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2024 Back to School Preview

KEY TAKEAWAYS

1	According to the National Retail Federation (NRF), total Back-To-School (BTS) and Back-To-College (BTC) spending is expected to be down YOY, at $39 billion and $87 billion, respectively, led by declines in technology products.
2	More than half of BTS shoppers got a head start on their shopping, with 55% already starting to purchase items during July for the upcoming school year
3	Despite an anticipated drop in sales, technology continues to be the most sought-after category this season.
4	Lower-income consumer spending continues to be disproportionately impacted by ongoing economic factors, making value and promotions key.
5	Online spending continues to grow but brick-and-mortar stores remain the favored destination.

Consumer spending remained resilient throughout 2024 despite the volatile economic conditions. Still, consumers may be feeling less certain about the future. The July 2024 Conference Board monthly Consumer Confidence Index (CCI) came in at 100.3, up from 97.8 in the prior month but lower than 117 in July 2023. The slight improvement in CCI from May reflects consumers becoming a bit more optimistic about inflation cooling (Core CPI was 3.3% in June). However, a recent report from Deloitte showed that 73% of BTS consumers are concerned about the higher prices of everyday essentials. This is reflected in the falling expectations of total BTS and BTC spending this year as consumers are expected to reel back their spending amidst a shaky economic backdrop and search for the best deals. Online sales are expected to maintain solid growth; however, the data indicates that consumers continue to prefer the brick-and-mortar shopping experience with their families. A JLL survey found roughly 43% of consumers plan to visit four or more retailers this season.

Our latest monthly retail sales report for June indicates sales (except fuel and auto) were up 0.8% for the month, led by rebounds in building materials/garden (+1.4%), nonstore retailers (+1.9%) and health/personal care (+0.9%). The main BTS (kindergarten through 12th grade) and BTC spending categories were mixed, with clothing and clothing accessories rising 0.6% during June (vs. 1.2% in May), while electronics increased to 0.4% and furniture declined to 0.6%. The economic effects consumers feel continue to be bifurcated, with higher-income consumers able to allocate more dollars to discretionary spending than middle- and lower-income consumers. To make ends meet, middle- and lower-income consumers have increasingly leaned on credit card debt as well as buy now, pay later services, which is expected to play a big role this season. That said, total credit card debt now stands at $1.140 trillion, up roughly 6% YOY, with the average consumer carrying $6,300 in credit card debt per month, according to TransUnion.

Total credit card balances in the U.S.
Q1 2018–Q2 2024

2024 Q2 **$1.14T**
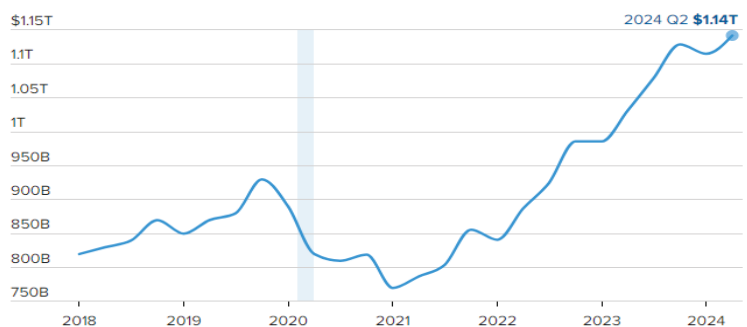
Note: Shaded area indicates recession.
Source: Federal Reserve Bank of New York
Quarterly Report on Household Debt and Credit
Data as of Aug. 6, 2024

CNBC

BTS and BTC NRF Survey

A recent survey from the NRF forecasts total back-to-school spending to be $38.80 billion, which is still the second-highest year on record, following $41.50 billion in BTS spending during 2023. Total BTC spending is projected to hit $86.60 billion, down from the record $94 billion in 2023. Per household, the NRF estimates $875 for BTS and $1,365 for BTC, down 1.7% and 0.1%, respectively.


Expected back-to-school and college spending
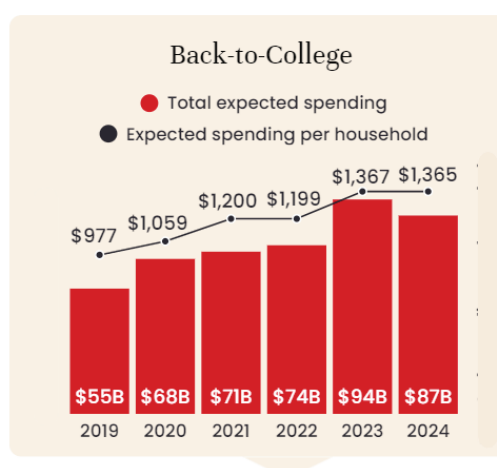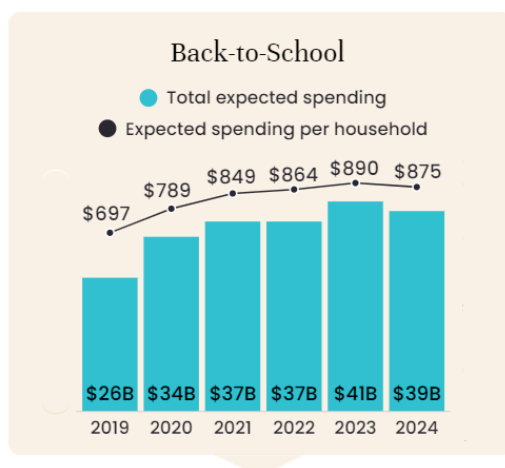
Source: NRF and Prosper Insights & Analytics

Alternatively, a Deloitte survey based solely on BTS spending predicts total spending will be $31.30 billion, down 1.9% from $31.90 billion in 2023. Deloitte also predicts spending on a per-child basis vs. a household basis in the NRF report and estimates $586 per child on BTS items in 2024, down $11 from 2023. BTS and BTC shoppers spend across various categories, but as in prior years, the highest spending categories in both surveys include electronics, clothing and clothing accessories. Data from the NRF shows electronics leading total 2024 spending yet again, although sales in the category are expected to decline 9.9% to $13.70 billion and 1.7% to $22.80 billion for BTS and BTC, respectively. Meanwhile, Deloitte expects clothing and clothing accessories, the largest BTS category in its report, to be flat at $12.60 billion, compared with $12.70 billion in 2023. Tech spending is expected to drop 11% to $8.6 billion.

Clothing and school supplies account for the lion's share of planned BTS market spending
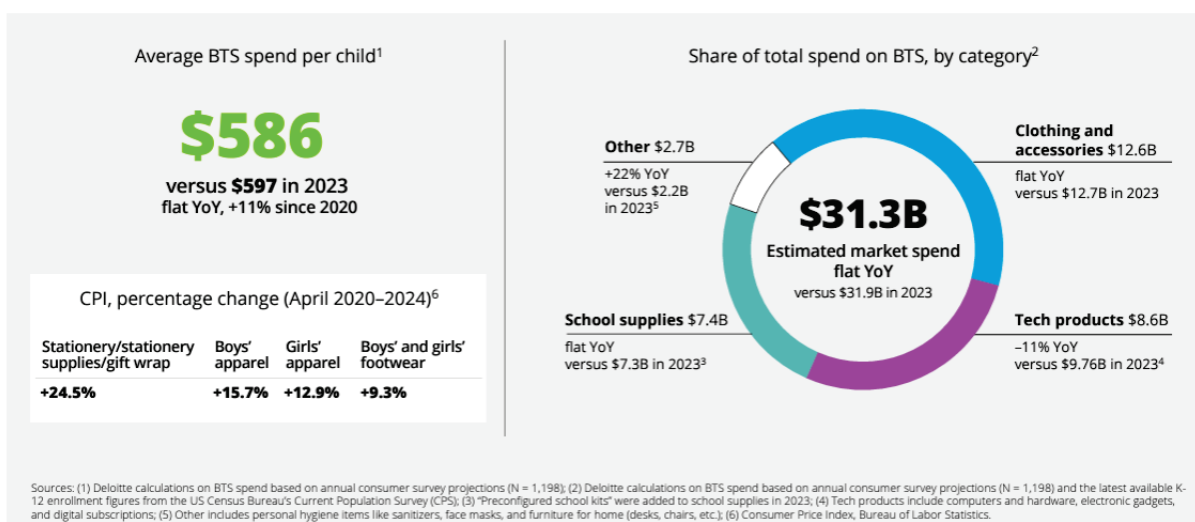
Although the rate is declining, the past few years of high inflation have stressed consumer budgets, leading them to turn to cheaper alternatives, especially in clothing, electronics and school supplies. Additionally, in 2024, Walmart and Target introduced private-label brands focused on essentials to support middle- to low-income shoppers. The NRF shows that 40% of BTS shoppers are willing to buy pre-owned clothing, and 28% are willing to buy used electronic items. The survey also shows that 43% of BTC shoppers are willing to buy used textbooks, and 31% are willing to buy secondhand clothing.

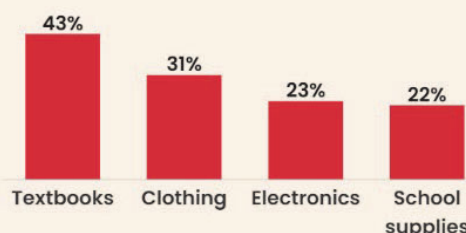**Back-to-class and sustainability**

Items back-to-school shoppers would consider buying secondhand

Clothing	Electronics	School supplies	Shoes
40%	28%	23%	20%
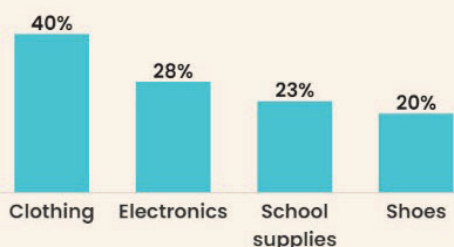
Items back-to-college shoppers would consider buying secondhand

| Textbooks	Clothing	Electronics	School supplies
43%	31%	23%	22%

71% of back-to-school and **67%** of back-to-college students say it's important to them that items they purchase for back-to-school and college are sustainable or environmentally friendly.

NRF National Retail Federation

Source: NRF and Prosper Insights & Analytics

According to Deloitte, 44% of middle-income and 41% of higher-income households are looking to buy pre-owned items, up from 39% and 36% in 2023, respectively. Like last year, Deloitte found that 45% of lower-income families are seeking pre-owned items this year (47% last year). These spending levels remain fairly consistent among the three income classes, with an average of 43% willing to buy pre-owned products (vs. 40% in 2023), displaying the increasing tradeoffs parents are making this shopping season amid financial pressures and uncertainty.


Parents buy pre-owned products when available, by household income[1]

● 2023 ● 2024

	Less than $50k	$50k to $99k	$100k+
2023	47%	39%	36%
2024	45%	44%	41%
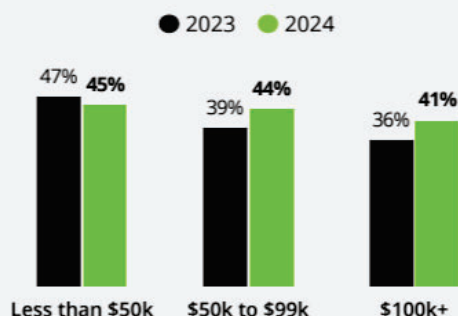
RETAIL EXTRA CREDIT

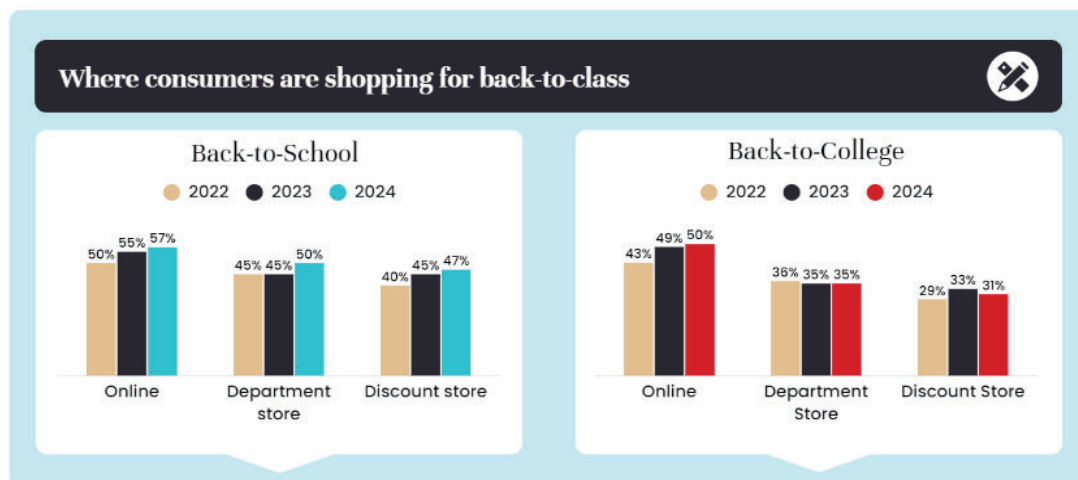*The used apparel market is estimated to grow 11% annually, yet only two in 10 used apparel items are sold through retailers, creating an opportunity to expand used assortments and messaging about purchasing from a trustworthy source.*

Respondents don't feel guilty about sending their children to school with pre-owned items[1]

74%
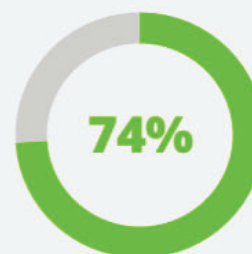
By household income:
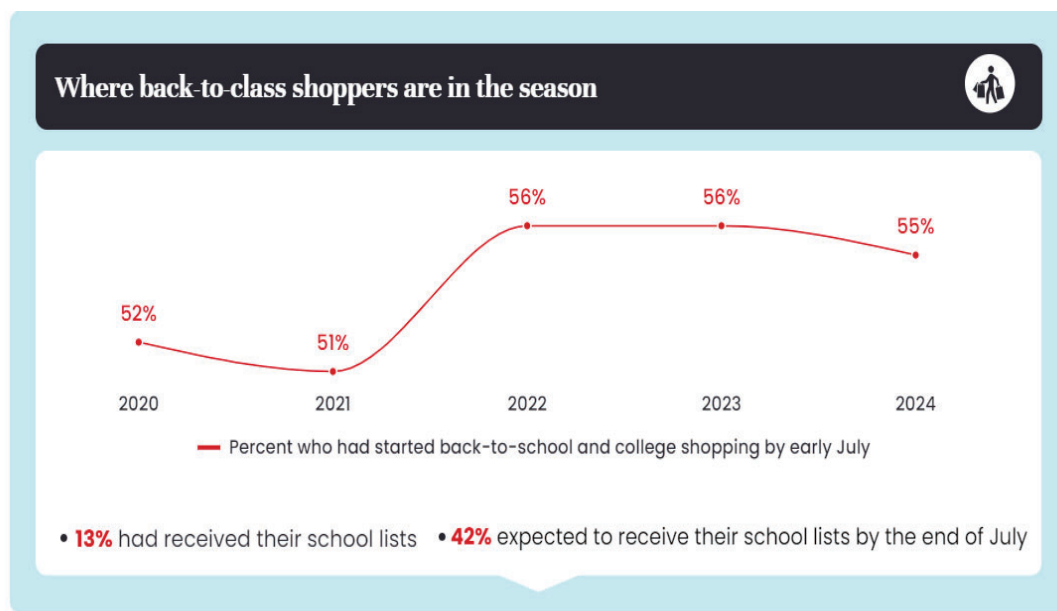71% Less than $50k
69% $50k to $99k
80% $100k+

According to Deloitte, this season, 70% of BTS shoppers are shopping across multiple channels (vs. 66% in 2023) and will account for 80% of total BTS spend this year (vs. 73% in 2023). A report from the NRF shows that 57% of BTS and 50% of BTC shoppers used online stores this year, up from 55% and 49%, respectively. Despite this, more BTS shoppers chose brick-and-mortar stores for their purchases, with 50% going to department stores (vs. 45% in 2023) and 47% to discount stores (vs. 45% in 2023). Meanwhile, BTC shoppers relying on brick-and-mortar stores remained relatively flat, with 35% (unchanged) going to department stores and 31% choosing discount stores (vs. 33% in 2023). Additionally, third-party services like Instacart are offering back-to-school search categories and same-day delivery to gain share in the busy BTS season.

Where consumers are shopping for back-to-class

Back-to-School — 2022, 2023, 2024
- Online: 50%, 55%, 57%
- Department store: 45%, 45%, 50%
- Discount store: 40%, 45%, 47%

Back-to-College — 2022, 2023, 2024
- Online: 43%, 49%, 50%
- Department Store: 36%, 35%, 35%
- Discount Store: 29%, 33%, 31%

Source: NRF and Prosper Insights & Analytics

Purchase options such as buy online, pick up in store (BOPIS), and buy online, pick up curbside continue to gain popularity, with 33% of online shoppers using BOPIS (vs. 21% in 2023), according to Deloitte. Similarly, JLL found that roughly 31% of parents will use BOPIS, and 32% of parents will use the buy online, pickup curbside option, both of which are up from 20% and 20% in 2023, respectively. That said, brick-and-mortar retail still remains a very popular option, with JLL reporting that foot traffic will be up 6% this year, with roughly 46% of mall shoppers planning to visit four or more stores.

Where back-to-class shoppers are in the season

- 2020: 52%
- 2021: 51%
- 2022: 56%
- 2023: 56%
- 2024: 55%

— Percent who had started back-to-school and college shopping by early July

• 13% had received their school lists   • 42% expected to receive their school lists by the end of July

Source: NRF and Prosper Insights & Analytics

According to the NRF survey (above), more than half of BTS and BTC shoppers (55%) started buying items for the upcoming school year in July, remaining consistent with 56% in 2022 and 2023. Additionally, 65% of NRF surveyed consumers stated they started their shopping experiences early to spread out their shopping budget. In line with the last couple of years, 47% of consumers began their shopping excursions earlier to capture better prices and promotions. Meanwhile, the Deloitte survey (below) found that 66% of planned spending will occur by the end of July, up from 59% last year. The survey also found that 48% of consumers planned to shop for their BTS items on Amazon's Prime Day (vs. 39% in 2023).

Parents have been trained to expect early discounts ...

59% of respondents believe best deals occur **earlier** in the season versus **41%** who believe they occur **later** in the season[1]

RETAIL EXTRA CREDIT — *Consider messaging and promoting early on digital channels, as early shoppers spend 1.5x more than late shoppers and frequent digital formats more often.**

Questions: (1) When do you expect to find the best back-to-school deals? (N = 1,198); (2) Do you plan to shop for back-to-school items on Amazon's Prime Day sales event in July 2024? (N = 1,198).
Source: *Deloitte calculations based on annual consumer survey projections.

As major online retailers discount mid-July and others react, the shopping season continues to be pulled forward, with the majority of shopping expected to occur before the end of July

Share of total spend on BTS products, by shopping periods*
— 2023 — 2024

48% plan to shop for BTS items on Amazon's Prime Day in July,[2] versus 39% in 2023

In 2024, **66%** of planned spend will occur by the end of July, up from **59%** in 2023

Top Retailers

According to Deloitte, consumers continued to favor mass merchandisers the most for their BTS shopping needs, followed by online retailers and department stores. With shoppers prioritizing value, many retailers have continued to offer promotional activities to help drive traffic, although this will likely pressure profit margins. However, favored retailers are also those who make shopping more convenient.

As noted, many BTS shoppers turned to Amazon's Prime Day this season for their shopping needs. The event ran from July 16-17, and sales rose 11% to a record $14.20 billion. According to Adobe Analytics, online sales significantly advanced in the BTS- and BTC-defined categories; stationery and office supplies (+216%), kid's apparel (+165%) and electronics (+61%) were up during the two-day shopping event. Other retailers, including Walmart and Target, have aimed to mimic Amazon's Prime Day event in their own campaigns. This year, Target had the return of its Target Circle Week from July 7-13, with savings of up to 50% on thousands of items, while Walmart brought its Walmart Plus Week back from June 17-23, which is a bit early for BTS shoppers, who historically tend to start their shopping during early July and into August. Walmart also announced its own back-to-school offering, which began in recent years, offering 100 essential BTS items priced at $1 through $.25.
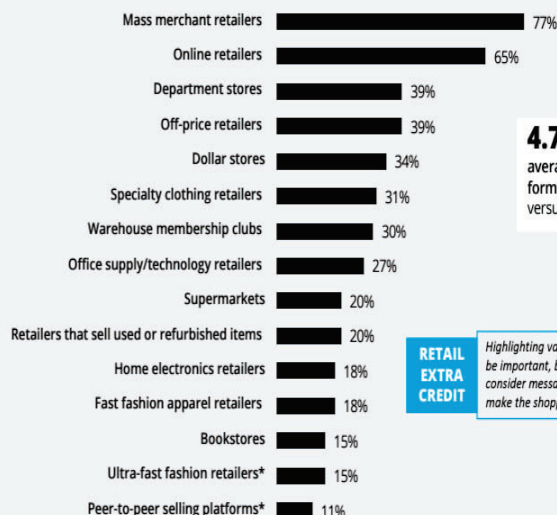
Consumers plan to spend the most at:[2]

- **40%** Mass merchant retailers
- **21%** Online retailers
- **7%** Department stores
- **7%** Specialty clothing retailers
- **5%** Off-price retailers
- **3%** Home electronics retailers
- **3%** Supermarkets

7 in 10 look for **convenience****—the top driver for where people spend the most

Note: *Convenience includes convenient location, easy returns, and convenient delivery options.
Questions: (1) Which type of retailer(s) do you plan to visit for your back-to-school shopping? (N = 1,198); (2) At which type of retailer do you anticipate spending the most money this back-to-school shopping season? (N=1,198).

Preferred retail formats for BTS shopping[1]

Format	%
Mass merchant retailers	77%
Online retailers	65%
Department stores	39%
Off-price retailers	39%
Dollar stores	34%
Specialty clothing retailers	31%
Warehouse membership clubs	30%
Office supply/technology retailers	27%
Supermarkets	20%
Retailers that sell used or refurbished items	20%
Home electronics retailers	18%
Fast fashion apparel retailers	18%
Bookstores	15%
Ultra-fast fashion retailers*	15%
Peer-to-peer selling platforms*	11%

4.7 average retail formats visited versus 3.9 in 2023

RETAIL EXTRA CREDIT — *Highlighting value early on will likely be important, but retailers should also consider messaging how they plan to make the shopping journey easy.*

Takeaway

The volatile economic environment remains a concern, particularly for consumer behavior. Despite the majority of sales being discretionary, many consumers still view BTS and BTC shopping as an essential expense. With tightened budgets, a strong value offering becomes crucial as consumers are increasingly likely to switch brands for better pricing. Many shoppers are also more open to purchasing second-hand items. Meanwhile, retailers have responded by extending sales periods, expanding their range of promotional products and introducing private brands focused on essentials, especially for middle- to low-income shoppers. While consumers continue to shop across multiple channels, mass merchandisers remain the favored destination, followed closely by online retailers. Notably, Amazon's Prime Day (July 16-17) highlighted the BTS/BTC season, reporting sales up 11% to $14.20 billion, primarily driven by demand for back-to-school supplies and electronics.

Giving us a closer look into consumer behavior, today, July retail sales (except fuel and auto) were released, showed an increase of 0.4%, surpassing the expected 0.2% growth. This rise was driven by gains in electronics (+1.6%) and Grocery (+1%), while clothing experienced a slight decline of 0.1%. The report highlights the ongoing resilience in consumer spending as inflationary pressures ease. In July, container import and freight rates jumped as retailers expedited early imports to the U.S. to mitigate risks from potential port strikes and the later Thanksgiving date (November 28th) this year. Moreover, pricing platform Xeneta found that many retailers started Christmas orders as early as May. However, this strategy could become challenging if consumer demand does not meet expectations or if inventory shortages occur. With 2Q earnings reports approaching, we'll soon gain more insights into consumer spending patterns as we move into the back half of 2024.

Taylor Ricketts, Vice President
(800) 789-0123, ext. 139

Michael Blackburn, Executive Vice President
(800) 789-0123, ext. 131

Robert Altun, Retail Analyst
(800) 789-0123, ext. 182

Dean Tsoukalis, Retail Analyst
(631) 656-1150