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What can be learned from Survey of Household Spending Data?

Local Market Potential / Key Household Characteristics

The Survey of Household Spending (SHS) provides two key pieces of data:

- 1. Average annual household expenditure on a product/service**
- 2. The percentage of households that actually purchased an product/service.**

With these two pieces of information you can then calculate a variety of consumer market statistics.

Find out how much households spend on your product/service.

First of all you can determine how much on average your customers will spend on your product/service each year. The average annual expenditure provided by the survey takes into account all households whether they made a purchase or not. For some expenditure groupings where only a few households actually reported a purchase, this average can appear to be very low. This is due to the fact that the vast majority of households reported \$0 spent. The calculation to determine how much only actual purchasers spent is straightforward. Simply divide the average expenditure per household by the percentage of households not reporting zero (multiplied by 100).

For example in 2003, the average expenditure of all households in Canada on snow blowers was \$16.00. This number seems ridiculously low but this is because very few households actually made a snow-blower purchase. In fact only 1.7% of households

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reported buying one in 2003. To calculate the average expenditure of these purchasing households we follow the above formula:

$$\mathbf{\$16.00 / 1.7 \times 100 = \$941}$$

Therefore in 2003 households that purchased snow blowers spent on average \$941.

You can also use Household Spending data to estimate the local market size of a product/service.

If you want to estimate the local market size of your product or service using household spending data you will need two numbers: the average household expenditure on your product/service and the number of households in your market. The first is available from the survey of household spending. The second is available from a number of sources including the [GeoSearch 2006](#) and [2006 Census Community Profiles 2006](#), the publication [FP Markets: Canadian Demographics](#) or Canada Post's [Householder Counts](#). (NB: Also see our [Census Research Guide](#))

Simply multiply the average expenditure per household by the number of households in your market whether this be a neighbourhood, a city or municipal region. This will provide you with a rough estimate of your product's market size potential.

For example the estimated 2003 market size for "Hair Grooming" services in Saint John, New Brunswick is:

Average Annual Expenditure in Saint John on Hair Grooming		Number of Households in Saint John	Estimated Market Size
\$267	X	48,660	= \$12,992,220

In other words the hair salon/barber shop market in Saint John, NB is roughly \$13

million. You cannot use this figure as the sole basis on which to establish or not establish a business. It is however an excellent acid test of market size.

You can also compare this figure with the [number of competitors](#) in your market in order to estimate market share.

Since the Survey of Household Spending is an annual survey you can also use it to track and compare purchasing trends over time. Use the above calculation to follow market size growth/decline. Make sure you always use the most appropriate households count data. If you are using 2003 household expenditure data, you will need to use 2003 household estimates in your calculation.

Real market growth as opposed to a simple increase in the population of your market is based on either an increase in the percentage of households actually reporting a purchase or an increase in the average expenditure per household. In other words is your product becoming more popular (more households purchasing) or is it becoming more upscale (same number of households spending more money). Compare both these figures over time to spot trends.

You can also use Household Spending data to compile a basic profile of your best customer.

It will help you to identify the type of household that is most likely to report a purchase of your product/service or that are heavy purchasers. Data from the Survey of Household Spending can be segmented by province, major metropolitan area, income quintile, household type, tenure and size of area of residence. This allows you for example to determine how much affect household income has on the likelihood a household will purchase your product/service. In 2003 households with income over \$90,986 were 1.6 times as likely to report making a musical instrument purchase as the average Canadian household (14.7% vs. 8.9%) and high-income purchasing households spent on average 42.7% more a year (\$721 vs. \$505).

[Food Expenditure in Canada](#) is only produced on an occasional basis. The last issue was released February 21, 2003 and covers 2001 data.