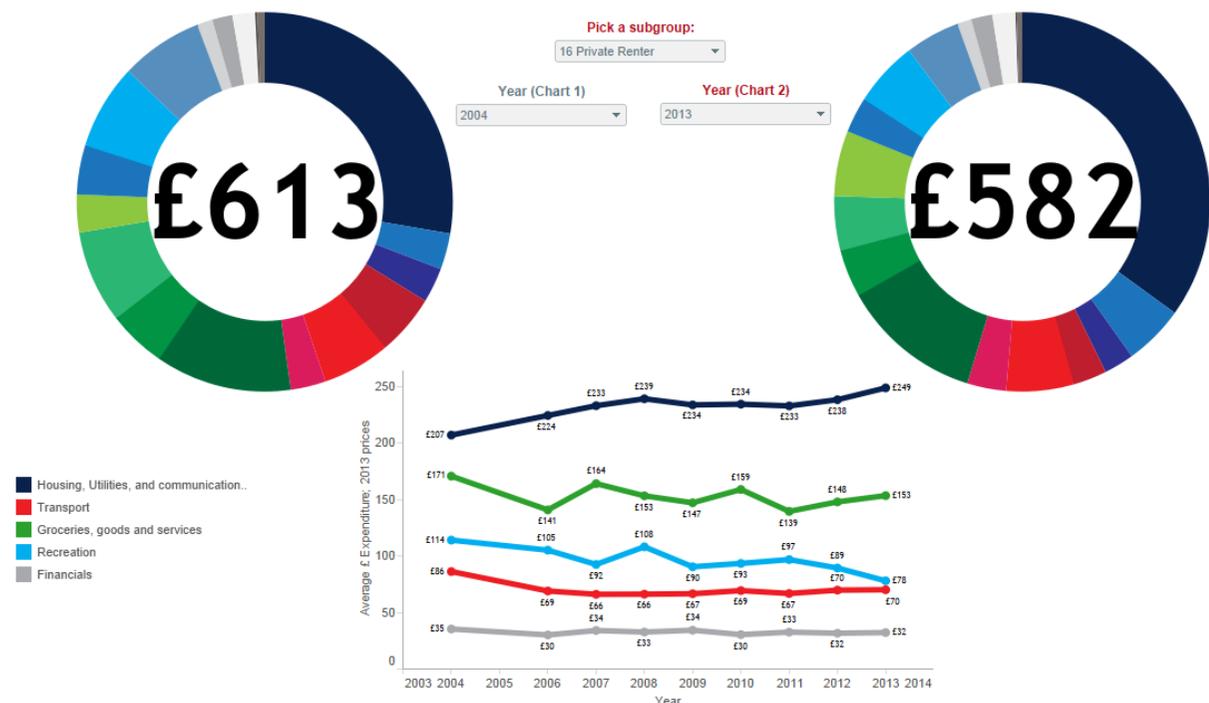


## Example for those with mortgages:

- Mortgaged households are spending marginally less than they did in 2003/4 (2013 prices).
- The composition of that spending is quite similar.
- Purchase of vehicles has decreased from 6% of spending to 4% of spending, although operation costs are the same (7%)
- Note the dip in housing spend after the interest rate drop in 2008.
- Spend on groceries goods and services decreased in real terms by £40 a week for this group
- This group spend an equivalent amount on both HUC and groceries.

## Consumer Spending by subgroups (detailed)

Which? analysis of ONS' Living Costs and Food Survey 2003/4 to 2013



- Private renters were also spending less than they were in 2003/4 in real terms.
- They also saw a large increase in the proportion of their total spending devoted to housing (23% 2003/4 to 29% 2013).
- Recreation and Groceries have seen corresponding decreases.

The donut charts above are displaying average (mean) expenditures according to the Consumer Spending Classification (CSC) put together by Which?

£ values given are in 2013 prices, adjusted using the annual Consumer Price Index.

Compare subgroups and/or years by selecting different categories from the drop down menus.



# How we are using the CSC.



**the guardian**  
Winner of the Pulitzer prize 2014

home > money > savings pensions borrowing careers property UK world all

Savings

## A third of people plan to save less next year, research finds

Which? is urging government to encourage people to save after it found that 33% will save less despite their finances improving

The average amount saved per week just £23. Photograph: Alamy

Lisa Bachelor  
@lisabachelor  
Saturday 27 December 2014 00:01 GMT

A third of people plan to cut the amount of money they put away in savings accounts next year, despite the fact that more than a quarter expect their finances to improve, according to research from Which?.

Our analysis was used last year to highlight soaring energy spending, at the same time as a reduction in the volume of energy consumed.

Other analysis of LCF highlighted the dwindling proportions of household regularly paying money into formal savings or investments 15% to 10% over the period 2003/4 to 2012

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17 October 2014 at 2:36am

## Consumers paying £410 more for energy than 10 years ago - despite using 17% less fuel

Photo: PA

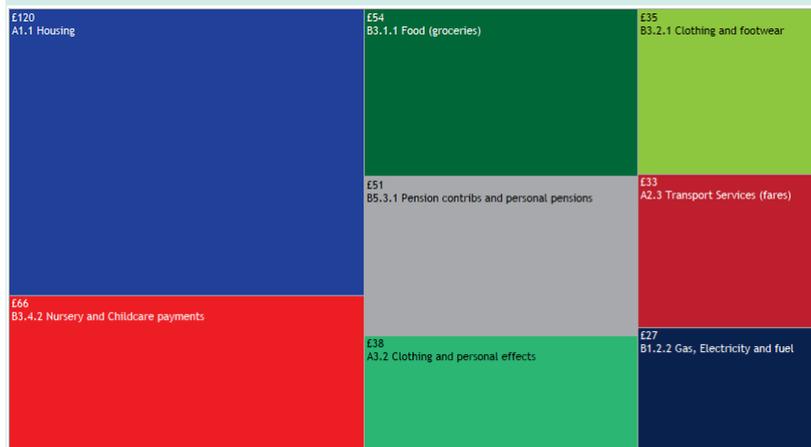
Energy prices are now costing the average consumer £410 more a year than they would have a decade ago, according to a leading watchdog.

Which? found that yearly spending on energy had rocketed by 52% over and above inflation according to figures from the Office for National Statistics.

An average consumer would have paid £790 for their yearly energy use in 2003/04, Which? said, but in 2012 the same amount of power would have cost them £1,200.

The hike comes despite domestic energy consumption dropping by 17% over the same time frame, according to figures from the Department of Energy and Climate Change.

Which? editorial have included our LCF stats in stories about pets and cars



For us being able to quantify the spending on an item in relation to others is hugely valuable for perspective, and internal project prioritisation.

For example, we find that for those that spend on it, childcare equates to more than 50% of housing costs, or around twice what households spend on transport fares.

# Next steps?

**Which?**

- 2015 report, (on 2013 data).
- Aiming to publish 'digi-longform' with interactive charts/visualisations and video content.
- Make processed data available for open use / release the code!
- 2014 report is here <http://www.which.co.uk/about-which/who-we-are/quarterly-consumer-reports/consumer-spending-report-2014/>

Contact: [Guy.weir@which.co.uk](mailto:Guy.weir@which.co.uk)

<https://public.tableau.com/profile/guy8862#!/vizhome/CSCDashboard2013NEW/A-levwithTtimeseries>