Consumer Price Index

New Goods

When new products hit the market, consumers may have two choices: either to add them in their baskets or to substitute them with the previous goods. In such cases, consumers may find their total spending increasing or decreasing based on whether the price of the new product is higher or lower than that of the old one. That will definitely impact the Consumer Price Index by either minimizing or maximizing it. In case of an increase, inflation on the part of the consumer spending will take place.

Again, should a consumer opt to add the new product to the basket while willing and only able to spend the same amount as before, it would mean reducing the quantity of other products. The lowering would be necessary to compensate for the price of the new product being brought into the basket. As such, the total spending would remain the same, but the other goods' prices could be lowered. Thus, since CPI measures the changes in level of prices for a given market basket of goods consumed by a customer, it will vary with the entry of a new product. However, the overall change in the money spent on the entire basket may not record any change.

Quality Changes

Change in the quality of products in a shopper's basket will as well affect the individual product consumer price index. Most buyers purchase the bundle of goods which gives them the utmost satisfaction. As such, when the quality of one product improves consumers may have a feeling that they could derive more utility from it than they did before. For that reason, they will increase the amount of the quality improved product while reducing the amount of the one they consider less valuable ("US consumer prices post first decline in 7 months"). That will happen up to a point where the bundle of their basket gets to offer them maximum satisfaction. With that the CPI of the individual products would reduce while that of the total remains the same provided the consumer does not wish to increase their spending.

In the event that the buyer wishes to commit more money to cover for the increased amount of the quality improved item, the overall CPI will rise. On the other hand, when the quality of a given product deteriorates, consumers will prefer to raise the quantity of one other product in their basket while reducing that of the failing item. That would allow them to get the required utility from the batch of goods in their basket. In that case, the CPI of one product will reduce while that of the other increases. Nevertheless, should the buyer still be willing to spend the same amount then the total CPI remains the same. In the event they opt to save the money the total CPI decreases.

Commodity Substitution

Substituting an item from a shopper's basket could have two bearings. That would lead to either increased or decreased CPI for some or all of the products. When one good is substituted for another, price factor would come into play. At first, if the price of the substitute is higher than that of the previous product, then the CPI will rise. However, for that increase to be notable for the entire basket, the consumer ought to avoid interferences on the amount of money spent on other products. That means the money spent on each of the remaining items is not affected but the overall amount spent increases.

Nonetheless, if the cash meant for spending remains the same, then the prices of other products will have to be reduced in order to accommodate the extra money required. Again, in case the prices of other items and the total spending are unaffected, then the amount of the substitute could be lower than that of the previous product. On the other hand, the price of the substitute could be lower than that of the old product. Such a case would mean more of the new item would be bought, thus lowering the CPI.

Outlet Substitution

Sometimes, similar products may cost differently in various outlets. That mainly happens due to the competition in the market where some firms may lower prices of some key goods in order to attract customers. When that happens, it becomes highly probable that the consumer basket will be affected. That is so as a consumer may find it viable to spend the same amount of money to buy similar items. It may happen while increasing the quantity of some products without necessarily reducing the price of any given product in their basket. In such a situation, the consumer price index is expected to be lowered for the entire basket.

Again, that looks to be similar to an increase in the total amount the consumer intended to spend. As such, no one product is disadvantaged against the others. The consumer price index (CPI) gets to be reduced for the individual buyer owing to the increased quantity of items. The reduction could as well result from the consumer spending little on the same amount of product while saving the rest. Consumer price index is calculated in comparison with the previous prices of the commodities at different times. Therefore, if one outlet sells less than the previous one did, then the personal CPI will decrease and vice versa.

WALMART	**OCTOBER**	**NOVEMBER**	**CPI**	**INFLATION**
Toothpaste (003500074210)	1.47	1.47	100	0
Toothpaste (003700094595)	0.97	0.97	100	0
PN SH REP	4.97	4.97	100	0
Mouthwash	3.97	3.97	100	0
PN CN REP	4.97	4.97	100	0

S (001700009264)	0.98	0.98	100	0
Dove Adv Care	4.88	4.88	100	0
TOTALS	**21.21**	**21.21**	**700**	**0**

Since the prices remained unchanged for two months, no inflation was recorded over the period of the study. Again, the consumer price index remained at 100 owing to the constant prices. However, the consumer had spent $29.46 in the month of October which then rose to $31.11. The rise was based on the substitution of products with new ones as well as the addition of new purchases.