



How to Catch the Elusive Back-to-School Shopper

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The abundance of data available online to research the best offers makes this year's back-to-school shopper more discount savvy than ever. Better informed consumers are making smarter purchase decisions, yet they are still spending. Despite foot traffic being down in stores, retail industry sales increased by 3% last year over 2015, and spending growth likely is expected again this season. To address both the foot traffic challenges and cater to a more knowledgeable, discerning shopper, there are strategic investments and steps retailers should take over the promotional period. Understanding the current multichannel spending environment, consumer behavior, and their shopping timing will lead to a more seamless customer experience, and drive sales.

What's Changing this Year?

With both gas prices and unemployment relatively low, and consumer confidence high, the back-to-school shopping season is expected to have healthy growth over 2016. The rise of ecommerce has changed how people shop, but the notion that "clicks are killing bricks" is false. Last year, online sales still only captured 10% of total retail sales, according to the U.S. Census, indicating the majority of people are still spending in stores. The types of stores shoppers are visiting has also shifted. Off-price retailers have become a popular in-store destination this year, as they easily adapt to inventory turns and take advantage of the more discount-informed shopper. Specialty beauty retailers are also a popular in-store destination. Stores like Ulta Beauty are increasing their store counts because their shoppers want to come in to sample products and then often share their experience on social media.

Who's Shopping & What Are They Buying?

This year's back-to-school shoppers are not only hunting for digital discounts, but they also have a variety of needs and pursue different products when preparing to go back to the classroom. Parents of K-12 children will primarily shop for clothes and electronics (mainly laptops and tablets) in the next few months. College students are more in the market for electronics and furniture for their dorm room or first home on their own. While creating school supply lists and evaluating the needs of their classrooms, teachers' shopping habits focus on office supplies. These various groups' seasonal needs have historically had little change, but their collective product and discount knowledge through showrooming and research online is at an all-time high, making acquiring sophisticated data on their shopping behavior vital for retailers. Higher investments in loyalty programs and analytics by retailers to collect shoppers' transactional cross-channel data and deliver more personalized offers will give customers a better experience, whether they are purchasing clothes, electronics, or office supplies.

Where and When are They Shopping?

Depending on what they're in the market for, back-to-school shoppers are shopping online or in stores primarily from June to the end of September. Industry giant Amazon's annual Prime Day in July continues to impact early back-to-school online spend. This year's Prime Day resulted in 60% growth over 2016's sales, resulting in a spike in online electronics spending. Clothing sales usually rise later in the period, since kids want to see what their classmates are wearing in school before making those purchases. Despite growing online sales, many shoppers still want to touch and try on clothes, bringing them into stores.

To better address these customer needs, many retailers are changing the layout of their physical stores. After shoppers find what they want online, more retailers are increasing offers to let them pick up their merchandise in store, with the hopes they will also shop for other products. To make customers' pick-up visit more seamless, retailers are changing part of their store formats to warehouses and fulfillment centers. After the shopper quickly receives their purchase at the store, enhanced marketing efforts come into play. Investing in stronger cross-channel analytics technology that leverage the customer's transaction history and past online social interaction with the brand will give store employees more sophisticated knowledge about their customers, in turn giving them a more fulfilling and real-time in-store experience. Additionally, beacon technology in the store can use this customer insight to send targeted offerings or product location directions to the shopper's phone, once they opt in.

What We Should See

Retailers want to do what it takes to make their back-to-school performances a success, since there is a strong historical correlation between consumer spending for back-to-school and holiday retail sales. The retailers who will succeed in capturing higher spend this season will be the ones who can make the customer experience more targeted and efficient, through necessary investments both online and in-store.