The 1990s were a decade of less flash and more cash for life's big and little necessities. Tracking the Consumer Expenditure Survey reveals how our shifting tastes and changing demographics are transforming the way we spend.

Inconspicuous Consumption

By Michael J. Weiss

Illustration by Tracy Walker

Like many Washington bureaucrats, John Rogers works out of a small, windowless office surrounded by a warren of other gray, nondescript work stations. But you can't judge a job by its cubicle. As the supervisory economist of the Consumer Expenditure Survey, Rogers has the Herculean task of trying to answer a question that has baffled philosophers for centuries: Is there no accounting for taste? The CEX, as it is known to Rogers and his colleagues at the Bureau of Labor Statistics (BLS), attempts to show that there is, providing a detailed record of everything Americans buy over the course of a year.

Everything? How much we spend on tattoos?

"Look under the 'other personal services' category," Rogers says.

How about money lost at a weekly poker game?

"That would be in 'miscellaneous fees and pari-mutuel losses.'"

Marijuana? Nose rings?

"Tobacco products. Personal care," Rogers replies, swiveling between precariously perched stacks of government reports. "If people are willing to give us the data, we'll take it."

And willing they are. For more than a century, the CEX has provided detailed information on consumer spending, a force that drives two-thirds of the American economy. This year 15,000 respondents participated in the poll, which asked them to explain how their money disappears, down to the last penny. Conducted by the Census Bureau for the BLS, the CEX is actually two surveys in one. Half the interviewees record their purchases of little-ticket items in paper diaries for two weeks, capturing everything from food (canned corn, vending machine wine) to entertainment (concert tickets, parakeets). The rest agree to five in-person interviews by census pollsters: an introductory session, plus quarterly sit-downs that probe the purchase of big-ticket items in categories such as transportation (diesel fueled cars, airfares to Vegas) and health care (convalescent equipment, dreaded disease insurance). With each session lasting about two hours, CEX respondents often reveal more to interviewers than they would tell their own families.

"We do end up hearing a lot of personal experiences," says Ann Domski, a senior field representative for the Census Bureau's Philadelphia office. "Once we establish a rapport, most people are willing to talk to us about anything." In the 22 years since she began conducting CEX interviews, Domski has heard of splurges on lottery tickets, complaints about steep mortgage payments and out-of-pocket expenses for condoms. "If they buy a stick of gum, we want to hear about it," she says. "But we let people know that the survey is important to the nation."

Ostensibly, the BLS uses the information to update its Consumer Price Index, which in turn helps adjust Social Security payments and federal income tax rates. But the results also prove valuable to businesses that recognize a household budget represents a finite pie which can be sliced only so many ways. With data packaged by demographic characteristics (such as age, income, ethnicity, region and household type), the CEX reveals which consumers prefer what products. And the reverse is also true. The CEX identifies goods in decline faster than you can say double cassette decks and stirrup pants.

The December release of 2000 survey results provides CEOs and researchers alike with a new and exhaustive statistical portrait of recent consumer spending and how it's changed in the past decade. But the numbers also serve as a preview of the hot products and in-demand industries for tomorrow's consumers. Ten years from now, the marketplace will be dominated by a population bulging in different places: Baby Boomers on the eve of retirement will no doubt be cranking up their spending on health care, home remodeling and more elegant takeout than burgers and fries. Their children, Generation Y, will be in the mid-20s nesting phase, acquiring cars, buying new homes and furnishing their rooms with lamps and love seats. The growing number of Hispanics and other ethnic groups will mean larger family budgets devoted to children's clothes, imported food and entertainment with a foreign beat. All this can be seen viewing the CEX through a demographic lens.

> "If the Consumer Expenditure Survey weren't around, there would be nowhere else to turn for solutions to a lot of the questions businesses are trying to answer."

"I don't know of any other source on consumer spending that provides this level of detail," says John Stell, manager of national economic consulting at Washington, D.C.-based PricewaterhouseCoopers. Working for a lobbying group interested in tax reform, Stell recently crunched CEX stats to calculate the tax burden placed on Americans. He once tapped CEX property tax figures to help a city interested in luring new businesses showcase its tax-friendly policies. "If the Consumer Expenditure Survey weren't around," says Stell, "there would be nowhere else to turn for solutions to a lot of the questions businesses are trying to answer."

To believe the pundits, the 1990s were a decade of irrational exuberance, a time when Americans, flush with paper wealth from the bull market, blew their money on glitzy dinners, portable wireless gadgets and extravagant home amenities. But the CEX offers a more restrained portrait. Between 1990 and 2000, Americans actually spent less of their budgets on new clothes, jewelry, watches, toys and sound equipment. They cut back on steaks, martinis and cigars. Even as Emeril and Martha Stewart whipped up cappuccinos in cable TV's gadget-filled kitchens, consumers reduced their spending on kitchen appliances by 14 percent.

The CEX reveals the '90s to be a more sober decade, in which bargain-hunting consumers looked for chances to get more while spending less. That's not to say that Americans didn't have money in their pockets: The average household spent $38,045 in 2000, up 34 percent over 1990, outpacing a 28 percent rise in inflation. But consumers directed a larger share of their budgets to health care, housing and transportation, and less to food, apparel and entertainment. A complicated interplay of economics, merchandizing and demographics helped form these big-picture trends.

The biggest factor influencing spending, according to Rogers with the BLS, is a consumer's age. In the 1990s, it was Baby Boomers between the ages of 45 and 54—the peak earning years for Americans—who proved most influential. Over the course of the decade, these older Boomers increased their share of aggregate spending by 22 percent, to $1 trillion. Their dominant numbers helped increase total spending on health insurance and drugs (more aches and pains), education (more kids in college) and housing (more home ownership than ever before). "You don't want to put everything on the Boomers," says Rogers, "but they're still the pig moving through the python in demographic terms."

While Americans spent proportionally less on clothing in the 1990s, they blew 12 percent more on shoes, reflecting the impact of Casual Friday and a growing demand for Dockers-and-Nike ensembles. Even as U.S. consumers bypassed racks of $500 suits, they shelled out for pumped-up ergonomically correct sneakers, increasing their expenditure on footwear to $343 in 2000. Boomers alone spent 22 percent more of their budgets on shoes, topping $400. Among those under 25 years old, the fastest growing footwear segment, spending jumped 183 percent, to $363. "Part of the change involves people replacing a $35 pair of loafers with an $85 pair of athletic shoes," says C. Britt Beemer, president of America's Research Group (ARG), a Charleston, S.C.-based strategic marketing company that conducts weekly consumer polls. "The other element is that people no longer make fun of Imelda Marcos. They don't see any problem with buying multiple pairs of shoes to go with a number of casual outfits."

Meanwhile, the '90s were far less glorious for retailers of dairy products, floor coverings, books, postage stamps and especially, stationery. All underwent double-digit declines as a proportion of total expenditure. Stationery, once an essential medium of communication, was squeezed by the emergence of e-mail and wireless technology devices. As Internet use soared, spending on postage and stationery dropped by 23 percent between 1990 and 2000. Among those under 25 years old, spending on these old-fashioned items plummeted 49 percent, to $50—about the cost of a modem.

Not surprisingly, spending trends in the '90s varied by race and income, though in some unexpected ways. Hispanics, for instance, disbursed a greater share of their money on food and apparel than whites or African Americans, and less on entertainment and health care. With younger and larger families than the overall population, Hispanics spent 94 percent more than the general population on infant clothes. "Hispanics have more growing families, so you'd expect to see more spending on staples and less discretionary income for entertainment," says Laurence Velcoff, a managing partner at the Miami-based Market Segment Group. "But the decreasing amount spent on health care is troubling. You worry that they're not getting enough medical care."

Housing: There's No Cost Like Home

The largest budget item for all Americans is housing, which represents about a third of all expenditure and rose almost 6 percent during the past decade. The reasons are twofold. Housing prices jumped 51 percent, to a median $138,400. At the same time, the portion of Americans who own their own homes increased to a record 67 percent in 2000, up from 64 percent in 1990. Among U.S. residents between ages 45 and 54, a whopping 77 percent are homeowners. "Baby Boomers have moved into their prime home-owning years," explains Lawrence Yun, a senior economist at the Washington, D.C.-based National Association of Realtors (NAR). "They have more of their wealth in housing than in stocks, bonds or financial instruments."

The 1990s also marked the first decade in which immigrants began owning homes in disproportionately high numbers. In the 35 years since Congress implemented legislation that increased immigration, the flow of immigrants has jumped from 50,000 annually, to about 1 million in 2000. The NAR reports that the longer immigrants live in this country, the greater their likelihood of becoming homeowners. In fact, those immigrants who have lived here for more than 30 years have a higher ownership rate than the general population.

Americans also spent money feathering their newly bought nests, directing 14 percent more of their budgets to maintenance, repairs and renovations between 1990 and 2000. "Boomers are into home remodeling" observes Yun. Still, it wasn't all kitchen cabinets and bathroom tiles. As the number of telecommuters tripled to 20 million people, according to the Washington, D.C.-based International Telework Association & Council, do-it-yourselfers looked to create suitable home offices. During the decade, the share of consumer spending on home office equipment, like faxes and computers, rose 36 percent, to $731 annually.

CONSUMER SPENDING BY RACE: 2000

Race tends to impact consumer spending in unusual ways. African Americans pay a higher portion of their budgets for housing, consumer electronics and life insurance, traditionally viewed as vehicles for saving and financial protection. Hispanics spend more on necessities such as clothes, food and transportation. With more discretionary income than other groups, whites and Asian Americans earmark more of their budgets for entertainment, food away from home, health care and pensions.

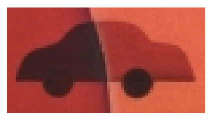
	All	White & Other*	Black	Hispanic
Number of consumer units (000s)				
	109,367	96,137	13,230	9,473
Average Annual Expenditures				
	$38,045	$39,406	$28,152	$32,735
Dollar Share				
Apparel and services	4.9%	4.6%	6.2%	6.3%
Men and boy's	1.2%	1.1%	1.4%	1.5%
Women and girl's	1.9%	1.9%	2.2%	2.1%
Entertainment	4.9%	5.1%	3.5%	3.6%
Fees and admissions	1.4%	1.5%	0.6%	0.8%
Television, radios, audio equipment	1.6%	1.6%	2.0%	1.7%
Food	13.6%	13.2%	14.7%	16.4%
Food at home	7.9%	7.5%	9.6%	10.7%
Food away from home	5.6%	5.7%	5.1%	5.7%
Health care	5.4%	5.7%	4.0%	3.8%
Drugs	1.1%	1.2%	0.9%	0.6%
Health insurance	2.6%	2.7%	2.3%	1.8%
Housing	32.4%	32.1%	35.0%	33.1%
Owned dwellings	12.1%	12.6%	9.4%	9.0%
Rented dwellings	5.3%	4.5%	9.7%	10.1%
Personal insurance and pensions	8.8%	9.0%	8.4%	8.0%
Life and other personal insurance	1.0%	1.1%	1.3%	0.6%
Pensions and Social Security	7.8%	7.9%	7.1%	7.4%
Transportation	19.5%	19.5%	18.3%	20.5%
Cars and trucks, new	4.2%	4.4%	3.2%	3.3%
Cars and trucks, used	4.7%	4.5%	4.6%	6.3%

Source: Consumer Expenditure Survey, 2000
*Includes Asian Americans

Ironically, this preoccupation with homeownership and renovation didn't translate to home furnishings. Americans spent 6 percent less on furniture between 1990 and 2000; those younger than age 25 dropped their outlays by 22 percent, to $270—the equivalent of an Ikea chair. Given that researchers report a correlation between spending on furniture and home entertaining, Gen Y may prefer virtual online gatherings to in-the-flesh parties. As for those who still enjoy dinner parties, CEX stats seem to indicate that they're having them on old particleboard tables.

Looking ahead, analysts remain bullish about housing spending over the next decade, noting that Boomers are entering the highest home-owning age segment—82 percent of Americans between ages 55 and 64 own homes. The rise in telecommuting and home buying among immigrants should further fuel an increase in the rate of homeownership, to 70 percent by 2010, predicts NAR's Yun. As Boomers receive transfers of wealth from their parents, Yun forecasts increased spending on second homes and vacation cottages. In fact, while most of the stock market languished this winter, construction companies like Pulte, Ryland and NVR were posting yearly highs.

Transportation: Used Cars and SUVs Drive Growth



Spending on transportation rose by 8 percent during the decade, more than any other category. The biggest hikes involved leased vehicles, followed by used car and truck sales, up 46 percent and 39 percent respectively. Sticker shock from new cars partly explains the allure of these categories: Car buyers who couldn't afford new vehicles turned to used and leased cars. In the late '90s, a third of all "new car placements" involved leases, according to the National Automobile Dealers Association (NADA).

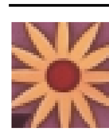
The used car market also thrived, thanks to the emergence of the so-called "near-new market," featuring many late-model, low-mileage vehicles with long warranty plans. In 1985, a survey by ARG found that consumers expected new cars to last 3.8 years without needing major repairs. When the research company conducted the same survey in 2000, consumers believed that better-made cars would last 6.4 years without major repairs. In other words, consumers now believe that a two-year-old car will run as long as a new car did 15 years ago.

Still, new car sales also logged steady increases, a trend Paul Taylor, NADA's chief economist, attributes to demographics. The growing cohort of Gen Y, consumers under 25 years old, increased their expenditure on what industry analysts call "lower small" subcompacts. These entry-level cars feature tiny bodies, price tags under $10,000 and Korean names, like Daewoo Lanos, Hyundai Accent and Kia Rio. "Manufacturers were looking for designs that would make a new car purchaser out of Echo Boomers, when used cars were competing for their attention," says Taylor.

Auto analysts say Boomers also enhanced new car sales during the '90s. As their kids grew up, they switched from minivans to SUVs and CUVs—crossover utility vehicles that look like smaller versions of SUVs and handle more like cars. Among the hot models in the decade: Toyota's RAV4, Chrysler's PT Cruiser and Pontiac's Vibe. "When their kids were young, drivers needed the space of a minivan," says Steve Flinker, a senior vice president at R.L. Polk & Co., an automotive information firm in Southfield, Mich. "But minivans got a stigma as family vehicles, and they just weren't as cool when the kids got older. That's why people moved to sport utility vehicles."

As auto dealers reported record retail sales of 17.1 million vehicles in 2001, up from 13 million a decade ago, many analysts remain bullish about their prospects over the next decade. More Gen Ys will become licensed drivers. More Boomers will discover the smooth ride of CUVs. At the industry's big auto show earlier this year in Detroit, NADA's Taylor noticed that most of the display models were CUVs. "All the manufacturers have placed big bets on CUVs," he says, "and that's what's going to drive growth in the new decade."

Health Care: The Growing Cost of Feeling Good

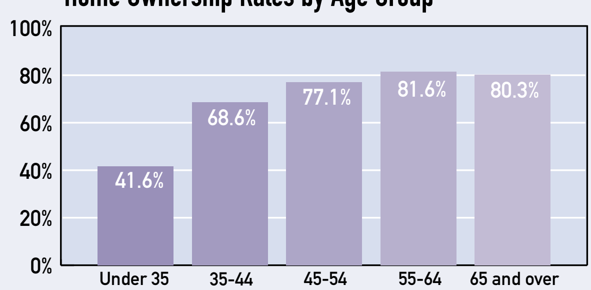


Consumers increased their spending on health care by a modest 4 percent, but it sure seemed like more. That's because out-of-pocket spending in the category experienced the steepest increases: 26 percent for health insurance and 23 percent for drugs.

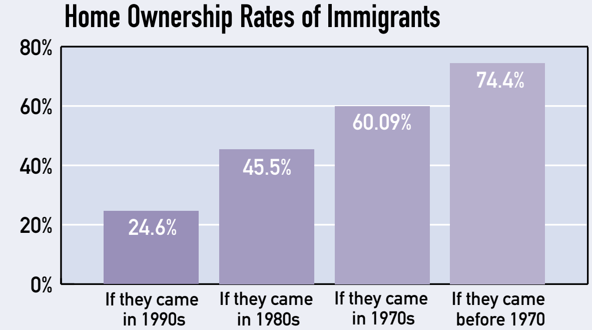
MORE NESTING AMERICANS

The '90s were a very good decade for homeownership, reaching a record 67 percent by 2000, thanks to nesting Baby Boomers and longtime immigrants, who built up their savings for the down payment on a home.

Home Ownership Rates by Age Group



Home Ownership Rates of Immigrants



Source: National Association of Realtors, 2000

Throughout the decade, Americans paid more for their health insurance and drugs while their employers picked up less of the tab.

Fortunately, consumers spent 25 percent less of their budgets on medical procedures in 2000, largely because they're staying healthier longer. Those over age 65 directed a full third less of their budgets to medical services in 2000 than they did in 1990. Some critics expressed concern that the drop in spending may mean that patients are delaying necessary procedures they can no longer afford.

But the pharmaceutical industry paints a rosier picture, noting that new wonder drugs are replacing some surgeries. "There are more medicines for more diseases, with fewer side effects," says Jeff Trewhitt, spokesman for the Pharmaceutical Research and Manufacturers of America, in Washington, D.C. "An increasing number of patients are being sustained by medicine alone." Trewhitt notes that the average coronary bypass surgery costs $42,500, while a year's worth of heart disease drugs goes for $1,200. Protease inhibitors, developed over the past five years, have helped reduce the number of AIDS deaths by 80 percent. "These folks are avoiding hospitalization while saving money," he says.

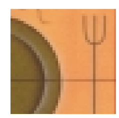
Somewhat surprisingly, the biggest increase in drug spending affected not the elderly, but Baby Boomers between ages 45 and 54, who spent more on lifestyle drugs such as Propecia, Prozac and the impotence fighter Viagra. Then again, their medicine cabinets were already full, as Boomers also boosted spending on personal care products by 16 percent between 1990 and 2000, to $564 annually. Those older Boomers shelled out the most money on hair color, perfume and skin cream—$682 in 2000. But Gen Xers still recorded the largest increase in their budgets for personal care products. Americans between ages 25 and 34 spent 32 percent more on personal care products in 2000 than in 1990, perhaps reflecting the steadily rising median age of marriage to over 27 years old. When it comes to the mating dance, cosmetics and cologne are basic necessities.

Generation Xers recorded the largest increase in their budget for personal care products—a 32 percent jump in 2000 over their spending in 1990.

With Boomers approaching their retirement years, it doesn't take a fortuneteller to forecast a rise in spending on health care. Trewhitt observes that a number of pharmaceutical companies already have R&D departments cranked up in search of treatments for cancer (such as Amgen, Genentech and Immunex), heart disease (American Home Products, Glaxo Welcome and Hoffman Laroche) and Alzheimer's (Bristol Meyers-Squibb, Johnson & Johnson, Novartis).

A generation ago, as Americans reached retirement age, they downsized their lifestyle and eventually moved into nursing homes. But health experts question that pattern for aging Boomers in the future. As they enter their retirement years healthier and wealthier than previous generations, Boomers will have more discretionary income for travel and entertainment. Spending on health care should also rise as Boomers care for their aging parents. Analysts predict happy days for companies that offer adult day care, nursing care and home remodeling for such items as "grandmother suites" for Boomer parents. "Baby Boomers are going to remain active as long as they can," says John Gist, associate director of the Washington, D.C.-based AARP Public Policy Institute, "at least as long as their physical and financial health allow them."

Food: Eating on a Pint-Sized Budget



Consumer spending on food dropped 10 percent between 1990 and 2000. In fact, food prices have risen more slowly than household income for decades. So people in 2000 spent proportionately less on food than in 1990 and still got more for their money. Lower production costs and increased retail competition meant that families in 2000 could have two dinners at McDonald's for the price of one diner meal, circa 1990. "There are a lot more new places to buy food, from convenience stores to grocery takeout," says Janice Jones, director of research at the Food Marketing Institute (FMI), in Washington, D.C. "And that increased competition is making it less expensive for consumers to feed their families."

Not that spending declined equally across all food categories. The decade's health movement spurred more consumption of lower-cholesterol poultry,

'90s SHOPPERS

In the 1990s, time-pressed consumers ruled the marketplace. According to surveys by America's Research Group, furniture retailers needed more advertisements to lure shoppers into their stores. By 2000, the vast majority of consumers tried to save time and money by shopping at discount stores like Wal-Mart.

	1990	2000
Furniture Shoppers		
Number of ads consumers saw/heard before shopping	3.5	4.5
Number of stores they patronized	2.3	1.4
Christmas Season Shoppers		
Percentage of consumers who shopped at discount stores	53.6%	90.3%

Source: America's Research Group

fish and seafood and less of beef, eggs and dairy products. Americans between ages 45 and 54 paid 15 percent more for fresh vegetables in 2000 than in 1990. Those under age 25 spent 23 percent more of their budgets on fresh fruit. In supermarkets, produce sections expanded, with pre-cut salads-in-a-bag becoming especially popular among time-pressed shoppers. “We’re seeing people of all ages opt for a healthier diet,” says Jones. “And many groups are opting for fewer foods that require preparation from scratch.”

Surprisingly, consumers spent proportionately less money on food eaten away from home—a counterintuitive finding given the increasing number of busy, dual-income couples. But experts report that discount-happy diners are clipping coupons and scouting for values to lower their restaurant tabs. “Consumers today are much more cautious about what they’re buying,” says ARG’s Britt Beemer. “They look for two-for-one specials and more discounted items.” Whereas customers once spent $20 for an entrée, notes Beemer, they’re more likely to spend $10 for half an entrée or an expanded appetizer. Restaurant coupons, once limited to pizza joints, now show up in white tablecloth establishments.

Consumer spending on beverages has also declined, especially alcoholic beverages, which dipped by 5 percent. Because young adults are the heaviest consumers of alcohol and they represented a smaller share of all consumers during the ’90s, total expenditure fizzled. “Blame the aging population for decreased alcohol sales,” says Harry Balzer, vice president of the NPD Group, a Port Washington, N.Y.-based marketing information company. “For a while in the mid-’90s, sales spiked when it became fashionable again to sip martinis. But that was just noise.”

In the future, demographics may alter food trends in yet different directions. Spending on dairy products, for example, which dropped 18 percent between 1990 and 2000, should rise over the next decade as Gen Y begins buying milk for growing families. Ditto for alcohol, as this cohort reaches its prime beer-guzzling years. The FMI’s Jones predicts higher spending on ethnic foods, beyond salsa and tortillas, surpassing ketchup. And Balzer predicts that time-crunched consumers will increasingly spend more on convenience foods—be it dinner at Boston Market or ready-to-eat Lunchables from supermarkets.

As Boomers begin empty-nesting, Balzer believes that restaurant spending will increase, particularly at places that offer fast, casual and reasonably priced fare. “When the kids are gone, people go out to eat again,” says Balzer. “So look for new chains that offer a fast-food experience appealing to empty-nesters.” (See March’s cover story: “What’s Cooking: Five Trends Heating up the Food Industry.”)

But even if Americans dig deeper into their pockets for beer and takeout, the overall declining share of spending on food will likely continue. It’s the lasting legacy of greater production efficiencies and more competition—from gas stations to big-box merchandisers. Says

The decline in spending on apparel reflects a values shift in which people are less brand-conscious and more time-pressed.

CONSUMER SPENDING BY INCOME IN 2000

As incomes rise, Americans spend proportionately more of their budgets on clothes, insurance and going out, with less spent on food, health care and home entertainment. As for spending on housing, the rich and poor spent about the same: one-third of their overall budgets.

	Total Reporting	$20,000-$29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$69,999	$70,000 and over
Number of consumer units (000s)						
	81,454	12,039	9,477	7,653	11,337	15,424
Average Annual Expenditures						
	$40,238	$29,852	$35,609	$42,323	$49,245	$75,964
Dollar Share						
Apparel and services	5.0%	4.7%	4.7%	4.7%	4.8%	5.3%
Men and boy’s	1.2%	1.2%	1.1%	0.9%	1.2%	1.3%
Women and girl’s	1.9%	1.6%	1.7%	2.0%	1.9%	2.0%
Entertainment	4.9%	4.7%	4.7%	4.7%	5.1%	5.1%
Fees and admissions	1.3%	1.0%	1.0%	1.0%	1.3%	1.8%
Televisions, radios, audio equipment	1.6%	1.7%	1.7%	1.7%	1.6%	1.4%
Food	13.5%	15.1%	14.4%	14.7%	13.3%	11.4%
Food at home	7.8%	9.8%	8.4%	8.4%	7.3%	5.9%
Food away from home	5.7%	5.3%	6.0%	6.3%	6.0%	5.5%
Health care	5.3%	6.8%	5.6%	5.1%	4.7%	3.8%
Drugs	1.1%	1.6%	1.2%	1.0%	0.9%	0.6%
Health insurance	2.4%	3.3%	2.7%	2.4%	2.2%	1.7%
Housing	31.1%	31.4%	31.2%	30.4%	30.3%	30.2%
Owned dwellings	11.4%	8.3%	10.5%	10.6%	12.4%	14.0%
Rented dwellings	5.1%	8.3%	7.1%	6.1%	3.5%	1.8%
Personal insurance and pensions	10.7%	6.4%	8.4%	10.2%	12.3%	15.6%
Life and other personal insurance	1.0%	1.0%	1.0%	0.8%	1.0%	1.2%
Pensions and Social Security	9.7%	5.3%	7.4%	9.4%	11.3%	14.4%
Transportation	18.8%	19.2%	20.5%	20.6%	19.6%	17.6%
Cars and trucks, new	4.0%	3.9%	4.1%	4.5%	4.0%	4.5%
Cars and trucks, used	4.5%	4.5%	5.4%	5.4%	4.7%	3.2%

Source: Consumer Expenditure Survey, 2000

FMI's Jones: "American consumers get the best value for their food dollar of anyone in the world."

Apparel: Casual Friday Every Day

No category experienced a greater decline in spending than apparel, with a budget share that dropped by 14 percent. While Americans of all ages reduced their spending on clothing, those over age 55 cut back the most, earmarking only 4 percent of their total expenditure for threads. Candace Corlett, a principal analyst at WSL Strategic Retail, a marketing and retailing consultancy in New York, faults retailers for ignoring older customers.

"A lot of young marketers have entrenched stereotypes that people over age 50 act like 90-year-olds," she says. "They seem to think that someone waking up on their 50th birthday suddenly loses any sense of style and switches from fine fabrics to polyester."

Among younger age groups, the drop in clothing expenditure reflects more casual attitudes toward fashion. In the 1990s, fashionistas deemed it acceptable to mix and match pricey fashions with discount rags. "It became OK to have a Gucci bag with a $20 raincoat from Target," says Corlett. "You could get your T-shirts at the Gap and cashmere sweaters from Bergdorf." The bottom line for such eclecticism was lower clothing bills.

That trend also reflects a values shift in which people are less brand-conscious and more time-pressed. Today, working couples who have less time to shop are looking for convenience and value when they go shopping. "Boomers don't care what pair of khakis they buy as long as it has the best price," says Marshal Cohen, president of NPD Fashionworld, an online division of the NPD Group. "As for the Gen Ys, they'd rather have the coolest electronics than the coolest clothes," he says. Such changing priorities have helped discounters like Target and Wal-Mart, while hurting specialty stores like Gap and Abercrombie & Fitch. As Cohen observes: "Apparel used to be about image. Now it's about function."

Over the next decade, that thinking may change. The bursting of the dot-com bubble may mean that Gen Ys will end up reporting to more formal workplaces à la the suit-filled Bush White House. But WSL's Corlett doubts that the next decade will mark a complete revival of heel-and-tie office fashion. "You'd have to drag people kicking and screaming back to formal dress," she says. "What's more likely to occur is the up-shifting of 'business casual' rules to more 'professional casual.'"

With most Boomers crossing the 50-year-old threshold by 2010, apparel manufacturers are starting to look for ways to appeal to mature shoppers. Already, companies like Talbot's and Ralph Lauren are adopting an "ageless image"—filling their ads with models from the 50-plus age cohort. And at a Plano, Texas, Lord & Taylor prototype store, developers implemented a decorating experiment to appeal to the over-50 set: chairs. Throughout the store, comfy, round-armed chairs are available for weary older spouses and friends to relax in while shoppers try on clothes. To Corlett, companies that ignore such innovations will themselves be retired by 2010. "The biggest challenge for retailers will be to have Boomers keep their high-spending habits with them," she says. "Marketers will have to kick it up."

Entertainment: Mixed Reviews

Spending on entertainment declined between 1990 and 2000, in part because of competition in the leisure sector. Boomers flocked to movies as they left their rock concert-going years behind them. The percentage of frequent moviegoers among those over age 40 increased from 22 percent to 29 percent, according to the Motion Picture Association of America. At the same time, the box-office take rose by 50 percent to $7.6 billion, fueled by more mature moviegoers. According to the CEX, Boomers between ages 45 and 54 upped their spending for movie admissions by 17 percent to $637. No age group spent more.

But these increases were offset by the throngs of Americans who preferred in-home entertainment. As families increased their budgets for TVs, radios and audio equipment, it was the playrooms and family rooms that

CHANGES IN AGGREGATE SPENDING BY AGE: 1990-2000

Boomers Rule. Still the pig-in-a-python generation, Baby Boomers maintained their economic dominance in the '90s by outspending other age groups by at least two to one. In 2000, Americans between ages 35 and 54 years spent as much as all other age groups combined.

			GENERATION Y		GENERATION X		BABY BOOMERS		MATURES	
	ALL CONSUMERS		UNDER 25		25 TO 34		35 TO 54		OVER 55	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Number of consumer units (000s)	96,968	109,367	7,581	8,306	21,287	18,887	35,858	45,857	32,241	36,316
Average annual expenditure	$28,381	$38,045	$16,525	$22,543	$28,117	$38,945	$72,606	$91,309	$47,814	$65,873
Aggregate spending (billions)	$2,752	$4,161	$125	$187	$599	$736	$1,297	$2,092	$728	$1,144
Share of aggregate spending			4.6%	4.5%	21.7%	17.7%	47.1%	50.3%	26.5%	27.5%
Percent change: 1990-2000			-1.1%		-18.7%		6.7%		4.0%	

Source: Consumer Expenditure Survey, 1990 and 2000 evolved into the entertainment center of choice. Americans between ages 55 and 64 increased their spending on consumer electronics by double-digit rates in 2000, to $581.

"People are staying closer to home, so they're investing more in entertainment systems," says Tom Edwards, an analyst with NPDTechworld, another online division at the NPD Group. "People who used to buy a 19-inch TV set are getting 27-inch TVs."

Technophiles need not despair, however, as the price of consumer electronics remains on a downward curve. Computers have gotten so cheap that they're killing the market for $200 Web browsers that attach to TVs. VCRs, launched 25 years ago for $1,200, cost less than $100 today. Like a toaster, a broken VCR is thrown away rather than repaired. "You never see pricing go up in electronics," says Edwards.

But Edwards still predicts that spending on entertainment devices will grow in the coming years. In his view, the next big thing will be a home networking device that will wirelessly connect home electronics—PCs, printers, phones, Palm Pilots, even stoves—to monitors throughout the house. From any room, you would be able to go online, turn on the lights and start the oven. "The computer will end up in the closet as a hub for home networking," says Edwards, who believes the companies best positioned to capitalize on home networks are Samsung, Sony and Philips. "You'll have interactive monitors in every room in the house."

In the next 10 years, Americans will be increasingly influenced by the tastes of empty-nesting couples trying to maintain their youth and vigor.

It's nearly impossible to pinpoint how Americans will spend their money one month from now, much less 10 years down the road. After all, who envisioned back in 1990 the rise of the Internet, the revolution in genomics or the decade-long bull market? While CEX figures can serve as leading indicators of where consumers are heading, the survey makes no direct forecasts about the future. Asked about the long-term impact of the war on terrorism on future spending, the BLS's Rogers shakes his head. "Projections," he says firmly, "we don't do."

But others will. In Miami, researchers at the Market Segment Group (MSG) were halfway through a values survey of 4,000 Americans from various ethnic groups when the Sept. 11 attacks occurred. The firm halted the study, and when it resumed polling discovered that safety concerns were coloring purchase decisions as never before. Beyond the expected rise in demand for products like home alarm systems and Caller I.D., the respondents overwhelmingly expressed a desire to head to the suburbs, send their kids to safer private schools and use premium gasoline in their cars. "For the first time, ethnic Americans expressed a willingness to spend money for products that offered a higher degree of safety," says Laurence Velcoff, MSG's managing director. "Having more time with their families was worth the extra expense."

How long this altered climate will affect spending is debatable. Velcoff, for one, believes products "that compete on safety attributes, whether they're Volvo sedans or Nokia cell phones," will be beneficiaries in future years. But safety has often been cited as a source for consumer spending in this decade.

In his book, Insider's Guide to the Future, (Bottom Line, 1997) the noted trends analyst Arnold Brown defines the safety issue as a "heightened concern for personal well-being," and calls it a critical force affecting spending in the coming economy. He believes that some of the immediate changes caused by Sept. 11—less airline travel, more comfort food—will dissipate. "Consumers will get on with their lives, because that's the nature of human beings," says Brown from his office at Weiner Edrich Brown, a Manhattan-based strategic planning consultancy. "People find ways to cope."

But Brown, who developed a trend tracking technique in the 1960s—newspaper scanning—and describes himself as "the oldest living futurist," remains convinced that the search for wellness will affect spending patterns throughout this decade. "Americans will not only want to spend money to fight disease but to feel good," Brown explains. "That means more spending on cosmetic surgery, meditation, acupuncture and homeopathy. It will become a huge spending category."

As they have for the last half-century, the nearly 80 million Baby Boomers will power this wellness trend, contends Brown. In 2010, the oldest Boomers will turn 64, and the number of consumers between ages 55 and 64 will increase by 50 percent from 2000. Increasingly, Americans will be influenced by the tastes of empty-nesting couples, both pre- and post-retirement, trying to maintain their youth and vigor. But the age of retirement traditionally has represented a kind of financial cliff. In 2000, Americans over age 65 spent $26,533 in the marketplace—one-third less than their near-peers between ages 55 and 64.

But Baby Boomers, who have rewritten society's rules most of their lives, may yet redefine spending in retirement as well. A recent survey found that 8 in 10 intend to keep working into their retirement years. Long-term care insurance, which has been available for years, is mostly a bust among Boomers. Many view nursing homes with the same distaste as prisons and vow to avoid them at all costs. "There's only so much you can do to alter the natural process of aging," says Brown. "But the theme of the Baby Boom is Rod Stewart's song 'Forever Young.' Boomers are going to try like hell to do whatever it takes to resist getting older."

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CHANGES IN CONSUMER SPENDING BY AGE: 1990-2000

Prosperity during the 1990s allowed household budgets (34 percent) to grow faster than inflation (28 percent). But changing demographics and marketplace trends affected expenditures in different categories. Consumers spent a greater share of their budgets on housing, transportation and health care, and a lesser amount on apparel, food and entertainment.

	ALL CONSUMERS			25-34 YEARS OLD			35-44 YEARS OLD			45-54 YEARS OLD			55-64 YEARS OLD		
	1990	2000	% Change	1990	2000	% Change	1990	2000	% Change	1990	2000	% Change	1990	2000	% Change
Average annual expenditures*															
	$28,381	$38,045	34.1%	$28,117	$38,945	38.5%	$35,594	$45,149	26.8%	$37,012	$46,160	24.7%	$29,263	$39,340	34.4%
Dollar share															
Apparel and services	5.7%	4.9%	-14.4%	5.6%	5.3%	-5.4%	6.5%	5.1%	-20.8%	5.9%	5.1%	-12.2%	5.3%	4.3%	-19.2%
Men, 16 and over	1.1%	0.9%	-20.8%	1.1%	0.9%	-11.4%	1.2%	0.8%	-31.1%	1.4%	1.0%	-23.2%	1.1%	0.9%	-19.4%
Women, 16 and over	2.1%	1.6%	-22.7%	1.7%	1.4%	-14.2%	2.2%	1.5%	-29.8%	2.2%	1.8%	-17.7%	2.3%	1.6%	-29.0%
Footwear	0.8%	0.9%	13.7%	0.7%	1.0%	36.1%	1.0%	0.9%	-8.9%	0.8%	0.9%	21.9%	0.7%	0.8%	2.8%
Entertainment	5.0%	4.9%	-2.3%	5.2%	4.8%	-8.0%	5.2%	5.5%	5.7%	5.3%	4.8%	-9.0%	5.1%	5.0%	-3.5%
Fees and admissions	1.3%	1.4%	3.6%	1.2%	1.2%	-2.9%	1.5%	1.6%	7.0%	1.2%	1.4%	16.6%	1.2%	1.3%	3.7%
TVs, radios, audio equip.	1.6%	1.6%	2.2%	1.8%	1.7%	-2.4%	1.6%	1.7%	6.7%	1.6%	1.5%	-5.7%	1.3%	1.5%	10.8%
Pets, toys, play equip.	1.0%	0.9%	-9.7%	1.1%	0.9%	-17.5%	1.0%	1.0%	-1.0%	1.1%	0.8%	-24.9%	0.9%	0.9%	4.4%
Personal care products	1.3%	1.5%	15.6%	1.1%	1.5%	32.0%	1.3%	1.4%	13.6%	1.3%	1.5%	14.4%	1.4%	1.4%	2.7%
Food	15.1%	13.6%	-10.4%	14.6%	13.5%	-7.4%	15.1%	13.5%	-10.7%	14.8%	13.6%	-8.1%	15.1%	13.1%	-13.2%
Food at home	8.8%	7.9%	-9.3%	8.3%	7.6%	-9.0%	8.8%	7.7%	-12.4%	8.1%	7.9%	-2.5%	8.9%	7.8%	-12.2%
Meats/poultry/fish/eggs	2.4%	2.1%	-11.2%	2.2%	2.0%	-11.5%	2.3%	2.0%	-9.6%	2.3%	2.1%	-8.5%	2.6%	2.1%	-17.2%
Fruits and vegetables	1.4%	1.4%	-4.7%	1.3%	1.3%	-3.7%	1.4%	1.2%	-11.2%	1.3%	1.4%	7.3%	1.5%	1.4%	-7.1%
Food away from home	6.4%	5.6%	-12.0%	6.3%	5.9%	-5.3%	6.3%	5.8%	-8.5%	6.7%	5.7%	-14.8%	6.3%	5.3%	-14.8%
Alcoholic beverages	1.0%	1.0%	-5.3%	1.3%	1.1%	-14.7%	1.0%	0.9%	-10.5%	0.9%	0.9%	3.2%	0.9%	0.9%	8.6%
Health care	5.2%	5.4%	4.1%	3.5%	3.2%	-7.6%	4.0%	3.9%	-1.2%	4.3%	4.8%	10.5%	6.1%	6.4%	4.2%
Health insurance	2.0%	2.6%	26.2%	1.4%	1.6%	18.2%	1.4%	1.9%	38.2%	1.6%	2.1%	34.2%	2.4%	2.9%	20.3%
Medical services	2.0%	1.5%	-24.6%	1.4%	0.9%	-32.2%	1.8%	1.2%	-32.3%	1.8%	1.5%	-15.6%	2.2%	1.8%	-18.0%
Drugs	0.9%	1.1%	23.1%	0.5%	0.5%	-3.2%	0.5%	0.6%	22.3%	0.6%	0.9%	38.3%	1.2%	1.4%	17.7%
Housing	30.7%	32.4%	5.6%	32.8%	33.5%	2.3%	31.0%	33.5%	7.8%	28.2%	30.7%	9.1%	28.9%	31.4%	8.7%
Owned dwellings	10.4%	12.1%	16.3%	10.3%	10.6%	3.0%	12.1%	14.2%	17.3%	10.7%	12.9%	20.9%	9.8%	12.2%	23.8%
Maintenance, repairs	1.9%	2.2%	14.0%	1.2%	1.3%	6.3%	1.5%	2.0%	32.7%	1.7%	2.0%	21.3%	2.6%	2.6%	0.2%
Rented dwellings	5.4%	5.3%	-1.0%	8.7%	9.0%	3.9%	4.3%	4.6%	6.4%	3.3%	3.5%	6.0%	3.0%	2.9%	-4.3%
Furniture	1.1%	1.0%	-5.9%	1.2%	1.2%	-1.2%	1.1%	1.1%	-3.6%	1.0%	1.0%	1.0%	1.3%	0.9%	-27.4%
Misc. household equip.	1.4%	1.9%	35.7%	1.4%	1.6%	14.2%	1.8%	2.1%	14.1%	1.4%	2.0%	44.4%	1.2%	2.6%	120.4%
Pers. insurance, pensions	9.1%	8.8%	-3.2%	9.8%	9.3%	-5.5%	10.4%	10.1%	-2.6%	10.4%	10.4%	-0.1%	10.1%	9.8%	-3.5%
Life, other insurance	1.2%	1.0%	-13.7%	0.8%	0.6%	-22.3%	1.2%	0.9%	-26.8%	1.5%	1.2%	-20.7%	1.6%	1.5%	-6.5%
Pensions and Soc. Sec.	7.9%	7.8%	-1.6%	9.0%	8.7%	-4.0%	9.1%	9.2%	0.7%	8.9%	9.2%	3.4%	8.5%	8.3%	-2.9%
Cash contributions	2.9%	3.1%	9.0%	1.5%	1.7%	13.8%	2.5%	2.2%	-9.7%	3.5%	3.3%	-5.1%	3.1%	3.3%	7.2%
Transportation	18.0%	19.5%	8.1%	19.2%	21.5%	11.5%	17.1%	19.3%	12.9%	19.0%	19.1%	0.4%	18.1%	19.9%	10.1%
Cars and trucks, new	4.1%	4.2%	3.3%	4.5%	4.7%	6.0%	3.8%	3.8%	0.6%	4.5%	3.7%	-19.0%	3.9%	5.3%	36.4%
Cars and trucks, used	3.3%	4.7%	39.3%	4.0%	5.7%	42.5%	3.2%	4.9%	50.9%	3.4%	4.6%	34.7%	2.9%	3.8%	31.5%
Vehicle rental, leases	0.7%	1.4%	116.3%	0.8%	1.8%	133.2%	0.7%	1.5%	117.0%	0.7%	1.5%	115.3%	0.6%	1.4%	144.6%

Source: Consumer Expenditure Survey, 1990 and 2000
* Change in share calculated from unrounded numbers
Category percentages do not equal 100 percent