

PURCHASING POWER

International

1 Introduction

“GfK Purchasing Power” is the recognized benchmark for assessing the consumer potential (i.e., the sum of the net income of all households). Purchasing power is a measure of per-capita disposable income (including any received state benefits) after the deduction of taxes and social contributions. The study indicates per-person, per-year purchasing power levels in euros and as an index value. GfK purchasing power figures reflect the nominal disposable income, meaning that the values have not been adjusted for inflation. The study draws on statistics on income and tax levels, government benefits and forecasts by economic institutes.

GfK purchasing power is used by the population for consumer purchases as well as recurring monthly expenses such as rent, energy costs, contributions to private retirement funds and insurance policies as well as other expenses such as traveling and transportation costs.

Purchasing power levels often differ tremendously according to location. By knowing the precise purchasing power for a given region, or set of regions, your company can make informed decisions regarding international territory planning and marketing initiatives. “GfK Purchasing Power” allows you to pinpoint the precise location of the regions with the greatest consumer potential!

2 Areas of application

GfK Purchasing Power supports all companies that sell directly to consumers with a variety of tasks:

Market analyses: Locate your turnover potential

Not every country offers the same turnover opportunities for your products. So in which countries and regions should you concentrate your sales and marketing efforts? GfK Purchasing Power reveals the population's disposable income available for retail purchases based on place of residence, giving you a window into the economic health of a given region. This allows you to quickly determine your turnover potential.

Sales territory planning: Create balanced territories

Whether you're active in Poland or Cyprus, GfK Purchasing Power allows you to evaluate and optimize your sales territories according to set criteria, World-wide. Use the purchasing power data to set realistic and fair goals for your external sales force. This gives you the ability to create a sales structure that realizes your full turnover potential.

Sales controlling: Profit from transparency

How well is your company doing? You can determine the degree of market exploitation by comparing your turnover results with objective market data such as purchasing power. Want to expand? Create test scenarios and find out how much turnover your company can generate under various simulated conditions. This lends transparency to your planning.

Location planning: Pinpoint promising sites

GfK Purchasing Power is an objective benchmark for the planning of new locations and branches. Purchasing power data show you, for example, how large your catchment area should be in order to reach your turnover goals. Use the dataset to position your products and services only in those regions where customers with sufficient purchasing power reside.

Direct marketing: Reach your target group with greater precision

Take better advantage of existing purchasing power with targeted marketing actions. The GfK Purchasing Power dataset reveals regions where high numbers of potential buyers live. By concentrating your marketing efforts on these regions, you can generate better results, increase efficiency and conserve resources.

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GfK also provides purchasing power data for a wide variety of products and retail branches, allowing you to determine your market potential more precisely and allocate your resources more efficiently.
We are always happy to give advice and support!
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3 Basis of calculation

GfK annually carries out regional studies of purchasing power in many countries worldwide, and for all of Europe.

GfK Purchasing Power figures are calculated for both administrative and postcode areas.

GfK's purchasing power figures are based on the most up-to-date data available at the time of analysis on net household income levels and the consumer spending of private households. These figures take into account fluctuations in the gross domestic product, the net national income level and current inhabitant and household numbers. Additional factors taken into consideration include anticipated changes in the gross domestic product, consumer expenditures and projected economic and market developments.

In addition to official government data sources, GfK also draws on decentralized and select private data sources. GfK's Geomarketing division has built a large network of data partners over the years. In order to regionalize the data, we intensively research each individual country. This makes it possible to provide purchasing power data at a very detailed level.

The chief data source used for the compilation of the purchasing power figures is each country's distribution of income – information obtained through an analysis of official tax statistics. In the case of countries for which this kind of information is only partially – or not at all – available, other factors are taken into account, such as data on demographics, the workforce, unemployment figures, etc. In the case of countries without official population statistics at the level of postcodes, population data is projected. We avoid this wherever possible. For cases in which this is unavoidable, we indicate this on the corresponding dataset description sheet.

The time stamp of the data source used for calculating population figures can be found on the dataset description sheet. The calculation of highly accurate purchasing power figures is possible through the use of mathematical formulas that have been refined over the course of many years.

4 Time series comparisons

Our high-quality data allows you to make precise regional comparisons.

However, we advise against using our data for time series comparisons due to ongoing methodological refinements that have been implemented over the years. These refinements mean that results can vary from year to year – for example, due to changes in data sources and the statistical methods used to compile and calculate our data.

For the purpose of geomarketing analyses, we place emphasis on providing data that represent regional differences as accurately as possible. This commitment to accuracy means that we are regularly adopting improved methods as well as newer and more detailed data sources. As a result, time series comparisons are not advisable, because they will not be comparing like with like.

Stated in a different way, if we were to place our primary emphasis on ensuring that clients can carry out meaningful time series comparisons, we would have to ignore the discovery and emergence of improved methods and data sources. This would be a mistake in our view.

Moreover, frequent administrative changes falsify time series comparisons as well.

5 Data structure

Territory key

(e.g., municipalities, postcode areas, etc.)

Name of territory

(e.g., name of municipalities, postcode areas, street names)

Inhabitants and households

Number of inhabitants and households for a given region, provided both as an absolute value and as 1/10th of one percent (1/1000)

GfK Purchasing Power in millions of euros

The purchasing power of a given region's population is provided in millions of euros.

GfK Purchasing Power in 1/10th of one percent (i.e., 1/1000)

GfK Purchasing Power in 1/10th of one percent corresponds to the extent to which the population of a given region contributes to the nationwide purchasing power value. The 1/10th of one percent value is calculated based on the purchasing power of a region in relation to the nationwide purchasing power figure multiplied by 1,000. The sum of all 1/10th of one percent values for all regions is 1,000.

GfK Purchasing Power in euros per inhabitant

GfK Purchasing Power in euros per household

Country index

GfK Purchasing Power as an index per inhabitant

This per-inhabitant figure is based on the country average (index = 100). For example, an index of 110 indicates that the inhabitants of the region in question have 10% more purchasing power available than the national average. Thus, an index of 90 means that the purchasing power of a region's inhabitants is 10% below the national average.

GfK Purchasing Power as an index per household

Calculated based on the nationwide average ("country index")

Questions?
Don't hesitate to contact us!

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