

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

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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).

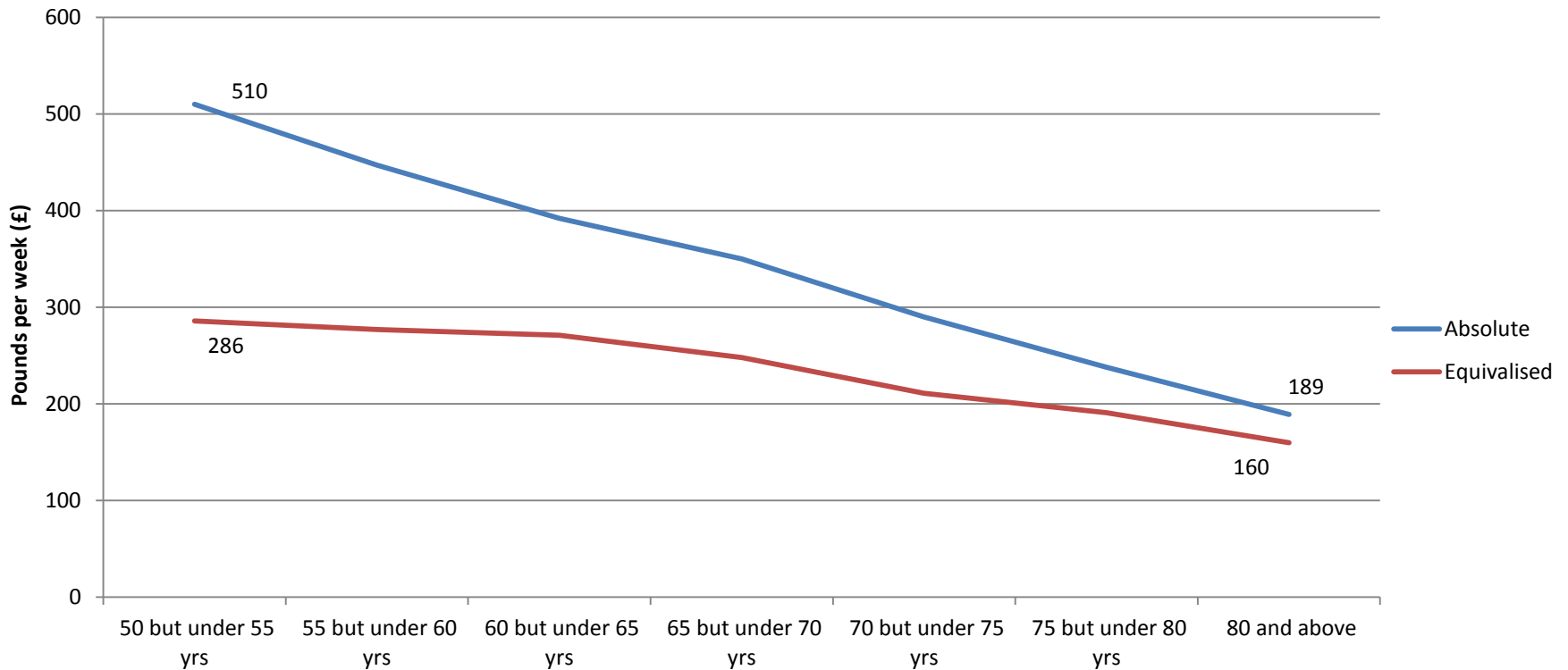
Standard LCF expenditure categories

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

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



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

	Percentage in cluster (%)	Mean weekly expenditure
'Conservative consumers'	46	138
'Foodies'	19	228
'Burdened by bills'	11	231
'Smokers'	9	245
'Recreation and clothing'	4	392
'Socialites'	12	405

The average equivalised expenditure across the sample is £217.

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

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

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

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

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

Spent £28 a week on tobacco products

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%)

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

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

Enjoy the finer things in life, spending £131 per week on eating out, holidays and recreation

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

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

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