


Reimagining Retail: How back-to-school is different from last year and the role influencers play in back-to-school marketing

Audio



On today's podcast episode, we discuss standout data points from this year's back-to-school season, creators' role in this shopping period, and what back-to-school is trying to tell us about this year's upcoming holidays. Listen to the conversation with our analyst Sara Lebow as she hosts analysts Sarah Marzano and Zak Stambor.

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Episode Transcript:

Sara Lebow (00:00):

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(00:18):

Hello, listeners. Today is Wednesday, August 7th. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is Back to School and Back to College. Before that, let's meet today's guest. Joining me for today's episode, we have principal analyst Sarah Marzano. Welcome back, Sarah.

Sarah Marzano (00:49):

Thanks for having me, Sara.

Sara Lebow (00:51):

Back to podcast and back to podcast. Also with us, because it's like back to school and back to college.

Sarah Marzano (00:57):

Got it.

Zak Stambor (00:57):

We got it.

Sarah Marzano (00:59):

I thought you were going to say back to school for one of those.

Sara Lebow (01:02):

No, that would have made sense. Also, joining us back to podcast is senior analyst Zak Stambor. Hey, Zak.

Zak Stambor (01:10):

Hey, Sara.

Sara Lebow (01:12):

If you are not in the retail world, which who isn't because everyone buys stuff, but you might underestimate how important back to school is. It's the second biggest retail season after the holidays. This year, we project over \$80 billion in US back to school sales. With that in mind,

now that we know what top level figures we're working with, I'm wondering what a standout data point is this back to school season for each of you. So Sarah, why don't you go first?

Sarah Marzano (01:42):

Yeah. So for me, when I was putting together my report on our back to school forecast, what really struck me is, and I think it'll surprise no one and our audience know that e-commerce has gotten substantially more important following COVID, I'm not trying to put everyone to sleep, but when I looked at where things have settled for back to school, you see the e-commerce swing and penetration follow a similar shape and trajectory compared to overall retail sales.

(02:08):

But the shift for back to school was much more pronounced. So when I look at the 2024 e-commerce penetration for back to school categories, it's up 11.6 percentage points over pre-pandemic. And comparing that to the total retail shift, we're looking at 5.7 percentage points. A lot of that is just due to the categories that folks are shopping during back to school and those having that higher penetration.

(02:33):

But really stands out to me just how much more important e-commerce is to the back to school shopping timeframe. And the last thing I'll say is just that's where growth is going to come from too. So we are seeing a little bit more muted growth for total back to school sales compared to prior years. But sales for online are going to be up by 7.4% versus stores which came in basically flat.

Sara Lebow (02:57):

I have to imagine that also has to do with who the back to school shopper is. I don't have data that shows that parents are more inclined to shop via e-commerce, but I do know that parents are busy and they also tend to be young. Those seem to be people who would be inclined to shop via e-commerce. And if we're extending it to back to college, similar thing, it's younger folks, so they're people who would be inclined to shop online.

Sarah Marzano (03:21):

And I want to say physical stores still make up the majority of back to school sales at 65%. But I think there's a lot to the convenience factor, the price comparison factor, and folks who

are very value conscious, and online as a channel lends itself well to some of those behaviors.

Sara Lebow (03:36):

And 65%, that's much lower than the roughly 80% penetration we see for in-store sales for the rest of retail.

Sarah Marzano (03:46):

That's right.

Sara Lebow (03:46):

Okay, Zak, what is a data point that stood out to you this back to school season?

Zak Stambor (03:51):

So the thing that has really stood out to me is how early the back to school season has started. 33% of U.S. adults plan to begin back to school shopping before July 1st. Another 16% planned to start by early July. And that just tells me that Prime Day and all the Prime Day adjacent sales have really driven people to stock up on deals when and where they can find them, and especially for back to school stuff like clothing and school supplies and all those sorts of things that you know need to have and you might as well buy them when they're cheap.

Sara Lebow (04:30):

If you have a back to school list, those might be the items you keep in your cart until they go on sale, as we discussed with our cheese grater phenomenon, which I think are still in my parents' cart. For more on that, listen to our Prime Day episode.

Sarah Marzano (04:44):

I've been wondering.

Sara Lebow (04:46):

So I mentioned that \$80 billion figure, of that about 54% will go to K-12 shopping and 46% will go to back to college. So about half in both buckets, a little more in K-12. So we know that people in the U.S. are spending \$80 billion this year on back to school, but that's actually not that much higher than last year.

(05:08):

Last year we saw \$79 billion ish in back to school season sales. When we're taking that precisely, it's a growth of 3.2%, which isn't much compared that to 2023 when there was a growth of 7.2% year over year. Should retailers be concerned or have we hit a ceiling of how high back to school growth can go?

Zak Stambor (05:32):

No. This is just a return back to the normal growth patterns that we've seen pre-pandemic. We saw roughly four years of really abnormal growth where spending was really high, and now it's normal again. Now we're back to just normal-ish regular growth.

Sara Lebow (05:53):

I mean, in 2021 that growth was 16%, so definitely has fallen from that, but it still looks solid.

Sarah Marzano (06:02):

We're coming to the hopefully close of a few years where there was a lot of erraticness in the... It was like, are you staying home? Are you going back to school? What's happening with inflation? What's happening with inventory and supply? And so if anything, as much as double-digit growth rates are exciting to report on from an analyst perspective, I think for retailers, some of this normalization might come with a sigh of relief in terms of being able to plan and predict and really focus on strategic initiatives.

Sara Lebow (06:34):

We lump these numbers together when we're discussing Q3 and back to school spend, but I want to talk about how back to school and back to college are different. So let's talk about back to college for a sec. I mean, that's a completely different category in some ways than back to school. How are we looking at back to college shopping this year? What sets it apart from other years?

Zak Stambor (06:55):

Well, this is the first year in full that Bed Bath & Beyond will not have any stores. The very last of the Bed Bath & Beyond physical stores closed in last June I think. And I mean, Bed Bath & Beyond was just synonymous with back to college shopping. I mean, I don't know anybody who didn't trudge through the aisles with their parents with their 20% off coupons loading up

their cart with bedding and storage stuff and maybe even a cheese grater or two. And so there's a hole to fill, there's white space to fill, and a whole lot of retailers are trying to attract those customers.

Sara Lebow (07:38):

Who's to say it's not just going to be filled by Amazon? I mean, isn't that just what you'd expect would happen? Or are there challenger brands in there?

Sarah Marzano (07:46):

I think a couple of things about that is just how important some of the bigger ticket items are for going back to college. You think about the need to decorate a dorm room. First of all, that lends itself well to a lot of creative campaign, so all the big players leaning in here from Walmart to Amazon, as you mentioned, as well as Target. But when I looked at a lot of the consumer sentiment surveys for back to school, price was the leading factor in terms of how folks were making their purchase decisions.

(08:13):

But convenience was a close second in a lot of the data that I looked at. And so I think retailers that have fast brick and mortar footprints are really well positioned to take advantage of the desire for convenience, the proclivity for buying bigger ticket items in store, wanting to see them in person in order to make that decision, and then being able to take advantage of the foot traffic by positioning themselves as a one-stop shop. While you're here, you might as well pick up everything you need for back to school.

Zak Stambor (08:41):

One of the things that we're seeing is college bookstores try to fill some of that space. Both Follett and Barnes & Noble College, which is a distinct company from Barnes & Noble, have both added a whole lot of the stuff that you traditionally bought at Bed Bed & Beyond. They've added bedding and storage stuff and the shower caddy and all that sort of stuff to try to get people who are coming into the store, buying their books, buying their college sweatshirt to just buy everything because that is the convenient option.

Sarah Marzano (09:12):

And those are the on-campus Barnes & Noble stores, right? I didn't know those were completely separate from Barnes & Noble, but I love that because it appeals too to the last minute shopper, someone who's like, "Oh, don't worry. You can get what you need once you get to college."

Sara Lebow (09:25):

Well, also unless all college textbooks are online now, which they might be so I might sound so old for saying this, you need to go into those bookstores to buy your books. You get a list of books and you have to go in to get them. I'm guessing that's still the case, at least in some parts. So you have to walk by all of those other items as well. There's also a category that I'm missing here when I talk about back to college, which is electronics.

(09:50):

I saw some NRF data that said that spend on electronics was down this year compared to last year. That was K-12 data though. I have to imagine that back to college, especially with those incoming freshmen, that's a category that's going to keep getting hit again and again because people are probably going to need those electronics as they enter college.

Sarah Marzano (10:10):

I think it's absolutely a driver and certainly a category that drives big volume, but it is worth mentioning, it doesn't need replacing as often.

Sara Lebow (10:19):

So I mean, while we're talking about back to college and back to school in general, I want to talk about something we haven't really covered, which is creator economy and influencer marketing. This is something that I see a ton of TikTok content about every year. I'm not on Mom Talk, like our colleague Sky has mentioned she's on. But I definitely see college dorm decor TikTok. That's been huge the past I want to say three years. How is influencer marketing changing back to school, or is that just a small portion of it that is making a change?

Zak Stambor (10:52):

I think it's completely changed how college students think about what their dorm room is and could be and drives spending as a result. And that's why you see the TikTok content. That's why you see Pinterest woven into so many different retailers back to school initiatives,

whether it's Urban Outfitters or Target or several others. Yeah, there you go. Because they are helping consumers conceive what it is that they need even if they don't actually need it.

Sara Lebow (11:24):

Yeah.

Sarah Marzano (11:25):

Yeah, I think these avenues are a great place to really tap into that inspiration right before the shopping maybe actually takes place or being able to visualize how something could come together. And I was also struck by how large a role Pinterest was playing across the campaigns, across retailers. But I think another thing that really struck me is that first of all, the power of influencer marketing when it comes to back to school.

(11:46):

We know that kids have a big influence on the purchase decisions that their parents in the household. So it makes a lot of sense for that direct communication with the kids who are going to be driving a lot of that demand. But you also saw influencers and content creators coming out of their natural habitats and being cast in the formal advertising campaigns across retailers.

(12:08):

So Amazon featured influencers in their dorm room video campaign. Walmart a few days ago published a five-minute campaign Shoppable music video that featured two influencers who got their start on TikTok. So I think retailers are really recognizing the power of these content creators and again, bringing them off their nascent platforms.

Sara Lebow (12:29):

Sarah, that statement leads me to believe that the influencer's natural habitat is the phone. That is where they live. They live in the phone.

Sarah Marzano (12:37):

That's where they live. Yeah.

Sara Lebow (12:38):

And the place that they have traveled to is the large horizontal screen, the TV. Those are two different habitats.

Sarah Marzano (12:45):

When I take Ms. Rachel that I show my kid when I cut his nails from my phone to the TV, it's magic.

Sara Lebow (12:50):

And when you look at the ads that are playing for Ms. Rachel on your phone versus on the TV, you're probably seeing something a little different too.

Sarah Marzano (12:57):

Mm-hmm.

Sara Lebow (12:59):

So we are towards the end of the back to school season, so now I want to think ahead. Back to school has a lot of indicators that tell us about the holidays. This year I've heard the word value applied to back to school over and over again. Is that a word that we can expect to hear come around once again this holiday season? Zak, why don't you start us off on that one?

Zak Stambor (13:20):

Yes, maybe. So as I've said I think 1,000 times on this podcast, we do typically see consumers pick up spending during election years. So that would lend you to believe that spending will be pretty decent this holiday season. That said, value has been the consistent thread throughout this entire year and consumers looking for value. And so I would assume that's probably going to be the case again this holiday season.

Sarah Marzano (13:52):

And I think I would agree. I think when I was looking forward, there is, frankly... And holiday shopping will start before we know it. I think it's becoming an accepted part of the discourse and the strategy among retailers that these big tent pole shopping events get extended to be as long as humanly possible. But there is no shortage of events that can happen across the broader landscape that may influence the way consumers approach the shopping season.

(14:19):

I do expect that the focus on value in this more pragmatic approach will persist throughout the remainder of the year, and I think it's something that is really smart for retailers to take a strategic approach too. There's only so much you can gain from pushing your sales events earlier and discounting even deeper.

(14:37):

It really has to be aimed at creating a connection with your customer that's going to persist and last, because a race to the bottom isn't going to get you any loyalty. So how can you leverage your unique strengths as a retailer to make sure that you are capturing a more lasting relationship with your consumer?

Sara Lebow (14:55):

So am I understanding this right in that back to school, going back to back to school, it can tell us things about the holiday season, but maybe we shouldn't put too much investment in those insights this year because it's an election year?

Zak Stambor (15:07):

Yes, and also it's a different product set. If you buy a folder or a notebook or something, it's a commodity purchase. It's very different than a gift.

Sarah Marzano (15:20):

There's a lot of utility to it.

Zak Stambor (15:23):

And there's just virtually nothing aside from some of the apparel purchases within the back to school season that aligns with what consumers purchase during the holiday season. So that's why it's an indicator, but it's not an amazing indicator of what's to come.

Sara Lebow (15:40):

Well, that concludes things on back to school. So thank you for being here, Sarah.

Sarah Marzano (15:46):

Thanks for having me.

Sara Lebow (15:47):

And thank you for being here, Zak.

Zak Stambor (15:49):

Yeah, thanks. It's been fun.

Sara Lebow (15:51):

Thank you to our listeners and to Victoria who edits the podcast and is never too cool for school. We'll be back next Wednesday with another episode of Reimagining Retail, an eMarketer podcast, and tomorrow join Marcus for another episode of the Behind the Numbers Daily.