

# Reimagining Retail: What to watch out for this back-to-school season and how retailers can stand out

Audio

On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss what's most important this back-to-school season, how much Amazon Prime Day might have stretched out the shopping period, and where coolness comes from. Then, for "Pop-Up Rankings," we rank the things you need to do to be better than OK and in an OK market. Join our analyst Sara Lebow as she hosts vice president of content Suzy Davidkhanian and analyst Zak Stambor.

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## Episode Transcript:

Sara Lebow:

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Hello, listeners. Today is Wednesday, July 26th. Welcome to Behind the Numbers: Reimagining Retail, an e-Marketer 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 is Back to School.

Before we jump into that, let's meet today's guests. Joining me for today's episode. We have VP of Content on a Retail Desk, Suzy Davidkhanian. Welcome back Suzy.

Suzy Davidkhanian:

Thanks Sara. It's nice to be back.

Sara Lebow:

Good to have you. And also here for today's episode, it's senior analyst, Zak Stambor. Hey Zak.

Zak Stambor:

Hey Sara. Hey Suzy.

Sara Lebow:

Let's get started with our first segment, News and Reviews, where I give the news and our guests tell me their reviews. Today's story is a July 19th one from The Verge titled Amazon Says It'll Ditch Plastic Padded Mailers. Those white and blue mailers that are constantly clogging the entryway to my building are headed for retirement. Amazon has been criticized for its wasteful packaging, but the company still hasn't set a date for this specific transition. Suzy, your review of this story in 60 seconds is?

Suzy Davidkhanian:

So it's like a lot of other headlines. It's a great headline, good for marketing, but it kind of feels greenwash-ee because there is no deadline behind when they're going to ditch it. And probably more important than the no deadline is that they're saying they're going to do this with their owned business, but according to our forecast, about 65% of sales come from the Marketplace, from the 3P sellers. So while they're going to be able to control part of that in

some wishy-washy way over time, is it really going to have as big of an impact as it sounds like they're going to have, given that they can only control their own output? And I would add to that, okay, so they get rid of the plastic bags, but what about all the plastic stuff in the boxes? So I just feel like it's meant to be all about corporate citizenship and being a good sustainable partner, but it kind of fell flat for me.

Sara Lebow:

I totally agree. This sounds like greenwashing. It sounds like Amazon putting a message about sustainability out there that isn't really that actionable. Zak, your review of this story in 60 seconds is?

Zak Stambor:

I totally agree with Suzy, totally agree with you. These plastic mailers are a real pain. Most plastic doesn't get recycled. Even if you do recycle it, it's a pain to recycle it. My wife makes me collect our plastic stuff. We have a huge space in our closet where then I then drive it to the grocery store. And so it's a pain. I don't like them. I don't know why they don't shift just to the paper mailers. It doesn't seem like that big of a list. I suppose these are hardier, but I do think it's rather suspicious that they didn't give a date for when they will get rid of these. It's not a great sign for what they're looking to do.

Suzy Davidkhanian:

I saw on Instagram, yes, I do get some trends from Instagram like everybody else, that apparently there are some envelopes, plastic ones, where you can turn it around and the return shipping is on it, which I thought that was pretty cool. So that certainly makes it easier for a consumer, removes a lot of the friction about returns, but I don't think that's the kind of envelopes we're talking about now. But that could be potentially something that they do as an in-between step.

Zak Stambor:

I think that's interesting, but how many of those envelopes will ultimately be returned, especially for Amazon where you don't need to stick it in a package to return it.

Suzy Davidkhanian:

Oh, because you take it to Whole Foods?

Zak Stambor:

Yes.

Suzy Davidkhanian:

Oh, yeah. That's why. Yeah, it could be. I don't know. I feel like if you did a canvas of your closest friends, I'm not sure how many people actually take the time to take it back to a store. I guess it depends if you're close to a Whole Food.

Sara Lebow:

Well, the recycling messaging on them is suspicious to begin with because it looks like it's recyclable. It says recyclable, but it's in this one specific way where you take it to a Amazon mailer center and recycle it there. It's not generally recyclable.

Suzy Davidkhanian:

Right. I actually didn't realize that they were recyclable.

Sara Lebow:

Okay, it's time for our next segment, Retail Me This, Retail Me That.

Where we discuss an interesting retail topic.

Today's topic is back to school, because it's nearly back to school season. In some parts of the US it probably already is. And US back to school retail growth is slow this year, according to our forecast, at about 2.9% over last year for a total of \$72 billion in back to school retail spend. That's pretty much in line with overall retail sales projections. So not slower than the rest of the market. But tell me, what should we be watching for this back to school season?

Zak Stambor:

Well, you called it slow. I don't know that it's slow. I think it's just normal, old normal growth is what I'm calling it. It's roughly in line with what we've seen over the years. The pandemic was the exception to that. But before the pandemic back to school sales growth was 1.3%. So this is significantly faster than that. So I think it's just kind of normal. And that's kind of the retail environment that we're in now is just this old sort of normal growth pattern.

Suzy Davidkhanian:

And I have so much to say about this. So I think there are two big, big things. One, it's back to school is always cyclical in terms of it's never the same sustained growth year-on-year, just because of the nature of what people are buying for. I think we know from research and just probably from the people you know who are buying for back to school, the younger kids, you spend much more time buying supplies and clothing because they're constantly outgrowing them. And then the older kids, you're just replenishing stuff and then buying more electronics for them. And so I think that also is part of the cyclical nature of back to school in terms of, I don't know if it's like every three years you go back to the same numbers, but there is something around every back to school season is a little bit different.

And I think this idea around normal is kind of a microcosm of what's happening. There are a lot of different headlines. Are we in a recession? Are we not? Inflation is slowing. What does that mean? There's retail sales growth. Where are we at? It's kind of the same for back to school if you think about it. We've seen lots of studies where they're projecting massive growth. We've seen studies where they're projecting that it's going to see a decline. We've seen some where they're saying people are going to spend up to \$500 a child in back to class, but then we're also seeing it's so moderate the spending that it's like \$250. So I think that's the message. Everything is changing and nothing has changed. But what truly I believe is the ongoing impact of COVID is that the way people are shopping and how they're thinking about shopping has changed and that'll be there forever.

Sara Lebow:

Yeah, pulling out some of those studies that you just referenced, the NRF is predicting that K through 12 spend will grow significantly, like 11%. And back to school spending on college age students will soar 27%. Meanwhile, Deloitte has K through 12 spending declining at about 9%. So a lot of mixed messages here.

Zak Stambor:

It's interesting. Three of the primary categories that make up back to school, apparel and consumer electronics, have been struggling. And so what I'll be watching for is how are people shopping? Do they get the new pair of shoes for the first day in school? Do they splurge on the TI-84 Plus color graphing calculator? Are they good with the hand me down?

Suzy Davidkhanian:

Is that still a thing?

Zak Stambor:

I think so.

Suzy Davidkhanian:

That's awesome.

Zak Stambor:

I don't know. I had a TI-82.

Sara Lebow:

I had a TI-84.

Suzy Davidkhanian:

I don't even remember.

Zak Stambor:

Did you?

Sara Lebow:

I had a TI-84, but not the color one.

Zak Stambor:

Yeah, the color one. So are you going to splurge on the color one? So we'll see. In terms of how consumers spend, I think what we'll see is just people are looking for opportunities to save and they will seize upon those, but they're not going to be pulling back entirely.

Suzy Davidkhanian:

Well, and you know what I also think? People have always looked for value. And so value is starting to, we think of the equation of value as quality and price, but I think more and more we're adding time savings. And so a lot of the channels where we think there will be a little bit stronger growth potentially are the ones where it's like a one stop shop where there's a lot of assortment, there's a lot of choice, it's easy to compare price against different brands and the private label so that it makes shopping across multiple categories that much more efficient for families.



I think I'm going to keep an eye on those channels. And also one of the newer things, for me, I don't know about for you guys, it's around the different types of payment and how are retailers making it easier, whether it's tap and go or whether I was just reading about where kids can download apps and the parents put money in the app so that the kid can buy whatever it is that they want. Because one of the issues, and we talked about this when we were talking about pets, is the purchaser and the user are not really the same for back to school stuff. It's the parent that you have to convince, but at the same time, the kids have an outsized influence on the purchase, even though they don't have the money for the purchases. And so how as a retailer can you sort of court both at the same time in an efficient way?

Sara Lebow:

Love this perspective, Suzy, that shopping for kids is just shopping for pets.

Suzy Davidkhanian:

Oh no. But it's because pets are a part of your family is what I meant.

Sara Lebow:

I want to talk more about how people are shopping because e-commerce growth is a slightly different story than overall back to school retail spend, according to our forecast. We're forecasting just 1.5% e-commerce growth over last year. And e-commerce growth is going to remain at about 40% of overall back to school sales. So 40% of those sales will be online. Should we be concerned about e-commerce growth not growing anymore?

Zak Stambor:

No. I think it's fine. Because if you don't look at the comparison to last year, but you look to pre-pandemic 2019, in 2019 it was about 30%. And so if things had progressed in a normal pattern, we hadn't had a pandemic, we would probably be about here. So I think this is just the normal sort of spot where you would expect it to be.

Sara Lebow:

So is penetration going to remain at that 40% mark?

Suzy Davidkhanian:

I mean 40% is kind of high if you think about it, because when we think about total e-commerce penetration in the US, it's like 15%. And so, yes, it varies by category. And as Zak was saying, two of the more dominant categories in back to school are apparel and electronics, which skew higher in penetration overall. So it's not a surprise that it nets at around the 40% mark for back to school. And I anticipate it'll sort of trickle up in line with regular e-commerce penetration.

Sara Lebow:

And then back to that conversation of value, we've seen the holiday season stretch out, pulled even further by Prime's early access sale in October. Has the back to school season also stretched out in the same way and has Prime Day had an effect on this?

Suzy Davidkhanian:

So I think back to school is a little bit different than the holiday shopping season because, generally speaking, there are maybe five or six different holidays that people are celebrating, but in that same sort of time where it's gift giving, so there is a starting and end point kind of if you think about it. Whereas for back to school, every region has a different start date for school. So some families have already started going back to school, whereas for example on the East Coast, they're going to start after Labor Day. So I think because back to school doesn't have one set date, it's a little bit harder to measure. Yeah, for sure, Prime Day kicks it off. I think there are lots of studies that show, and I saw one by TransUnion using Dynata that by now, which is middle of July, it was like 35, 40% of people have already started shopping, have begun the shopping process. So yes, it is moving forward. Is it triggered by Amazon Prime? Probably not just by that.

Zak Stambor:

But I do think people seized on the opportunity. Looking at the Adobe Data, stationary and office supplies were up 76% year over year. And then the other key categories within the back to school, apparel was up 17%, consumer electronics was up 18%. So people are looking for a deal, they see that the sale's going on, and they click and buy.

Sara Lebow:

Yeah, that's so different from when we were kids and I had one day at Staples where I bought everything I needed.

Suzy Davidkhanian:

But you know what? It's interesting because there's a difference between buying the basics and then buying stuff that's off of the list that you're supposed to get in terms of school supplies, but also t-shirts and uniforms if that's what your school is doing versus the fun fashiony items. And you see that people are pulling forward their basics because trying to get a good deal, but then kids go to school to check out what's new and what's cool to then potentially get their parents to get them that item.

Sara Lebow:

So on that topic of fun fashion items and what's new and what's cool, when I was a kid, all the coolest kids seemed to already know what bag you needed that year, what clothes you needed that year. They had some knowledge that I wasn't privy to. So my very abstract question for both of you is where does this concept of coolness in back to school come from? And does it wait until the school year starts or is it already in motion?

Suzy Davidkhanian:

I mean, I grew up with a uniform, so I don't know that I'm the most qualified to talk about it as an individual, but from what I gather in the research and from previous lives where we've done research about the cool factor, kids are on their phone constantly looking at Instagram, at the time, TikTok now. Whether it's magazines or TV shows, I think you would be surprised at the places where kids get awareness about the cool factor and then start to want to envelop that coolness. And then there might be, I don't know if I'm out of turn, but there might be a pecking hierarchy at school which also dictates which of the trends that you see on social become cool in your school and I feel like probably not every trend hits every school in the same way.

Zak Stambor:

I think that's absolutely right. I think there's a trickle-down effect as well. As one kid gets it and that kid saw it on TikTok. And then even if your kid isn't on TikTok, they saw that kid. And so on and so forth.

Sara Lebow:

Well, what is interesting about TikTok over Instagram is that TikTok's algorithm is so powerful, so local, and so shareable that you can have the kids at your school probably be on a pretty similar algorithm that the school across town might be a little different from.

Suzy Davidkhanian:

Which is really cool for department stores and other brands, but also makes it really hard. How do you stock the right inventory in the right store at the right time so that you capitalize on the second-largest shopping season, but that you also don't get stuck with a lot of inventory?

Sara Lebow:

Yeah, because that can really mess with your entire holiday season.

Suzy Davidkhanian:

Yeah, absolutely. It's very hard to get rid of inventory that nobody likes.

Sara Lebow:

Okay, let's keep moving. Now it's time for Pop-Up Rankings.

Where we take a look at specific examples and we rank them. Our question today is in an okay market, like the one we're seeing now, what are the things you need to do to be better than okay? In order to talk about this, Suzy and Zak will be ranking the top four retail innovations from the back to school season. Suzy, you go first.

Suzy Davidkhanian:

So I'm going to go with Clinique and not because I'm ranking it as a top four, but because I think it's a really good example of an old brand, who is known to be the first skincare brand that a lot of young folks use, who's trying to get with the times, as you would say, and reinvigorate and re-envision their marketing campaigns. And so last year they started a brand ambassador program on college campuses and it was a pilot and it worked well enough that they're now rolling it out, and in addition to. So it's not only re-envisioning and so having a whole new way of getting word of mouth and getting the influencer and all these other buzzy words in one program, but they're also trying to make a whole series of different touch points that come together to service the brand ambassadors on college.

So they're doing pop-up stores in select cities. They were apparently at Coachella with a immersive hub where it was informational about SPF creams. They're doing pool parties across April and May. As we said, school starts at different times depending on the campus you're on. So they're doing pool parties, April and May, across different states to try and get

people excited about their product. And they're doing digital advertising, social media pushes. I mean it's a really well-oiled machine, all with this intention of getting kids that are going back to college to use their brand.

Sara Lebow:

These brand ambassadorship programs are really smart. I was talking to the Kendra Scott, the jewelry company, CMO a while ago about how they've leveraged popularity on TikTok with Alabama Rush TikTok, alongside a brand ambassadorship program. It's so inexpensive for these companies. I mean, it's as cheap as gifting a few products to people. And then from the student perspective, you get free products, you get something on a resume, and you get some help building up a following.

Suzy Davidkhanian:

And it's like you're only going to do it if you believe in the brand. And so your classmates and the other kids will trust you because you're part of the same sort of group. And in Clinique's case, I think what's really cool is that they're not doing a one and done, "I'm doing a brand ambassadorship program and that's it." They're building a whole activation series around that concept. And it started even with NFTs. I mean they're really throwing a ton of activation around this particular program so that it can feel more successful and that they're hitting people where they are, which is really the Marketing 101, be where people have your message, create awareness, and this use case where people are. Meet them where they are.

Sara Lebow:

I totally agree on that. Zak, why don't you give us another retail innovation that stood out to you for the back to school season?

Zak Stambor:

Yeah, I want to talk about Walmart, which is meeting people where they are in a very different sort of way. So Walmart's offering sensory friendly hours for customers with sensory disabilities on Saturdays in the first couple hours of the day throughout the back to school season. And what that means is the stores won't have music, the overhead lights will be dimmed, the moving pictures on screens will be static images. And I think this is just such a interesting innovation. They're not the first retailer to do this. In the UK Toys"R"Us was doing this I think about a decade ago. Target has done this over the holidays. But this I think is the

largest back to school push. And back to school is a really important in-store experience for a lot of students and a lot of these students with sensory issues were never able to experience that sort of dynamic. And so this welcomes them in. And in doing so, I think they could be building some lifetime loyal customer relationships.

Sara Lebow:

Yeah, I think this is a great idea. I think stores should always be quieter and less overwhelming. I think that retail media folks might disagree because when you make some of those image static, you're slowing down that opportunity, but I'm all for this.

Zak Stambor:

Well, and it's a sizable segment of the population that has these sorts of issues. And so for a lot of retailers, they've just been ignoring them or pushing those people online. And so the estimates are it's like five to 15% or so, and so that's a lot of people to push aside. And it's also a lot of people to welcome in.

Suzy Davidkhanian:

And I think this is in direct contrast to the top story where Amazon was pretending to be part of sustainable efforts, but it was a bit sort of gray zoned, whereas this is, maybe they did send a press release to get the word out so the parents knew, Walmart is a gigantic retailer in the US so it is so nice to see how accepting they are of all the different cohorts and they are really working so hard. Last year I thought they did some very interesting innovations in terms of live streaming and all the back to school concerts with really famous people that were in that sweet spot for the younger population. And so I just think that they're continuing to push the envelope across fun and maybe a little bit more difficult topics that are really important to address.

Sara Lebow:

Yeah, I mean this is a marketing tactic for Walmart for sure, but it's also tangible. It's also a real thing that they're doing to make the store more accessible.

Suzy Davidkhanian:

Well, it feels authentic, if you think about who their associate population is and how the associate population too is a mix and match of all types of cohorts. I think it's nice that they're

doing that for their customers as well.

Sara Lebow:

Okay. Zak, can you give us our next back to school retail innovation?

Zak Stambor:

Yeah. It's not so much an integration, but just leaning into value. Amazon has a really kind of funny commercial or ad with Randall Park where the pitches spend less on your kids. And it really focuses on how if you just buy everything on Amazon, you can save a lot of money. Walmart is doing something similar where it's saying it's letting parents shop for the 2023 school year at 2022 prices. I think about 80% of the back to school items are the same price that they were a year ago. And so in this environment in which people are watching their wallets, it's a good tactic to just hone in on value.

Sara Lebow:

Yeah, good use of Randall Park too. He's the dad in Fresh Off the Boat. Did I get that right?

Zak Stambor:

Yes. That's right.

Sara Lebow:

Okay.

Zak Stambor:

Yeah. So good use of leaning into that sort of dad character. Zak, what is our fourth and final retail innovation you're looking at this back to school season.

Zak Stambor:

Fill the big niche that's out there. And so I didn't know about you, but when I went to college, I went to Bed Bath and Beyond, and just bought a ton of stuff for my dorm. And those stores don't exist anymore. And so Target is looking to fill that space. They have a college registry tool that shoppers can use to fill their cart. They are offering shoppers 20% off, which sounds familiar to Bed Bath and Beyond shoppers. It's a one-time coupon, but that's a decent amount of money when you're headed off to college and you're buying just a ton of stuff for your

dorm. And so I think it's a really smart tactic because I don't know where else those shoppers are going to go.

Sara Lebow:

Yeah, this is so smart. We talked about this in a recent episode where we talked about what happens when brick and mortars close. Bed Bath and Beyond is the college shopping place. Target is seizing an opportunity to become that space, and to become that space before Amazon can fill it, because it has the brick and mortar advantage. I think that's a really smart move.

Suzy Davidkhanian:

Well, I don't know. I think Macy's can fill it too.

Sara Lebow:

I don't know that you're going to go to a mall instead of a Target when you're pulling up to college.

Suzy Davidkhanian:

So I think you're definitely right on that one. But I think companies like Target also and Macy's and others have these mobile vans where they try really hard in one way or another to be on college campuses, with bring their stuff to college campuses versus have college kids go to their stores. I imagine it's the same for all, every retailer has that issue. I do think, all kidding aside about Macy's, although I do believe it, I do think any retailer who is doing data analytics will be able to see what are the Bed Bath and Beyond stores within an X mile radius of their own stores to try and capture that customer and do some very targeted marketing to those customers to get them to come. Even put billboards or signs or some other sort of non-digital marketing near those Bed Bath and Beyonds that are closing to signal that, "Hey, we're here to take you and welcome you." So I do think Target is in a good place to capture some of that customer and they should watch out because there'll be a lot of competition for that business.

Sara Lebow:

I think Target quite literally is in a good place because they're probably geographically near those closed Bed Bath and Beyond stores in a lot of cities.

Zak Stambor:



I was going to make the same point. And I was also going to say they are well positioned because Target has a cool vibe to it that is very much in line with college students, whereas like Macy's or even The Container Store doesn't quite have.

Suzy Davidkhanian:

Yeah. Or Walmart for that matter, right?

Zak Stambor:

Fair.

Sara Lebow:

So we're back to the topic of coolness. I would be remiss if I didn't say that after our brick and mortar episode, my mom texted me and said that she no longer has a bag of expired Bed Bath and Beyond coupons in her car. She threw them away.

Suzy Davidkhanian:

Well, if she did, she could use them at Target.

Sara Lebow:

They're gone.

Suzy Davidkhanian:

Your poor mom.

Sara Lebow:

Okay, that is all we have time for today, so thank you for joining me today, Suzy.

Suzy Davidkhanian:

Thanks for having me.

Sara Lebow:

And thank you, Zak.

Zak Stambor:

Yeah, thank you.

Sara Lebow:

Good luck back to school shopping. Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @BehindtheNumbers\_podcast. Thank you listeners, and to Victoria who edits the podcast and is too cool for school. We'll be back next Wednesday with another episode of Re-Imagining Retail, an e-Marketer podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.

Can return is nice though, because then you get the-

Suzy Davidkhanian:

The 5 cents back.

Sara Lebow:

One time in college we threw a party on our can return money back.

Zak Stambor:

Well, especially it's Michigan, so it's 10 cents.

Sara Lebow:

Yeah.

Suzy Davidkhanian:

Oh, 10 cents.

Zak Stambor:

Yeah.

Suzy Davidkhanian:

Wow.

Sara Lebow:

Yeah, we threw a whole party on can returns. Don't include that in the podcast, but it was-

Suzy Davidkhanian:

Just the bloopers.