2017 back-to-school survey

Testing a new curriculum

Back-to-school (B2S) shopping season accounts for about 50% of annual school-related spend and touches about one-quarter of U.S. households

B2S is the **second biggest shopping season** and involves…

29 Million households

50% of school related spend

53 Million children

$27 Billion

Source: U.S. Current Population Survey (CPS) 2016, Deloitte survey
Note: Sample size (N) = 1,200

Deloitte's 2017 Back-to-school survey

Key findings

In-store still prevails, but shoppers are shifting spend across venues

- Expected in-store spend is more than twice that of online spend ($288 in-store vs $103 online, on average)
- While spend in absolute dollars remains almost flat to last year, venue preference has shifted considerably
- Market share is moving away from department stores and specialty channels, toward mass merchants and off-price venues

Digital influence is strong across multiple customer journeys/touchpoints

- More than two-thirds expect online and physical channels to complement each other
- Shoppers utilize computers and smartphones during the shopping journey, but more still purchase via computer
- One-quarter plan to use social media for transactional purposes – to find promos/coupons and browse
- 77% say they would use new digital in-store technologies that offer value and convenience

Early shoppers and undecideds are highly desirable targets

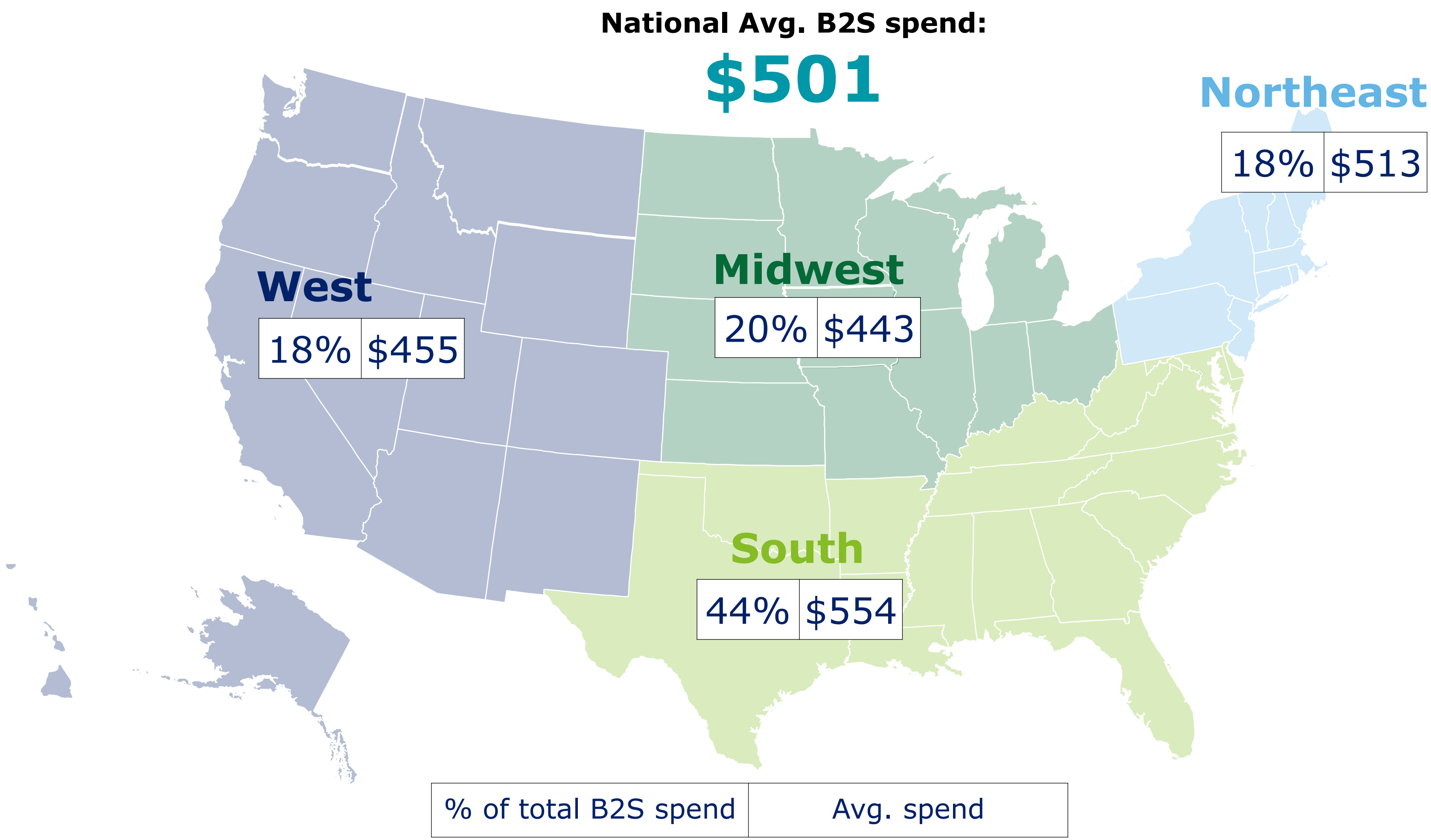
- ~$19b (71%) of total B2S spending happens during an eight-week period from early July through late August
- Overall, early shoppers are likely to spend more than late starters, in all regions except the West
- One in five shoppers – a segment worth ~$5.4B – are "undecided" about whether they will shop online or in-store and might be persuaded by targeted promotional efforts

Timing and amount of spend varies by region, with the South spending most and earliest

- The South accounts for 44% of school enrollments, and parents there spend an average of $554 per child
- 70% of shoppers in the South start before August and this group spends more than any other – $594 per child, on average

Average B2S spend remains flat at $501 in 2017 compared to $488 in 2016

South region drives B2S season with the highest average spend



Source: Deloitte survey
Note: Average spend based on shoppers from each region – South (n = 474), Northeast (n = 206), Midwest (n = 275), and West (n = 245).

Although, B2S spend is expected to remain flat, allocations among categories will shift

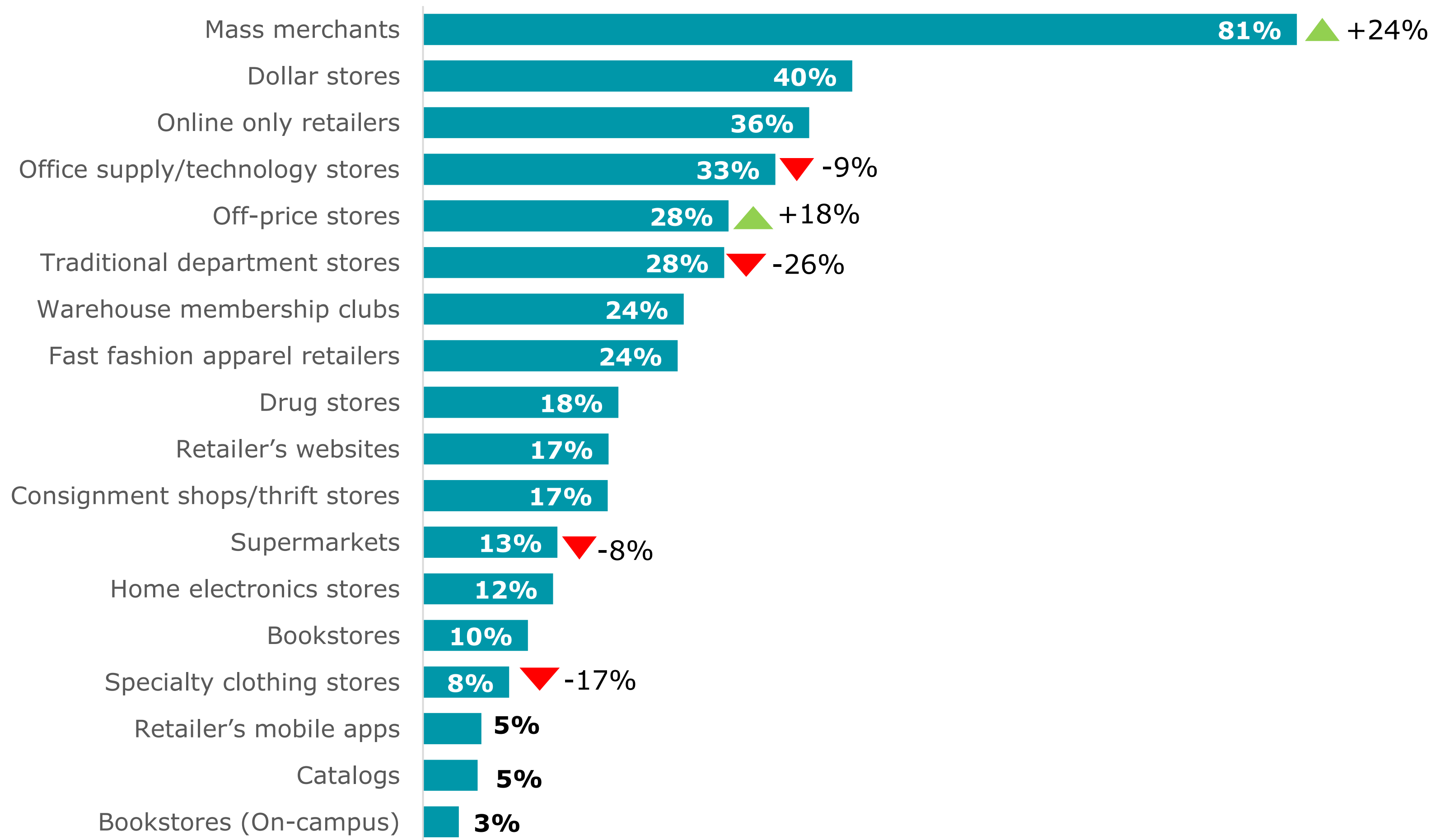
Spending share by category*	2016 Average spend by category	2016	Change	2017	2017 Average spend by category
Average spend		$488	⟷	$501	
Clothing & accessories	$239	45%	↑ 10%	55%	$284
School supplies	$122	24%	↓ 4%	20%	$104
Computers & hardware	$456	18%	↓ 4%	14%	$307
Electronic gadgets	$286	11%	⟷ 2%	9%	$254

Source: Deloitte survey
Note: Sample size (includes only respondents who will purchase the above mentioned category or item)
* Spending share of 'other' category not shown.

% - Share of total spend

Mass merchants and off-price are the big winners while traditional department stores, specialty and office supply stores plummet

"Which type of retailer(s) do you plan to visit for your B2S shopping?"



Source: Deloitte survey
Note: Sample size (N) = 1,200; multi-select question
+percent represents increase of respondents preferences change from 2016/2017

While clothing and school supplies dominate B2S lists, computers & hardware will garner the highest average spend

Category spend planned for 2017 B2S season

Categories

98% plan to buy
School supplies
Average spend **$104***

97% plan to buy
Clothing & accessories
Average spend **$284**

23% plan to buy
Computers & hardware
Average spend **$307**

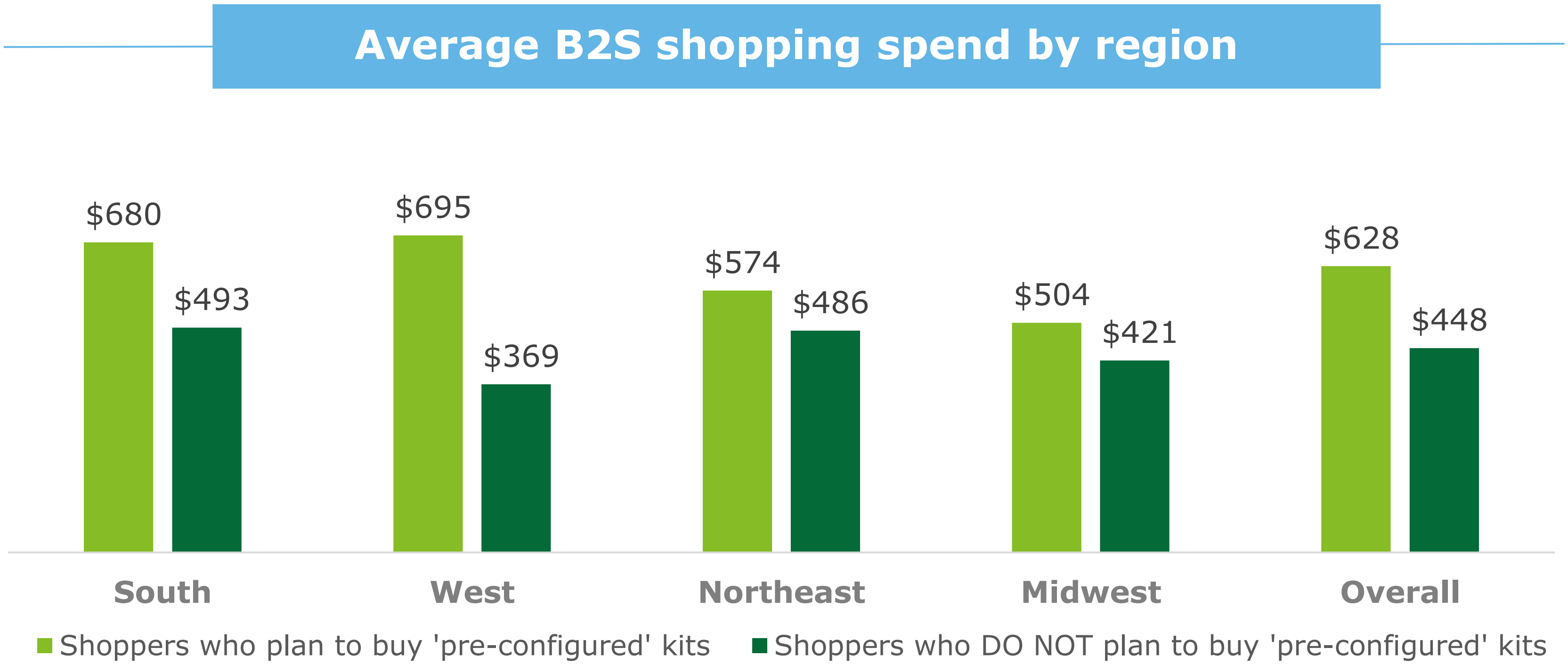
18% plan to buy
Electronic gadgets
Average spend **$254**

***30% plan to purchase pre-configured school supply kits**

Source: Deloitte survey
Note: Sample size (N) = 1,200; Spending on 'voice and mobile data plans', 'digital subscription', and 'other' are excluded; average spend includes only respondents who will purchase the above mentioned category or item

Shoppers who buy "pre-configured" kits likely to outspend others

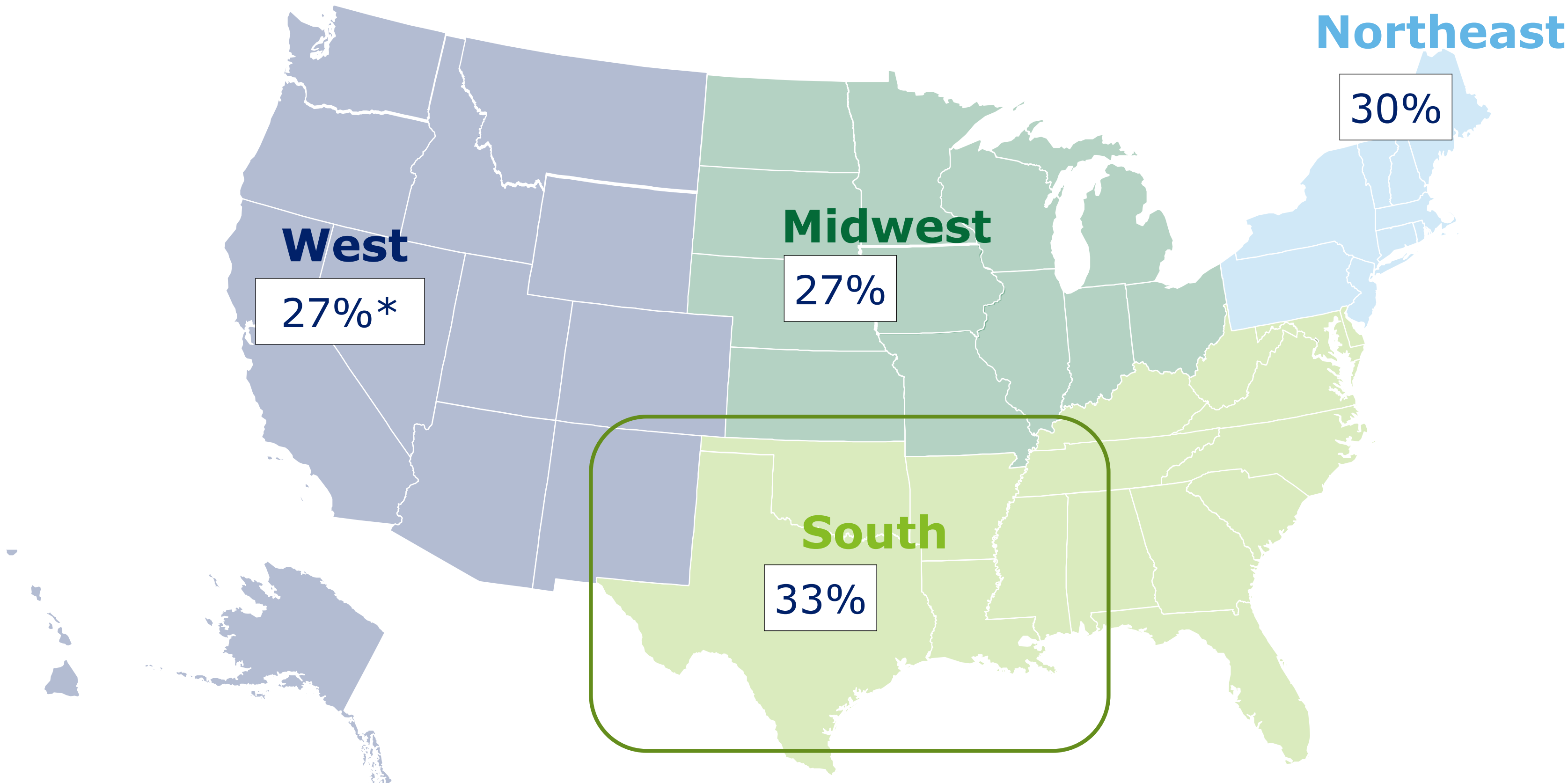
On an average, they will spend 40% more than other shoppers ($628)



Source: Deloitte survey
Note: Sample size (N) = 1,200; Sample size for each region – South (n = 474), Northeast (n = 206), Midwest (n = 275), and West (n = 245).

Nearly one-third (30%) of B2S shoppers prefer to buy "pre-configured" school kits

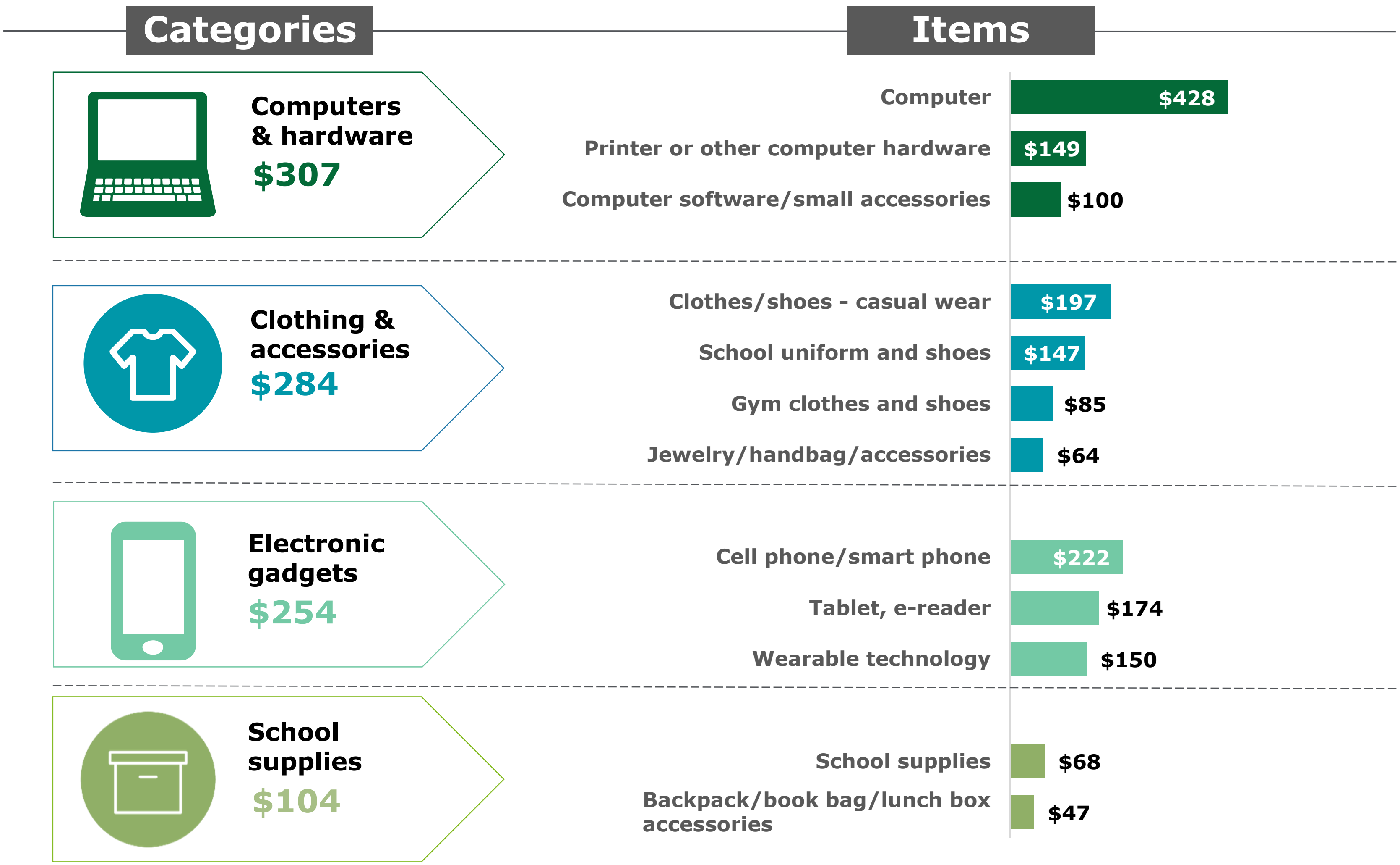
Pre-configured school kits planned (% by region)



Source: Deloitte survey
Note: Sample size (N) = 1,200; Sample size for each region – South (n = 474), Northeast (n = 206), Midwest (n = 275), and West (n = 245)
* % of West B2S shoppers who plan to buy 'pre-configured' kits.

Spending breakdown by category

Average spend (by category buyer) planned for 2017 B2S season



Source: Deloitte survey
Note: Sample size (includes only respondents who will purchase the above mentioned category or item)

In-store dominates B2S shopping channel, but undecideds present a huge opportunity

Online most often the channel of choice for electronics and computers

Avg. B2S spending by channel

In-store
$288 (57%)

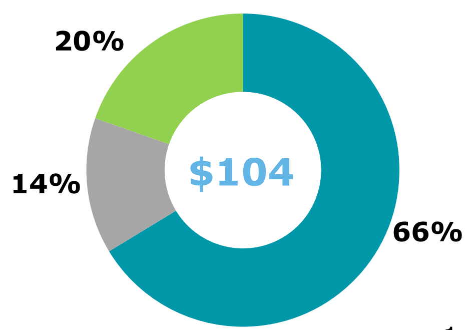
Online
$103 (21%)

Undecided*
$111 (22%)

*Undecided (In-store/Online)

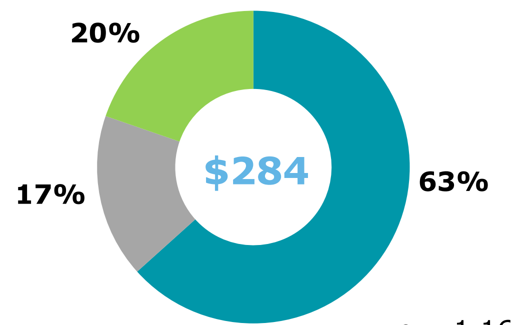
Average consumer spend and channel split within each category

School supplies



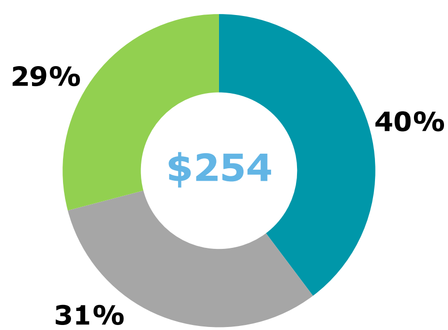
n = 1,178

Clothing & accessories



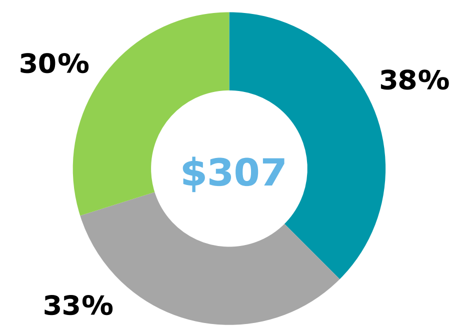
n = 1,162

Electronic gadgets



n = 211

Computers & hardware



n = 270

In-store Online Undecided (In-store/Online)

Source: Deloitte survey
Note: Sample size (N) = 1,200

One-fifth of B2S shoppers are undecided about their channel choice but prefer seamless shopping experiences

An “undecided” shopper is expected to spend an average of $549. Retailers who understand their preferences can gain their patronage during this B2S season

Characteristics of an Undecided B2S shopper

68%
Plan to purchase from online retailers who offer **free shipping**

65%
Plan to shop at different points **throughout the summer** to take advantage of deals

52%
Belong to **Millennial age group**

52%
Prefer to purchase from retailers who offer an option **to buy online and return to store**

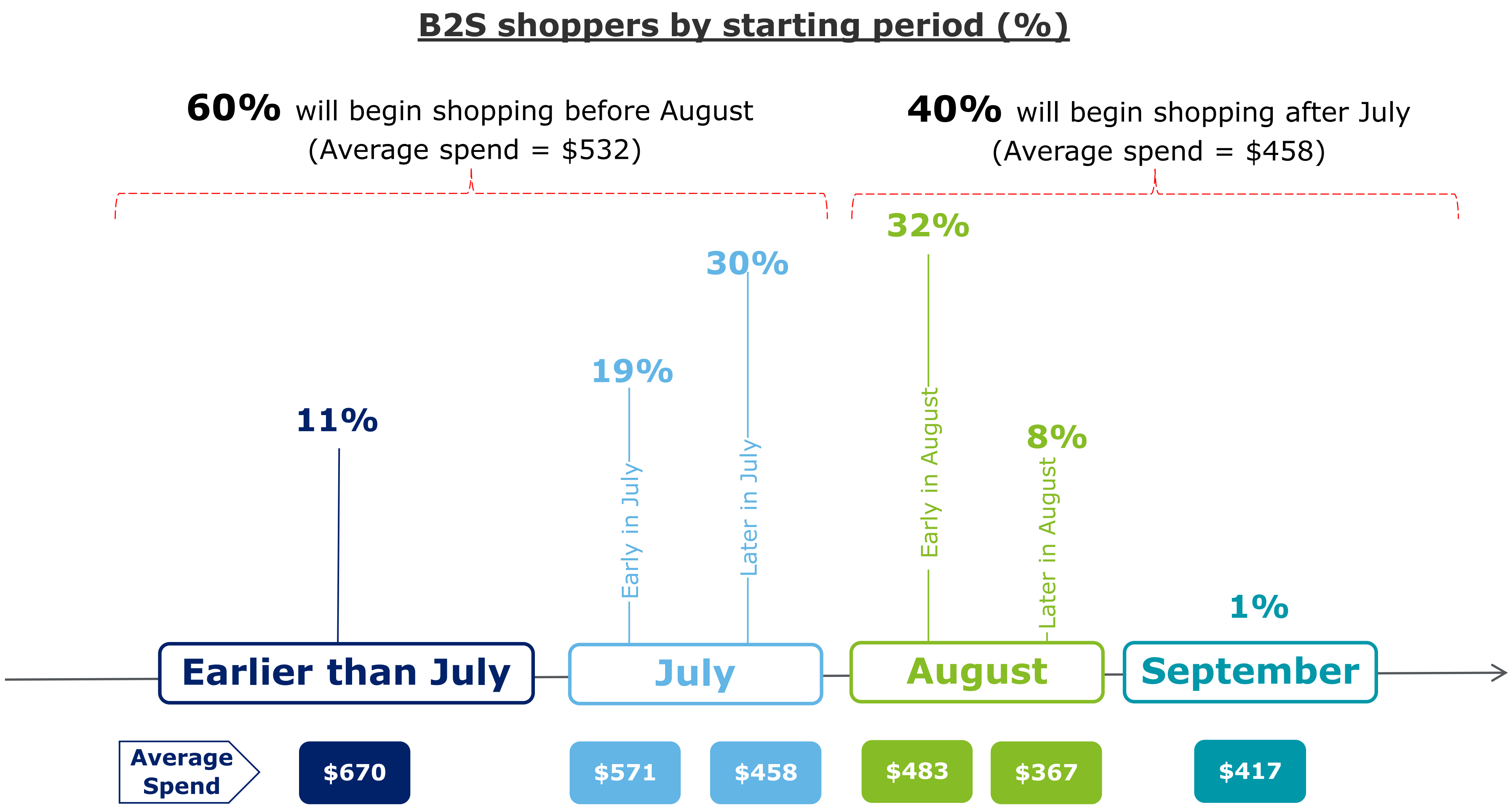
49%
Prefer loyalty programs that provide **faster or cheaper shipping** to discounts when shopping online

61%
Research online first before purchasing B2S products in the physical store

Source: Deloitte survey
Note: Sample size (includes only those who are predominantly ‘uncertain’ about which channel to choose for shopping, n = 244)

Early shoppers are expected to spend more than those who wait

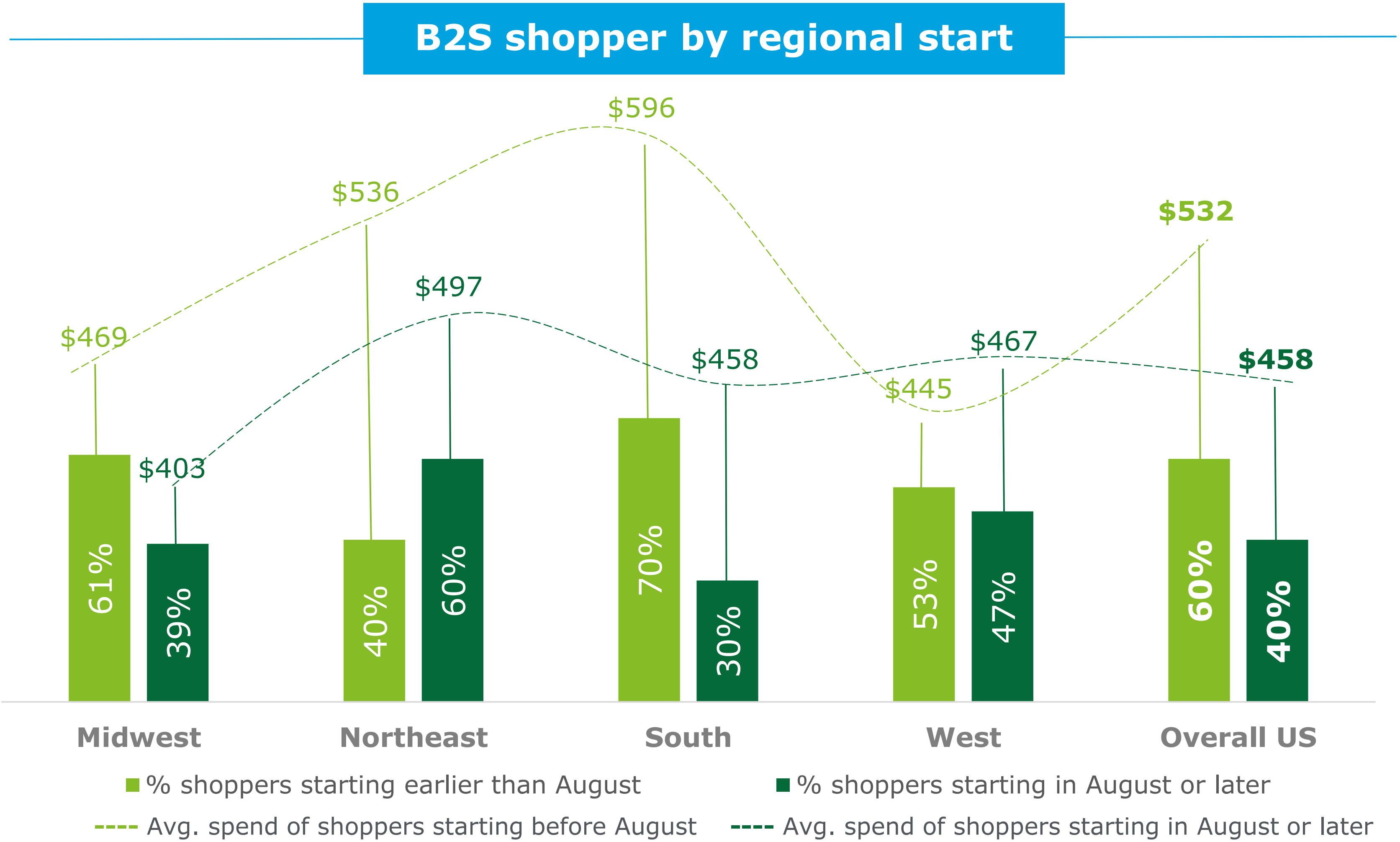
Shoppers who start before August are likely to spend 16% more than late starters



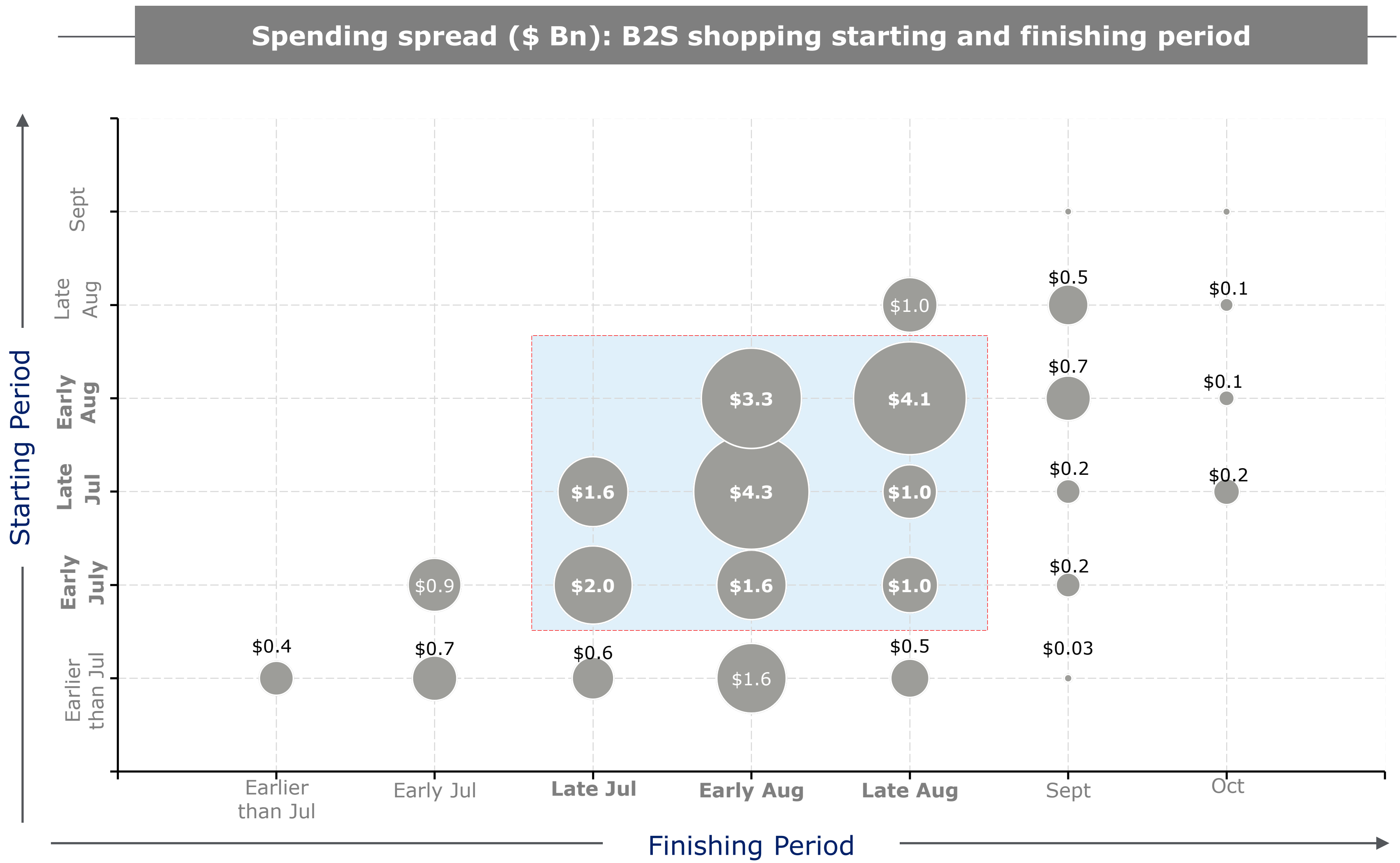
Source: Deloitte survey
Note: Sample size (N) = 1,200; "When are you likely to begin your B2S shopping?"

Early shoppers are expected to spend more than those who wait

Shoppers who start early are likely to spend more with the exception of those in the West



~$19b (71%) of expected B2S spend happens during an eight-week shopping window between early July and late August



Source: Deloitte survey
Note: Sample size (N) = 1,200

Share of total spend ($ Bn) **Early** – First 2 weeks **Late** – Last 2 weeks

B2S shoppers are more likely to make online purchases via desktop/laptop

But mobile is not far behind

Device	% of total shoppers	Usage
Desktop/ laptop	57%	Access a retailer's website 76% Get price information 64% Make a purchase 60% Collect discounts, coupons, sale… 53% Compare similar products online 48% n = 683
Mobile	49%	Collect discounts, coupons, sale… 61% Get price information 61% Access a retailer's website 58% Make a purchase 45% Access a mobile shopping app 44% n = 590
Tablet	22%	Access a retailer's website 64% Get price information 63% Compare products to similar products 45% Get product information 44% Make a purchase 43% n = 269

Source: Deloitte survey
Note: Sample size for devices (includes only respondents who selected each of the devices); multi select question

Customers expect online and physical shopping experiences to be complementary

"Please indicate your level of agreement with the following statements (% who agree or somewhat agree)"

Source: Deloitte survey
Note: Sample size (N) = 1,200

A majority of shoppers will increase their B2S spending across channels if offered a sales tax reduction/holiday

Shoppers will also take affirmative actions to avail sales tax reductions

Impact of sales tax reduction/holiday on spending

I would **increase my online spending** due to a sales tax reduction/holiday

44%

I would **increase my in-store spending** due to a sales tax reduction/holiday

53%

% who agree or somewhat agree

If sales tax reduction/holiday is not automatically included

I would **NOT complete my shopping and check out***

44%

I would **demand to speak to a supervisor****

40%

% who agree or somewhat agree

Source: Deloitte survey

* "If an online purchase did NOT automatically include the sales tax reduction/holiday, I would NOT complete shopping cart checkout"

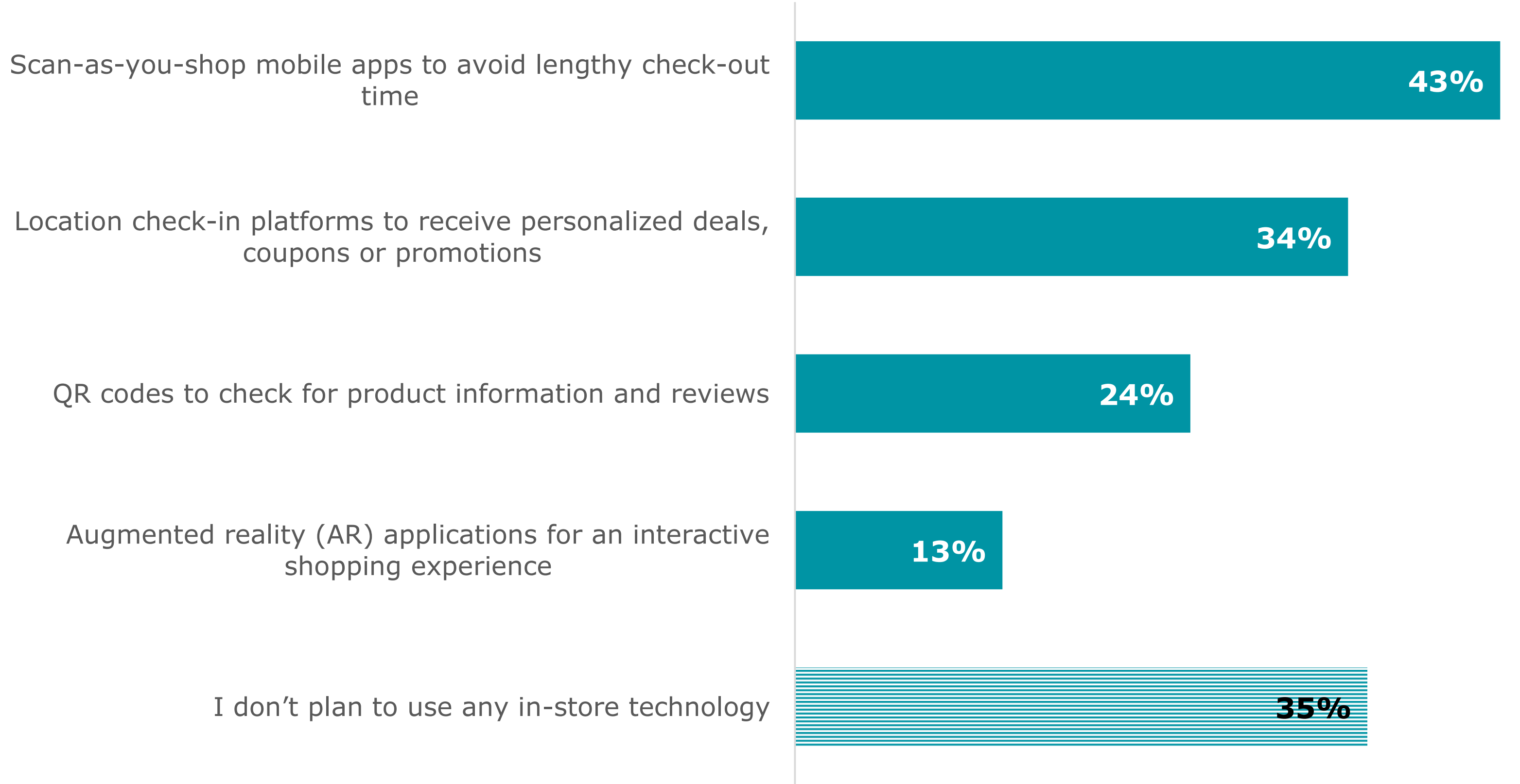
** "If an in-store purchase did NOT automatically include the sales tax reduction/holiday, I would demand to speak to a supervisor/manager"

Shoppers will use in-store technologies that provide value and convenience

Technologies that address check-out issues likely to gain

In-store technologies

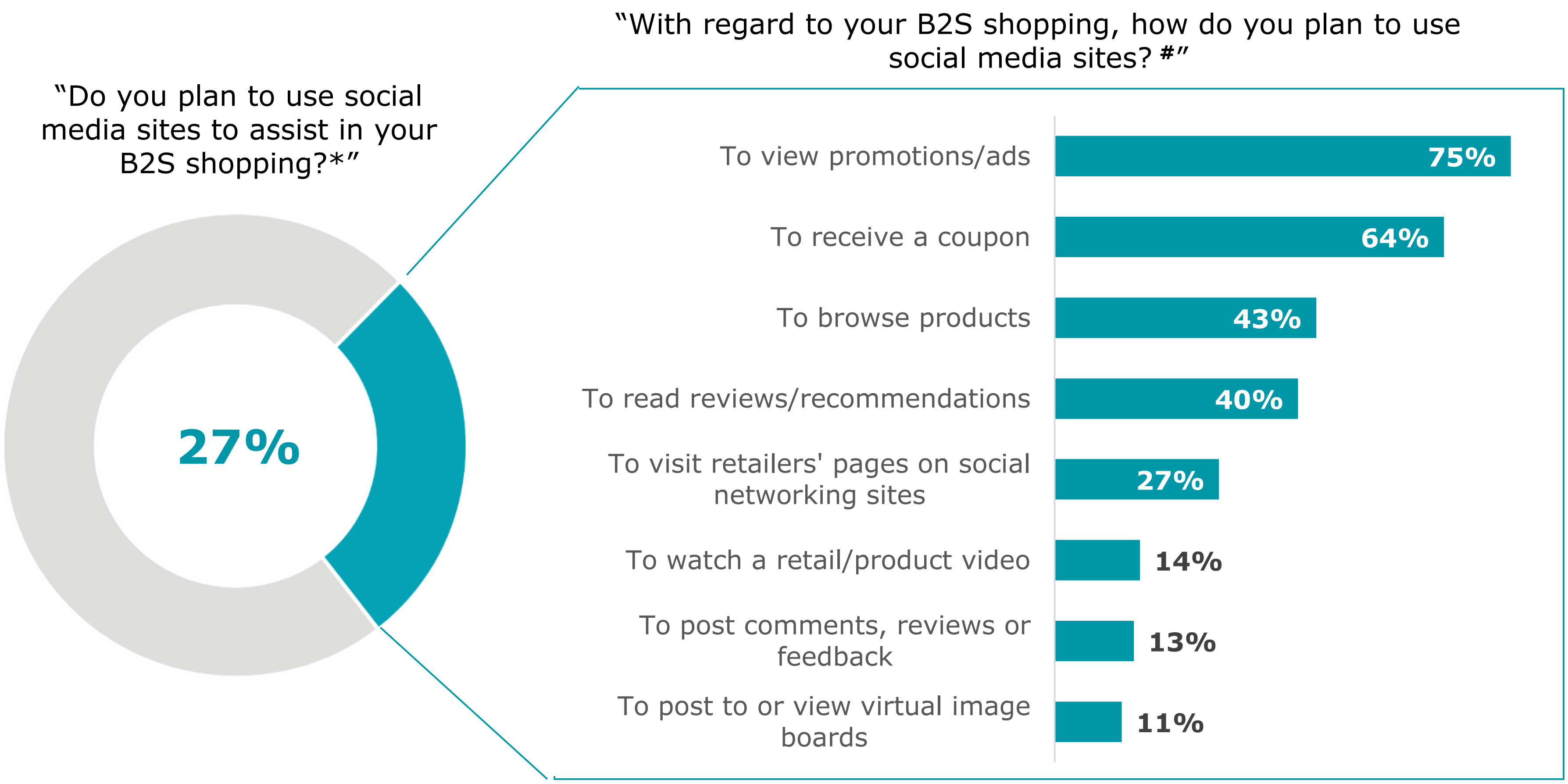
"If the following in-store technologies were available, are you likely to use it for the B2S shopping season"



Source: Deloitte house survey
Note: Sample size (n) = 590 (smartphone users); multi select question

One fourth of B2S shoppers cite usage of social media for transactional purposes

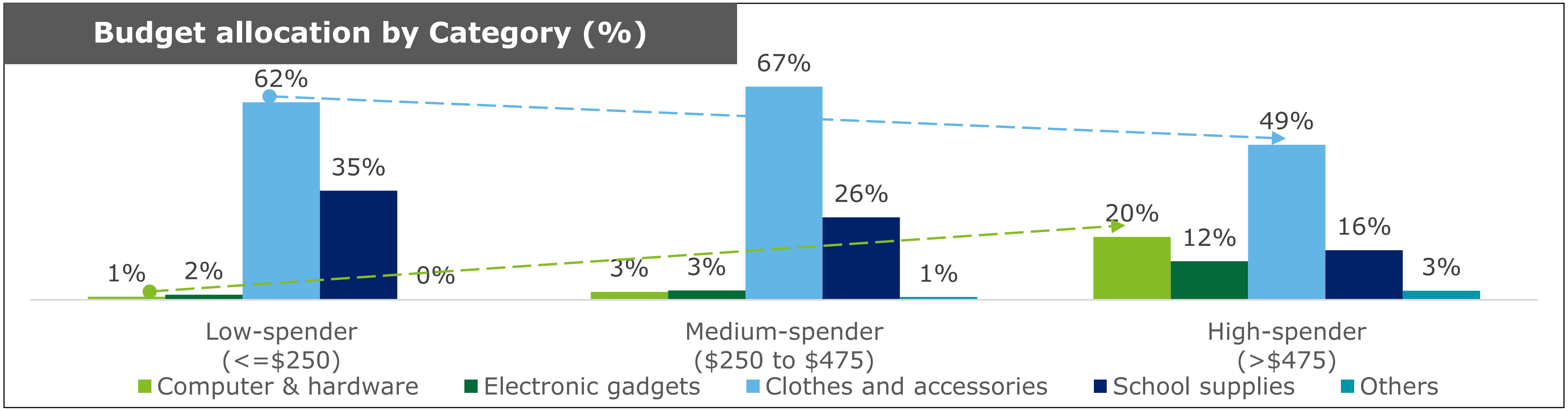
Most will use social to find promotions, receive coupons, and browse products

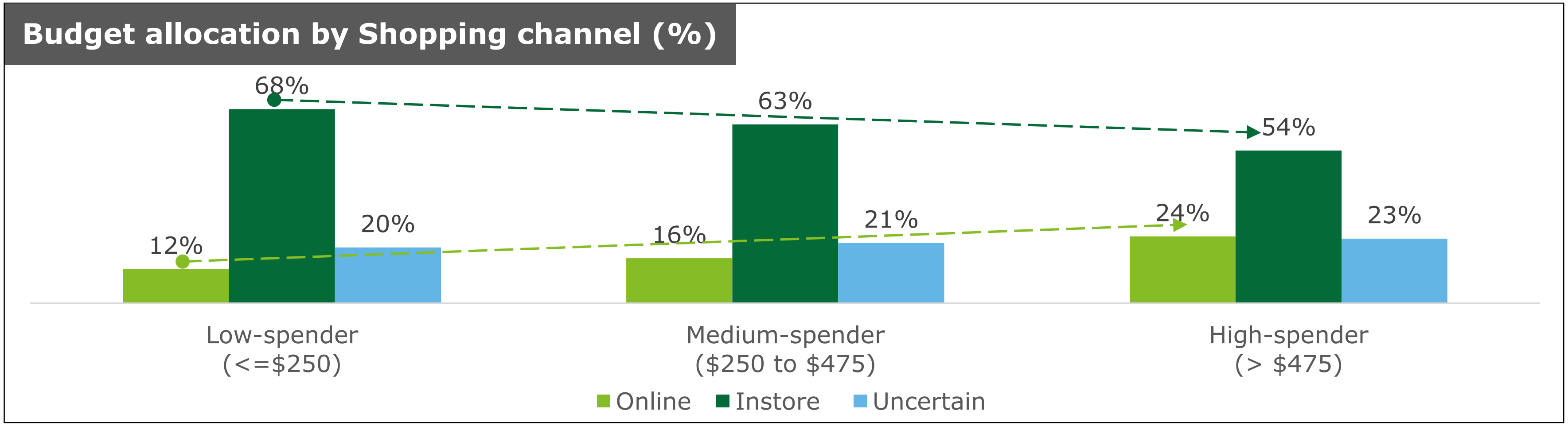


Source: Deloitte survey
Notes: *Sample size (shoppers who use at least one digital device, n = 978 #Multi-select question (n = 260)

Shopping habits vary by spender type

High-spenders are more likely to shop for computers and gadgets and opt for online channels compared to other spenders





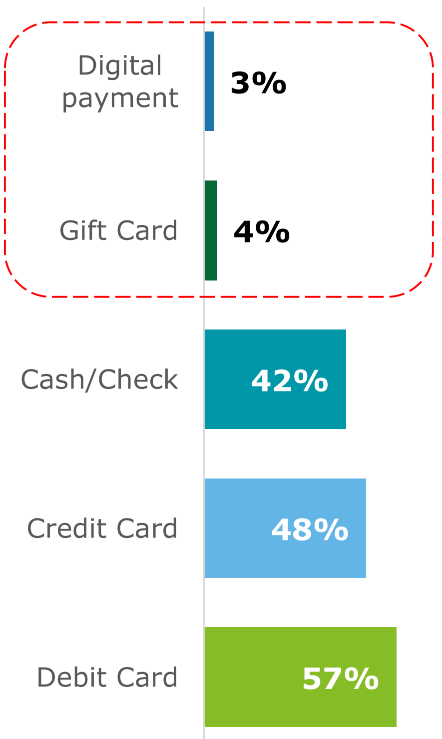
Source: Deloitte survey

Payment type varies by household income

Digital payment penetration remains low

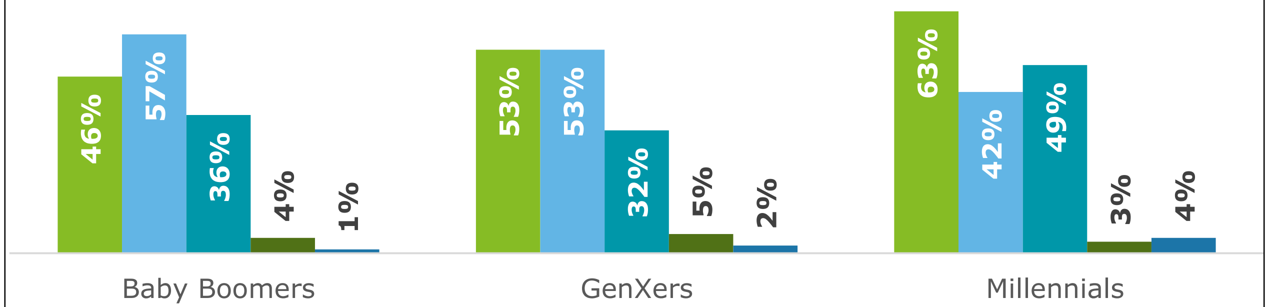
"Which of the following payment methods will you likely use for your B2S purchases?"

Overall

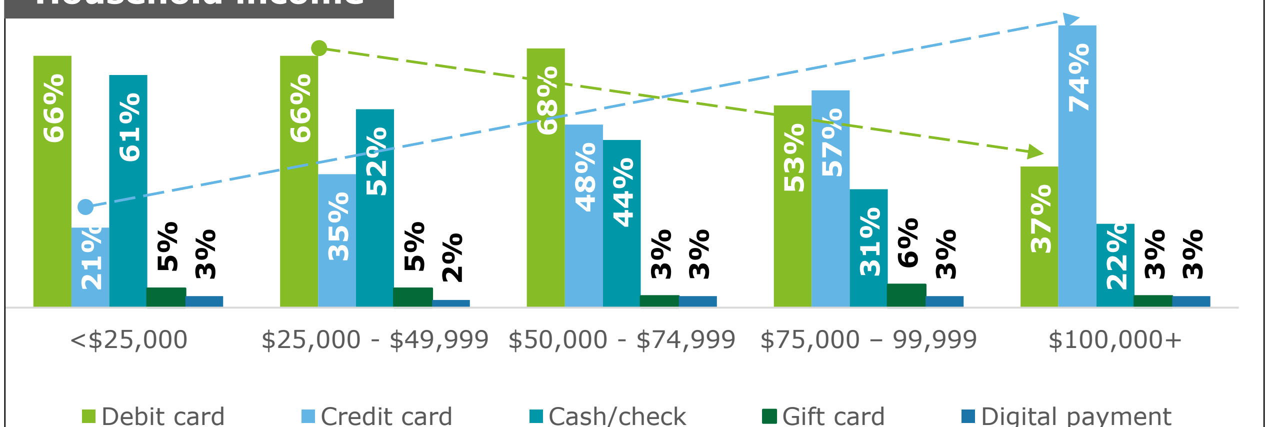


Source: Deloitte in-house survey
Note: Sample size (N) = 1,200; Multi-select question

Generation



Household income



About the survey

This annual Deloitte survey was conducted online using an independent research panel between May 31 and June 6, 2017. The survey polled a sample of 1,200 parents of school-aged children and has a margin of error for the entire sample of plus or minus three percentage points.

All respondents had at least one child attending school in grades K – 12 this fall.

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About Deloitte