



The Hidden Drivers of Retail Spending

**Three economic leading indicators retailers should
watch that accurately predict shopping behavior**

prevedere

Three economic indicators retailers should watch

With today's retail environment more competitive than ever, executives need to look beyond their own four walls and traditional performance indicators to gain a clear picture of what lies ahead.



DISPOSAL PERSONAL INCOME (DPI)
Compared to what is spent on basic goods



NON-MANAGERIAL EMPLOYEE WAGES
Compared to rate of inflation



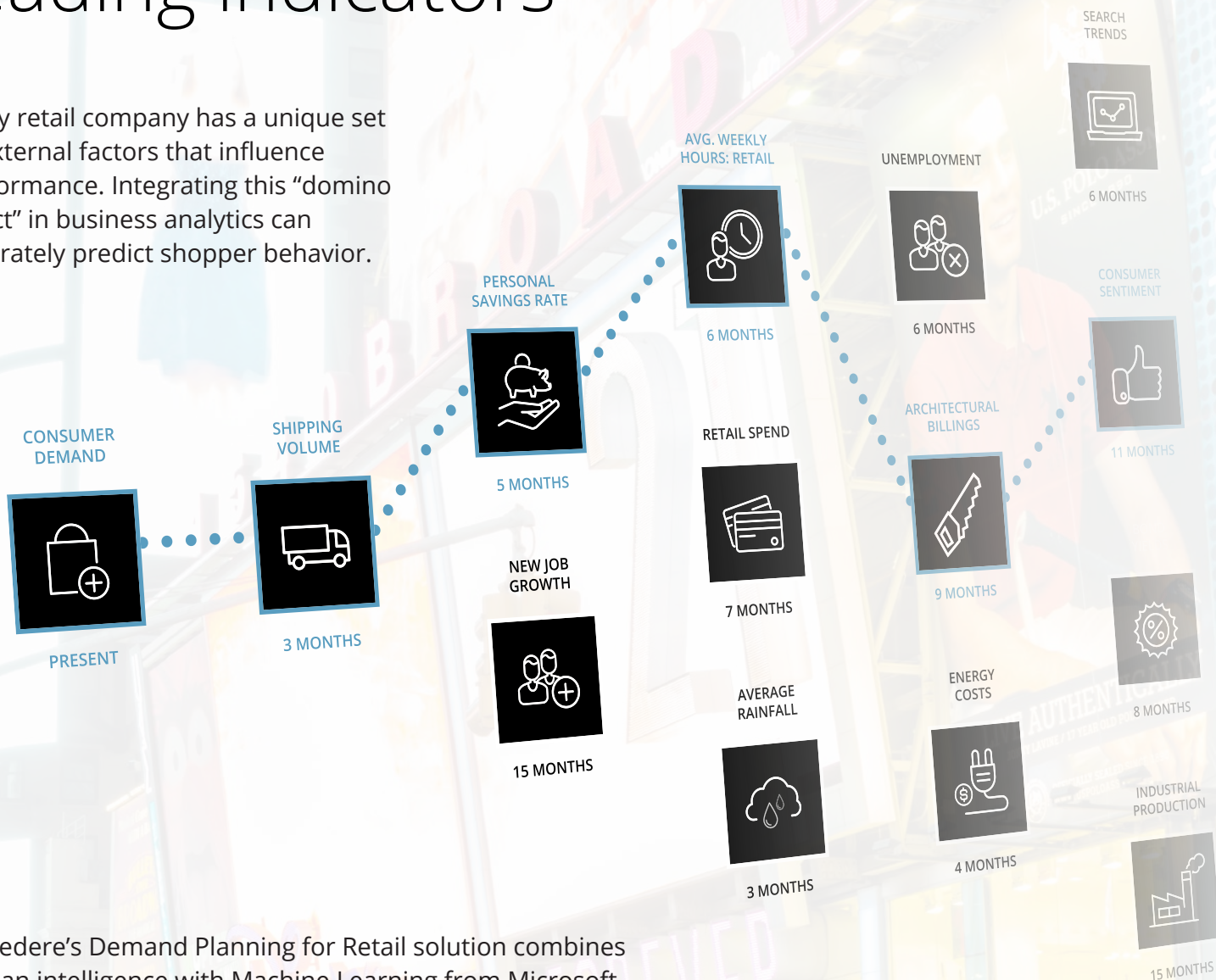
UNEMPLOYMENT LEVEL
Compared to the rate of new job openings

Why do these matter?

- 1 PERCENT OF DISPOSABLE PERSONAL INCOME (DPI) SPENT ON BASIC GOODS**
The portion of their income consumers are forced to spend on necessities like housing, utilities, gasoline, healthcare, and food impacts their ability to spend on discretionary items. As the percentage of DPI that consumers are spending on these basic goods increases, they have less money left to spend on discretionary items.
- 2 SPREAD BETWEEN WAGE GROWTH FOR NONSUPERVISORY EMPLOYEES & INFLATION**
The difference between how fast prices are increasing (inflation) versus how fast wages are growing for non-managerial workers is a strong indicator of willingness and ability to spend. Non-managerial workers are most likely to change their spending habits due to small changes in inflation or lackluster wage growth.
- 3 UNEMPLOYED PERSONS PER JOB OPENING**
The number of unemployed people in the labor force for every job opening in the United States is an indicator of the competitiveness of the job market and likelihood of consumers finding jobs. Not only is this indicative of the likelihood of consumers finding jobs, but also of higher wages given the competition to get new employees in the door.

How to interpret retail leading indicators

Every retail company has a unique set of external factors that influence performance. Integrating this “domino effect” in business analytics can accurately predict shopper behavior.



Prevedere's Demand Planning for Retail solution combines human intelligence with Machine Learning from Microsoft Azure to provide future-focused insights delivered at the speed of business.

The ERIN engine constantly analyzes Prevedere's proprietary data store, which includes millions of external economic, consumer behavior, online and social data sets, to provide companies the ability to access external factors as readily and easily as internal data.