COVID-19 AND BACK-TO-SCHOOL SHOPPING IN THE US

Analyzing demand shifts and fundamental changes in consumer behavior

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Summary

- Total spend for back-to-school, including back-to-college, in the US in 2020 is projected to top the **$100 billion** market for the first time, reaching $101.6 billion; a 26% increase over 2019.

- While some reports forecast more conservative spending, there is consensus among analysts on shifts in category spending. Segments such as computers, digital learning accessories, and software are seeing significant growth, while segments such as clothing are seeing a slowdown.

- Customer perceptions and priorities are changing dramatically. Factors like safety, affordability, and availability are more important to customers than before and are bound to have short-term and long-term impact for brands and retailers.

- In order to tap this opportunity, brands and retailers need to take specific measures. These include being agile in leveraging data and analytics to address evolving consumer needs, addressing privacy and security concerns, and ensuring availability and convenience of shopping.
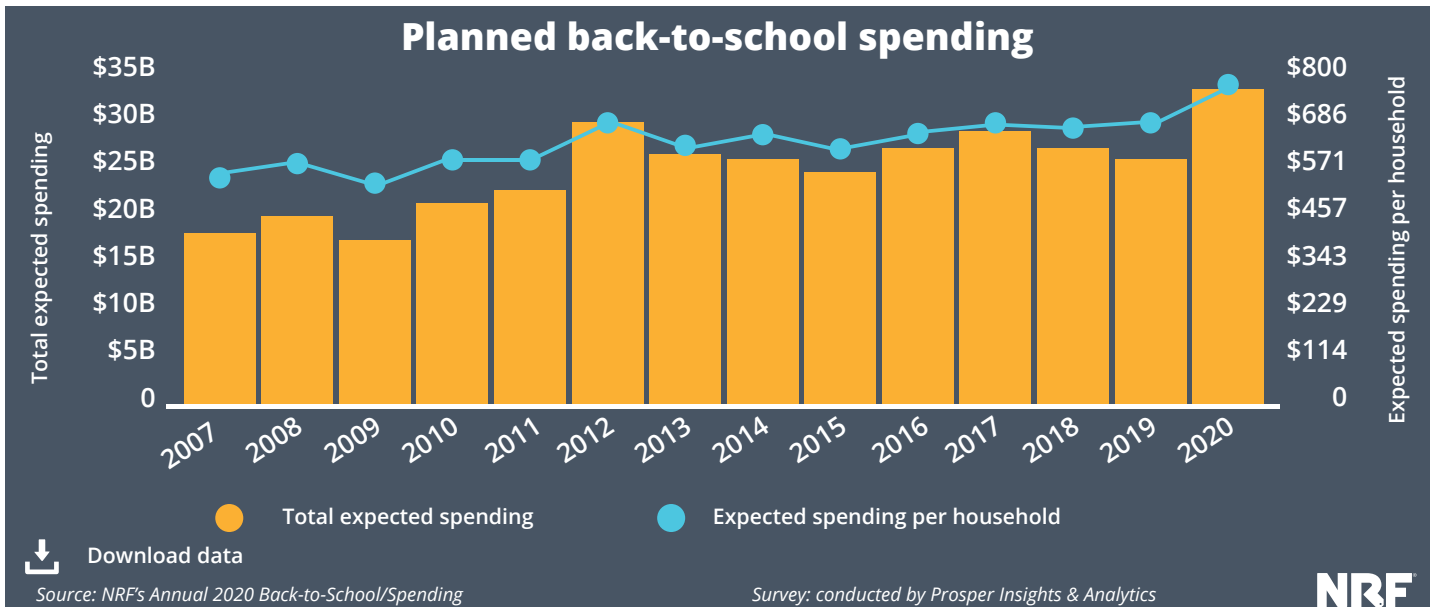
Introduction

This paper looks at how the back-to-school shopping season is shaping up in the US. It looks at which segments are growing and which segments are witnessing slowdown. Further, it will examine how changing customer perspectives are shaping consumer behavior, specifically back-to-school shopping behavior. This paper also proposes a set of focus areas for brands and retailers to leverage emerging demand patterns and be better prepared for the fundamentally changed market scenario of the back-to-school season of 2020.

Back-to-school shopping – What do the numbers say?

In the midst of an overall gloomy picture for the consumer retail sectors due to the COVID-19 pandemic, there seems to one positive story that is emerging. Total spend for back-to-school and back-to-college in the US in 2020 is projected to top the **$100 billion** market for the first time reaching $101.6 billion; a 26% increase over 2019.

According to **National Retail Federation** (NRF), back-to-school spending is expected to reach $33.9 billion, up from $26.2 billion in 2019 (even breaking the record of $30.3 billion set in 2012) as uncertain families gear up for at-home learning. Back-to-college spending as well is projected to reach $67.7 billion, up from $54.5 billion last year and breaking the record of $55.3 billion set in 2018.

Further, **NRF's Annual 2020 Back-to-School Spending Survey** indicates that in the US, parents with children in K-12 schools would spend an average $790 per family, almost $100 more than the previous record of $697 they said they would spend in 2019. In line with the trends around overall spend, the average spend for back-to-college for 2020 is projected at $1,059 per family, which would top the 2019 record of $976.78.

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Planned back-to-school spending

Total expected spending: $35B, $30B, $25B, $20B, $15B, $10B, $5B, 0

Expected spending per household: $800, $686, $571, $457, $343, $229, $114, 0

2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020

● Total expected spending   ● Expected spending per household

Download data

Source: NRF's Annual 2020 Back-to-School/Spending   *Survey: conducted by Prosper Insights & Analytics*   **NRF**
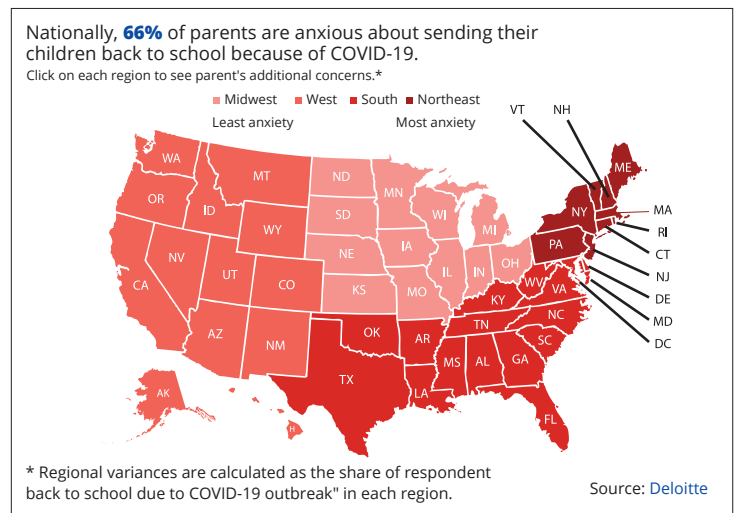
College students and their families expect to spend an average $1,059.20 per family, which would top last year's record of $976.78. College spending is expected to total $67.7 billion, up rom $54.5 billion last year.

While the NRF survey presents a very positive outlook, other industry stakeholders and analysts do not share this optimism. For example, according to a **July 2020 study by Deloitte**, back-to-school spending could **remain flat** at $28.1 billion for K-12 students; back-to-college shoppers will spend $25.4 billion. There is increasing consensus that the increased spend on computers and digital learning accessories will be offset almost completely by a sharp fall in demand for clothing and other school accessories.

What are parents most concerned about?

As the COVID-19 situation continues to be grim, parents are inevitably worried about their kids. The levels of concerns around safety do vary between regions and are influenced by other parameters such as political affiliations.

According to the Deloitte study, 66% of parents are anxious about sending their kids to school this fall, and 76% of respondents are concerned about **health**.

Nationally, **66%** of parents are anxious about sending their children back to school because of COVID-19.
Click on each region to see parent's additional concerns.*

■ Midwest ■ West ■ South ■ Northeast
Least anxiety   Most anxiety

* Regional variances are calculated as the share of respondent back to school due to COVID-19 outbreak" in each region.

Source: Deloitte

Apart from the safety concerns, parents are also deeply worried about **emotional well-being** of their kids, the **quality of education delivered online,** and their own **finances**. According to the Deloitte study, only 56% of the parents in the US were satisfied with the education students received this spring.

Evidently, the current scenario is also leading to some major shifts in consumer perspectives and priorities. Safety, affordability, reliability and availability have become primary considerations for many consumers. Factors such as brand image and sustainability have gone down in priority. This represents an opportunity for insurgent brands to make headway against established brands by emphasizing safety and affordability.

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Demand patterns vary across categories

Whether we look at the growth projections by NRF or the more conservative projections of Deloitte, there is definite convergence and consensus of views in one area: There are significant shifts in the demand patterns for specific categories related to back-to-school and back-to-college. Research by different analyst firms as well as Course5's Market Intelligence research indicates that some categories are seeing growth in demand while others are seeing a major slowdown.

Category	Average spend in each category		Share of customers spending in each category	
	Average spend	YoY change (percentage points)	Customers spending (%)	YoY change (percentage points)
Clothing and accessories	$261	-10 ↓	90%	-7 ↓
School supplies	$102	-13 ↓	92%	-6 ↓
Computers and hardware	$395	+38 ↑	22%	+2 ↑
Electronic gadgets and digital subscriptions	$316	+4 ↑	24%	+2 ↑
Home/health (new COVID-19 category)	$61	NA	63%	NA

Growth categories:

⊘ Computers Hardware and Software

⊘ Electronics (select accessories)

⊘ Digital learning software and services

In the coming months, a significant part of US students are projected to continue with online classes. According to the **NRF study**, 55% of the consumers surveyed believe that students will take at least some of their classes at home this fall, and only 26% expect most or all classes to be taught in-person. This is expected to drive up the demand for computer hardware, accessories, software and services that are necessary to support online learning from home.

The Deloitte study indicated that 51% of US parents are spending more on internet-based learning resources YoY, such as virtual tutors, subscriptions to e-learning platforms, and online classes. The NRF study results show that, of those students expecting to be home, over 70% will need to buy items like like computers, home furnishings or other supplies to accommodate home learning. More than one-third said they planned to purchase a laptop because of e-learning, and over 20% of respondents indicated that they will be buying speakers/headphones and computer accessories.

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An interesting phenomenon is the growing demand for additional third party learning platforms as parents are adopting these to make up for possible gaps in learning as classes are being held online. The Deloitte study found that 51% of parents will increase spend on virtual learning tools.

Negative Growth categories:

- Clothing and accessories

- School supplies / Stationery

According to the Deloitte study, 40% of the parents covered in the survey said they were planning to buy fewer traditional back-to-school supplies this year. Clothing purchases are going down significantly (lower by 17%).

Top items consumers plan to buy specifically because of e-learning

Laptop	Speakers/headphones	Electronics accessories	Workbooks	Desk or Chair	Calculator	Printer	Tablet
36%	22%	21%	17%	17%	17%	17%	15%

Source: NRF's Annual 2020 Back-to-School/Spending   Survey: Condcuted by Prosper Insights & Analytics   NRF
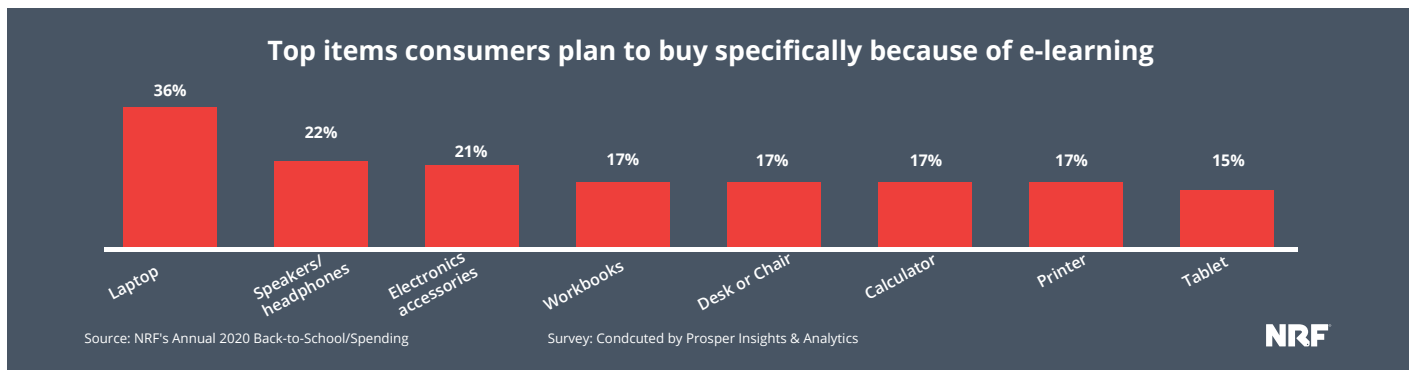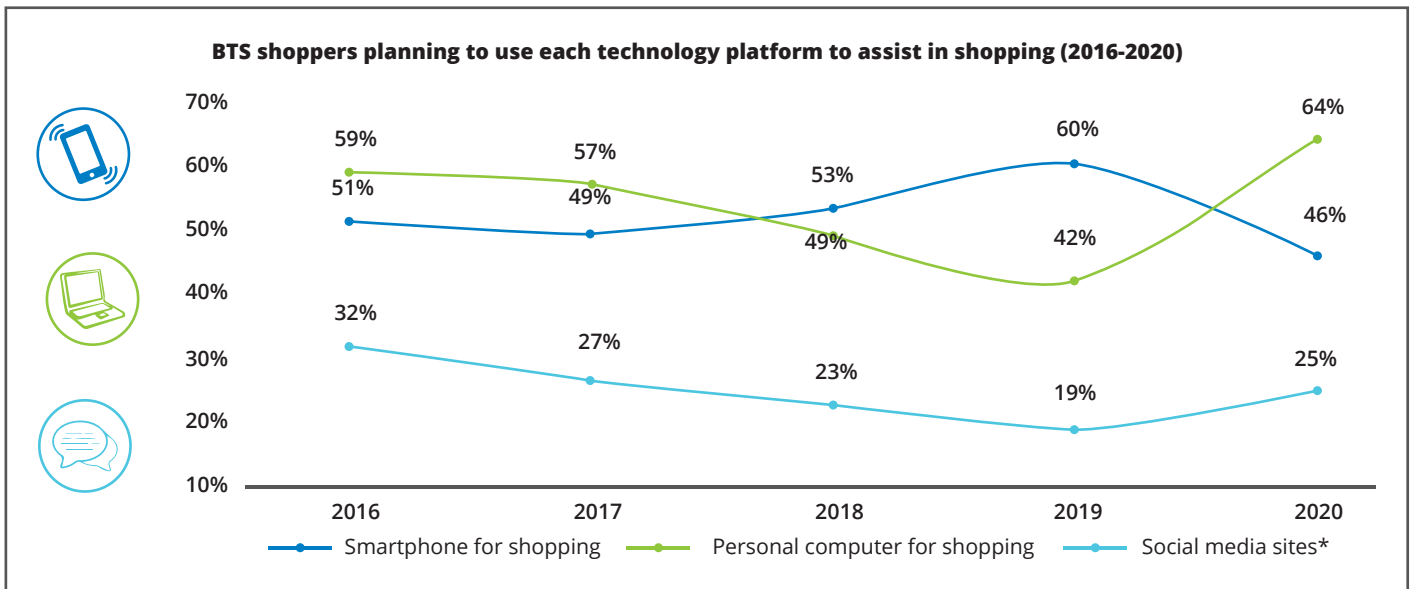
Shopping Behavior Changes: Digital Transformation Accelerated

It is not only **what** the customers are shopping for during back-to-school that has changed, it is also **"where"** and **"how"** they shop that has seen significant shifts.

The Deloitte study found that parents are seeking contactless shopping for back-to-school purchases with nearly 50% of shoppers preferring BOPIS (buy online pick up in store) options (up from 36% in 2019). 64% of respondents indicated that they will be doing the back-to-school shopping from their personal computers (up from 42% in 2019). Data for K-12 back-to-school shopping shows that in-store shopping will fall from 56% in 2019 to 43% this year, while online shopping is expected to increase from 29% to 37%. Deloitte found that 34% of back-to-college shoppers believe they will shop online this year (up from 28% in 2019) compared to the 37% who say they will shop in-store (down from 46% in 2019).

The NRF study found similar trends with 55% of K-12 shoppers indicating that they will be buying online (up from 49% in 2019). Fewer consumers will visit department stores (37% vs. 53% in 2019), discount stores (36% vs. 50%), clothing stores (30% vs. 45%) and office supply stores (23% vs. 31%) to do their back-to-school shopping.

Another challenge that is emerging for the brands and retailers is widely varying policies being adopted by different states and school districts. This will leads to varying demand patters from state to state and even school district to school district. For example, apparel, bags and lunchboxes will remain on shopping lists in school districts where schools are opening up, while in districts where schooling will be online, there will be less demand for clothes and bags and a higher demand for laptops, tablets, headphones and other digital learning aids.

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BTS shoppers planning to use each technology platform to assist in shopping (2016-2020)

Legend:
- Smartphone for shopping: 51% (2016), 49% (2017), 53% (2018), 60% (2019), 46% (2020)
- Personal computer for shopping: 59% (2016), 57% (2017), 49% (2018), 42% (2019), 64% (2020)
- Social media sites*: 32% (2016), 27% (2017), 23% (2018), 19% (2019), 25% (2020)

What should brands and retailers focus on?

Based on Course5's research studies over the last few months, and a detailed assessment of the industry reports such as those cited in this article, Course5 has come up with a set of recommendations for the brands and retailers trying to capitalize on the back-to-school and back-to-college shopping.

- **Be agile and react quickly:** COVID-19 has disrupted not only shopping patterns, but also customer perceptions and priorities. Customers are more prone to make quick decisions driven by the rapidly changing environment around them. **Brand loyalties are eroding in many cases.** In this context, brands and retailers have to react quickly on multiple fronts from product design, to product assortments, to distribution and sales channels. It becomes imperative to have the right **data infrastructure** and leverage data using advanced **applied AI** methodologies, to take data-driven decisions at speed. Insurgent brands should consider spending into sales in categories where incumbent brands no longer have an advantage due to an increased interest in affordability and safety.

- **Address privacy and security concerns:** While a whole set of new online shoppers has emerged due to COVID-19, many of them have concerns around data privacy and reliability of online shopping. There are studies that indicate that **less than 10% US consumers trust retailers to protect their data security or privacy.** Brands and retailers can do more to assure safety and data privacy both by taking specific measures on their platforms, and by communicating the safety measures.

- **Address reach and availability issues and improve the outbound supply chain:** With back-to-school shopping, timely availability could become a driving factor in some cases. Brands and retailers have a lot of space for addressing reach and availability issues by working on improving outbound supply chain and product / SKU mix. Despite the easing of restrictions, there are still customers who do not want to venture out to physical retail stores. This is evident from the increased preference for online, BOPIS (buy online pick up in store), or curbside pick-up. Focusing on reach and availability, this opportunity can be better tapped. Retailers with well-developed ship-from-store operation for online purchases will do well in the coming months.

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- ⊘ **Address convenience:** A related point to reach and availability is convenience, which has always been a key factor driving shopper behavior. In the COVID-19 scenario, it has become even more important. Brands and retailers should prioritize bundling opportunities. For example, studies indicate that demand for preconfigured school kits will be higher in 2020 back-to-school season. Any steps that brand and retailers take to make shopping easier while maintaining safety will hold them in good stead.

- ⊘ **Address quality and reliability concerns:** One of the latent concerns for many new online shoppers is around quality and reliability when purchasing online, especially lesser known brands. In the back-to-school shopping scenario this could cover categories such as school supplies and even some electronics / computer accessories. Ensuring quality and offering hassle-free returns will help brand and retailers win over and **retain the customers.**

- ⊘ **Address the kids!** Kids are going to play an increasing role in the purchase decision this back-to-school season. Recent studies have shown that children's influence is going up significantly in the higher growth back-to-school categories such as computers and electronics. Ensuring the marketing and branding messages reach K-12 students and college- students will definitely help the brands and retailers.

Citations:

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3. https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/covid-19-charts-uncertain-course-for-back-to-school-back-to-college-season.html

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