



THE COST OF LEARNING

**How inflation and consumer sentiment
is reshaping spending**



THE ANKURA BACK-TO-SCHOOL SHOPPING REPORT 2024

About the Report

PURPOSE OF THE RESEARCH

The purpose of this report is to provide a comprehensive analysis of consumer sentiment regarding the economy and personal financial circumstances, specifically in the context of back-to-school (BTS) shopping for the year 2024. Conducted by Ankura's Performance Improvement Team, this study aims to shed light on the attitudes and behaviors of shoppers as they prepare for the BTS season, a critical period for retail industry performance. By exploring the nuances of consumer outlooks and spending intentions, this research offers valuable insights into the challenges and opportunities facing retailers in a landscape marked by economic uncertainty and shifting shopper priorities.

METHODOLOGY

To achieve its objectives, the research was conducted through a survey of a representative sample of more than 1,000 U.S. consumers who plan to engage in BTS shopping in 2024. The respondents comprised parents of BTS students and students aged 18 years and older, ensuring a broad perspective on shopping behaviors and financial sentiments. The survey was meticulously designed to capture a wide array of data points, including consumers' views on the current state of the economy, their personal financial situations, and how these factors influence their approach to BTS shopping. Through this methodical approach, the research highlights significant trends in consumer sentiment and spending, offering a detailed look into the preparatory phase of the BTS shopping season and its implications for retail strategies.



Introduction

There are a multitude of factors influencing consumer sentiment right now. Our survey clearly indicates that inflation - both actual and perceived - remains a top concern for shoppers and broad U.S. economic indicators give credence to shoppers' perspectives. The landscape of BTS shopping in 2024 is characterized by economic uncertainty and consumer caution, influenced heavily by factors such as inflation and rising living costs.

In this report, we will discuss key insights from the survey and highlight consumer sentiments, preferences, and behaviors as shoppers prepare for the upcoming school year.

The survey unveils the current landscape of shopper attitudes and shopper approaches, their significance, and their potential impact on BTS shopping, as well as their overall spending for the rest of the year.

RETAIL OUTLOOK

No signs of improved consumer spending soon.

CONSUMER PREFERENCES

Price leads BTS shopping choices, favoring big box stores and Amazon.

ONLINE SHOPPING DOMINANCE

Online's appeal: stock certainty, free shipping, and easy returns.

BIFURCATED CONSUMER SENTIMENT

Optimism breeds future optimism; present gloom forecasts pessimism.

FINANCIAL OUTLOOK

No improvement seen for those financially strained; optimists expect gains.

RETAIL STRATEGY

Focus on retaining loyal customers over converting new spenders.

Survey Findings

NAVIGATING ECONOMIC SENTIMENT: A DUAL OUTLOOK ON CONSUMER FINANCES AND THE ECONOMY

According to our survey, a significant 51% of BTS shoppers express negative feelings towards the U.S. economy. This sentiment sets the backdrop for cautious spending behaviors as families navigate their purchasing decisions. However, there is a nuanced outlook when considering personal finances.

Our survey reveals a divided consumer perspective on financial well-being and the U.S. economy. While only 37% of respondents feel optimistic about their own economic situation today, this subset of consumers is significantly more optimistic about their personal financial situation in the coming year. Nearly 80% of these consumers see their personal finances getting better. For those that feel their personal financial situation is about the same as last year, just 29% expect improvement. For those feeling worse this year than last about their personal situation, just 21% see improvement in the next year.

These contrasting perspectives reflect a complex interplay of macroeconomic concerns and individual financial realities.



“Nearly 80% of respondents who feel good about their current personal financial situation expect an even better financial picture in the next 12 months.”

Survey Findings

INFLATION'S GRIP: CONSUMER SPENDING IN THE FACE OF RISING COSTS

Inflation emerged in our survey as a dominant concern among consumers, directly influencing the cost of BTS items. Nearly three-quarters of shoppers acknowledge that credit card debt and personal financial obligations will impact their budgeting decisions for this shopping season. The top reasons cited for intending to spend less on BTS shopping in 2024 predominantly revolve around (1) inflation, and (2) general cost-of-living concerns.

Inflation has enveloped consumers across all categories. The increased cost of groceries, rent and housing costs, insurance (home, auto, and health), utilities and gas, etc., etc., etc. has forced consumers to prioritize spending.

Inflation and its impact on the cost of living is a major concern among survey respondents, with younger shoppers (Gen Z, Gen X) feeling the pinch more profoundly than older consumers.

“Nearly 75% of shoppers acknowledge that credit card debt and personal financial obligations will impact their budgeting decisions for this shopping season.”



Survey Findings

TRENDS IN BACK-TO-SCHOOL SHOPPING: PREFERENCES AND PATTERNS

The survey identifies three primary product categories driving BTS spending: (1) supplies, (2) clothing and accessories, and (3) footwear. Electronics also feature prominently, with 22% of shoppers planning purchases in this category. Among electronics shoppers, a substantial 71% intend to buy new merchandise, as opposed to pre-owned / refurbished. This is a change in a consumer consumption pattern we observed during and post-pandemic where consumers purchased certified pre-owned through multiple channels (retail stores and digital-only sites) given supply chain issues and lower price points of used items.

Retail shopping preferences vary slightly across categories, but clearly low-priced retailers will win the day. Notably, Walmart, Target, and Amazon emerge as top destinations for school supplies, while clothing, accessories, and footwear shoppers also favor specialty stores and department stores alongside these retail giants. For electronics, Amazon, Walmart, Electronics Retailers, Target, and Club Stores are the preferred outlets.

“71% of electronics shoppers intend to buy new merchandise, as opposed to pre-owned / refurbished.”



Survey Findings

THE DRIVERS OF BTS PURCHASES: PRICE SENSITIVITY AND VALUE SEEKING

Price sensitivity dominates shoppers' decisions across all categories, with sales and discounts being pivotal factors for nearly all respondents. The majority of shoppers have noticed price increases compared to the previous year, reinforcing the importance of value-driven purchasing decisions. Loyalty and rewards programs play a significant role, with 44% of shoppers planning to use rewards or loyalty points for their BTS purchases.

Given the extended duration of BTS shopping, consumers are willing to wait to purchase until a discount or promotion is made available.

Do you plan to use any rewards programs or loyalty points for back-to-school shopping?



N=926

Survey Findings

THE EVOLVING RETAIL LANDSCAPE: ONLINE SHOPPING'S ASCENDANCY AND BRICK-AND-MORTAR'S ROLE

Online shopping continues to be a significant channel for BTS, highlighting digital commerce's competitive advantage over brick-and-mortar with clear visibility into inventory "in stock" and "available to ship."

And while online shopping continues to gain traction, brick-and-mortar stores remain crucial for BTS shopping. The convenience of online shopping, especially for price comparisons, complements the preference for home delivery, where free shipping options are favored regardless of speed. Such "penny-pinching" into shipping potentially lessens a retailer's ability to rely on shipping revenue to boost margin.

"Survey respondents noted that efficient and timely marketing communication from retailers is more important than social media for finding deals and promotions."



Additionally, the increase in outbound.com shipments most likely will be additional costs for retailers when the customer will inevitably return unwanted items. Reverse logistics eats into margin, complicates distribution centers, and takes inventory out of stock during the process.

Retailers have an opportunity to influence their shoppers with direct marketing communications – survey respondents noted that efficient and timely marketing communication from retailers is more important than social media for finding deals and promotions. This highlights the critical role of targeted advertising in driving consumer engagement.

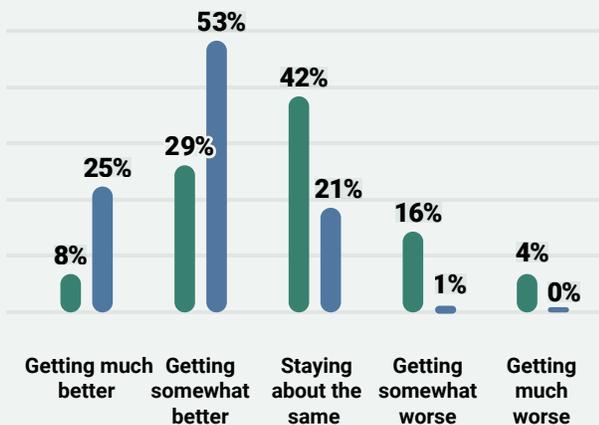
Survey Findings

BEHAVIORS BEYOND THE CLASSROOM: HOW EXTERNAL ECONOMIC FACTORS SHAPE BTS SPENDING

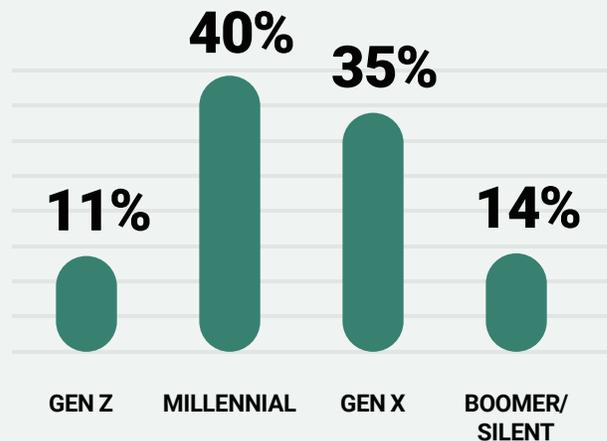
Beyond BTS spending, consumers are grappling with significant increases in insurance costs for home, auto, and health. Two-thirds of survey participants report experiencing substantial rises in insurance expenses over the past year, further influencing household budgets and spending priorities.

Personal debt could hamper spending this year – reliance on credit cards to support BTS spending appears limited as nearly 75% of shoppers feel that credit card and personal debt will influence their BTS shopping budget.

Over the next 12 months, do you see your and/or your family's economic situation improving, getting worse, or staying about the same?



Profile of Respondents Feeling Good Currently, Expecting Improvement in Personal Financial Situation



N=237 respondents that feel better about personal financial situation vs. last year

Conclusion

ADAPTING TO A CONSUMER LANDSCAPE IN FLUX

The 2024 BTS shopping season presents a multifaceted picture of economic resilience and consumer adaptation amidst challenging economic conditions. While inflation and cost of living concerns loom large, consumers exhibit a mix of caution and optimism in their financial outlooks. Retailers navigating this landscape must prioritize competitive pricing, promotional strategies, and omnichannel engagement to resonate with savvy shoppers. By understanding these trends and insights, businesses can effectively tailor their offerings and marketing efforts to meet the evolving needs of BTS consumers in 2024 and beyond.

ANKURA PERFORMANCE IMPROVEMENT FUNDAMENTALS



Proven Track Record

Ankura boasts a successful history of implementing strategic plans. These plans drive sustainable performance improvements and achieve targeted operating results. Our focus is on maximizing key financial metrics like EBITDA, cash flow, and ultimately, shareholder value.



Collaborative Approach

We believe in a collaborative partnership. Ankura works hand-in-hand with management and stakeholders. Together, we navigate companies through challenging times. This collaborative approach fuels growth and accelerates value creation.



Deep Expertise

Ankura's Performance Improvement professionals are highly skilled. They leverage their expertise across the entire firm to assemble the perfect team. This team of specialists tackles complex problems and delivers effective solutions, ensuring optimal outcomes for your company.

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