



The Cardlytics Back to School Report

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August 2015

A look into which categories and retail trends scored an 'A' with customers.

The Back to School (B2S) shopping season is once again in full swing, and this is the year for retailers to really sharpen their pencils and take notes on the changing trends driving consumer spend. Thanks to our unique insight into in-store and online purchase data from 70% of U.S. households, we were able to analyze the 2014 B2S season and found that the second largest shopping event of the year presents more opportunities—and challenges—for businesses than ever before.



This report highlights three significant and actionable trends that are taking on a larger and more impactful role on the bottom line for retailers:

- More frequent shopping trips are driving growth for B2S retail sales
- Specialty retailers see the biggest share gains during this period
- Consumers continue to make B2S purchases for a longer period of time online vs. brick-and-mortar stores

Read on to learn how you can earn an 'A' with customers by preparing for the upcoming Back to School season.

The Back to School shopping season

Back to School is the #2 largest shopping event

SPEND RANK	SEASONAL EVENT
1	Winter Holiday
2	Back to School
3	Halloween
4	Mother's Day
5	Father's Day
6	Easter
7	Valentine's Day
8	Super Bowl

Back to School lasts 6 weeks



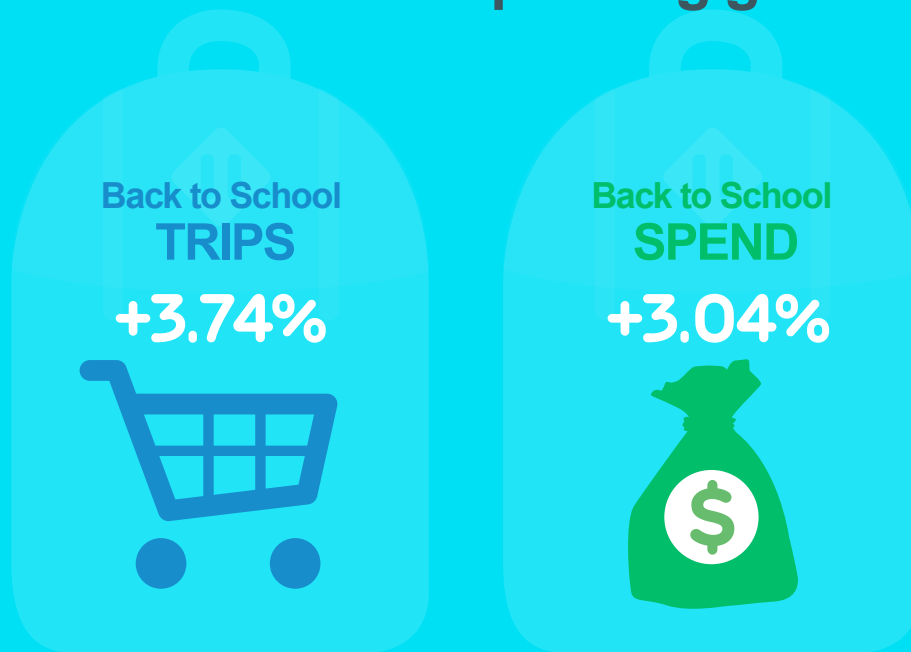
Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)



Shoppers do their homework by visiting multiple stores

As American consumers get savvier in their quest to stock up on everything from notebooks to shoes to dorm room decor, it's no surprise that retailers who actively prepare for this shopping holiday are making the grade with their customers. Not only are Americans spending more, our data proves that shoppers aren't afraid to put in the work and get smart about their B2S purchases. Overall, Back to School retail spend increased 3.04% year over year in 2014, and we found that this increase was driven by a 3.74% increase in trips.

Increased shopping trips drove Back to School spending growth



2014 YEAR OVER YEAR BACK TO SCHOOL GROWTH

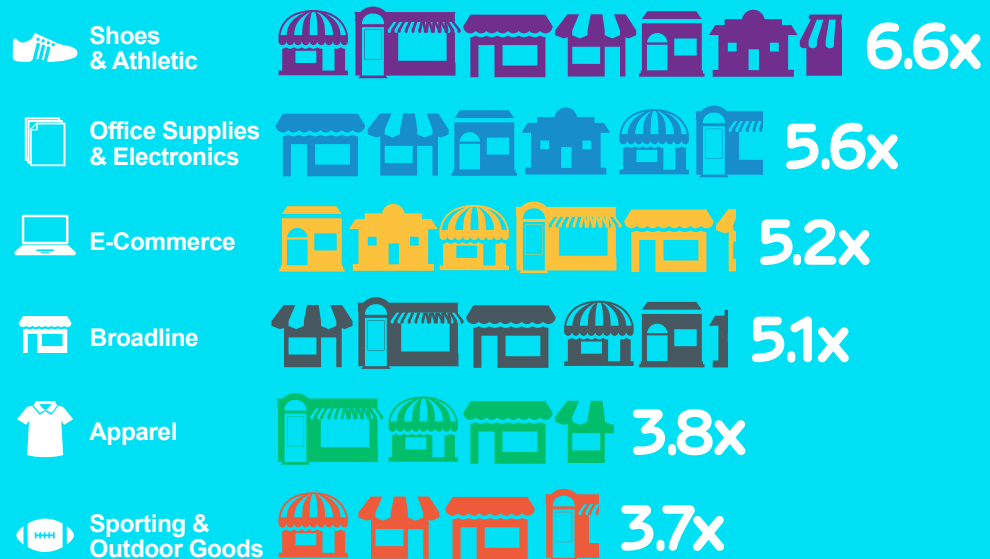
Source: 2013-2014 data from Cardlytics Aggregated Transaction System (CATS)



Not only that, for every one retailer at which a consumer makes a purchase during non-B2S weeks, B2S drove up to 6.6x more distinct retailer purchases. In other words, consumers are willing to explore beyond their regular fallback stores and spread their budgets across a wider variety of retailers. As these focused consumers demonstrate their willingness to spend more of their time and money across multiple destinations, businesses have the chance to attract new potential customers with B2S-related deals.

Consumers purchase from more stores during Back to School

Rather than stock up at one store, families are shopping around and spreading their budgets across more distinct retailers



GROWTH OF DISTINCT RETAILER PURCHASES

Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)

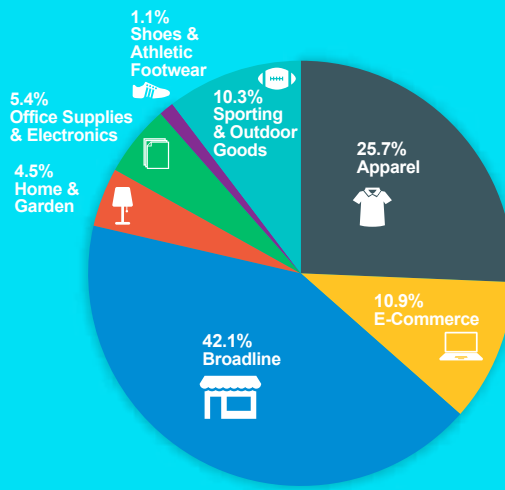


Specialty retailers make the honor roll

The real winners during the Back to School season were Specialty retailers. While all categories grew, shoppers increasingly targeted Specialty retail stores to check off specific items from their shopping lists instead of visiting E-Commerce sites or one-stop-shop Broadline stores.

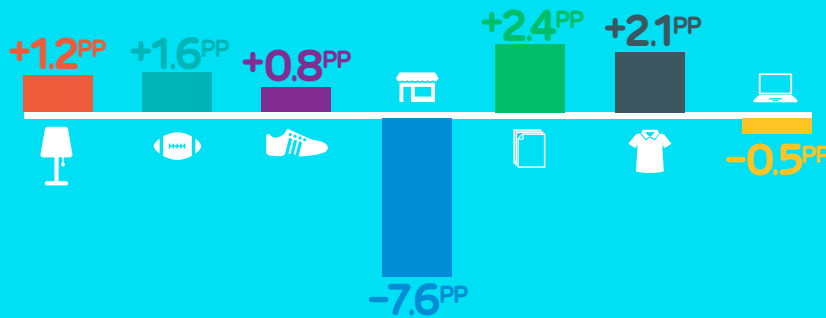
Specialty retailers make the honor roll during Back to School

Focused shoppers shift their spend to more focused retailers



BACK TO SCHOOL MARKET SHARE

Specialty retailers gained market share over one stop shops*



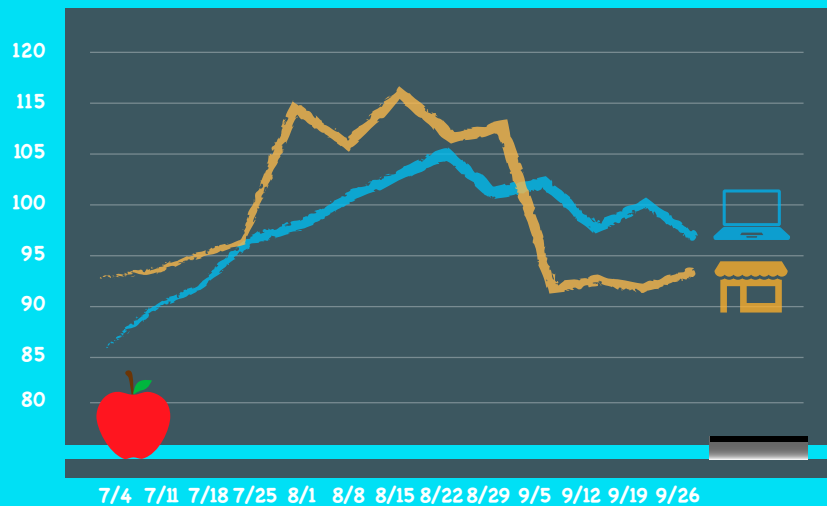
*MARKET SHARE PERCENTAGE POINT CHANGE OVER THE NON-BACK TO SCHOOL PERIOD

Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)



Online retailers get extra credit after school begins

Online Back to School spend persisted after in-store sales dropped



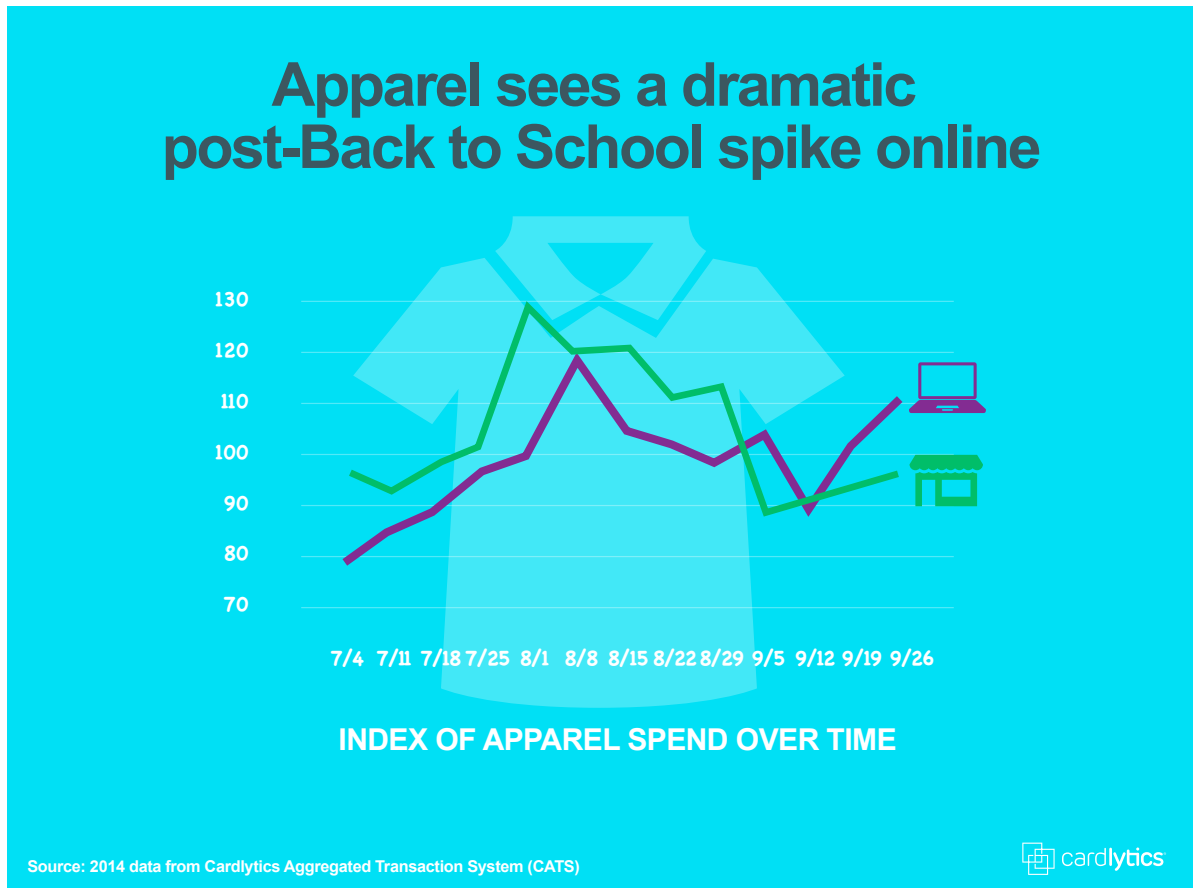
INDEX OF BACK TO SCHOOL SPEND OVER TIME

Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)



Although E-Commerce slightly dropped in Back to School market share (down 0.5 percentage points), the stores that got an extra boost from shoppers were the ones that continued to promote B2S-related items online; we found that consumers stayed online to shop for as long as a month after in-store sales tapered off at the end of August.

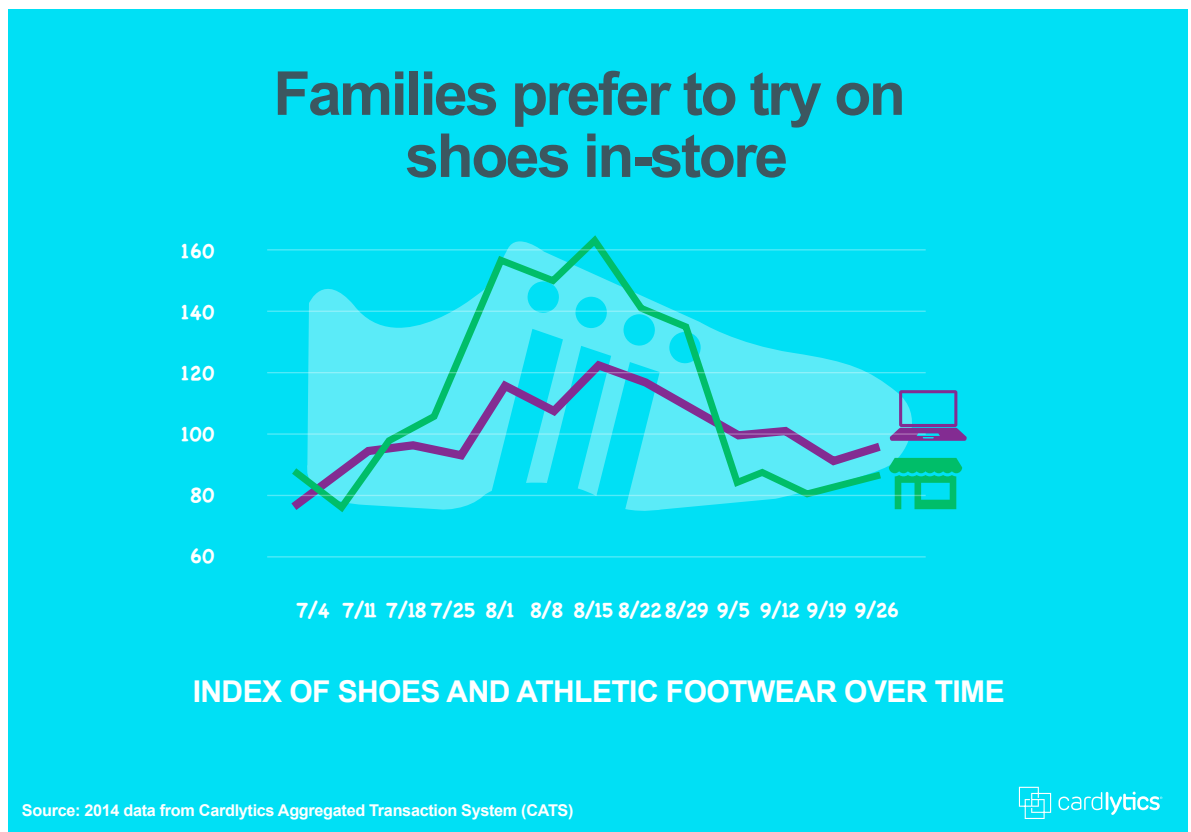
Apparel: retailers see two major spending sprees in the fall



This extended online shopping period is even more pronounced within online apparel as students responded to the styles they saw at school with follow-up purchases online. While the first, major spike occurred in early August, the second September uptick after school began almost reached the same max spend levels (95%) during the regular B2S period.

Thanks to the increase in trips to buy the latest styles, apparel as a whole enjoyed a 48% increase in spend over the non-B2S period. Compared to what they saw outside of the B2S period, Department Store spend grew by 78%—2X more than Discount Stores.

Shoes: kicking up purchases by as much as 600%

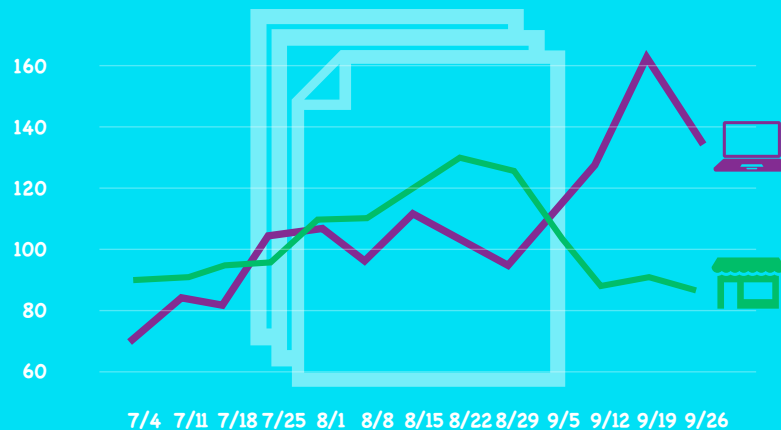


While most stores enjoyed a lift in B2S foot traffic inside their brick-and-mortar shops, none saw more customers march through their doors than the Shoe and Athletic Footwear category. In order to keep up with their growing kids, moms and dads visited physical storefronts to try on shoes an average of 44% more than the rest of the year. In contrast, online shoe retailers only saw an average increase of 5%.

Not only were customers willing to hit the pavement to try on new shoes, they were ready to open their wallets once they got there. In terms of spend, the entire vertical saw a 342% increase overall, but Children's Shoes saw the highest B2S growth with a 624% increase over the non-B2S period.

Office Supplies and Home Décor: Families are willing to shell out online

Office supplies & electronics see a dramatic online spike in September



INDEX OF OFFICE SUPPLIES & ELECTRONICS
SPEND OVER TIME

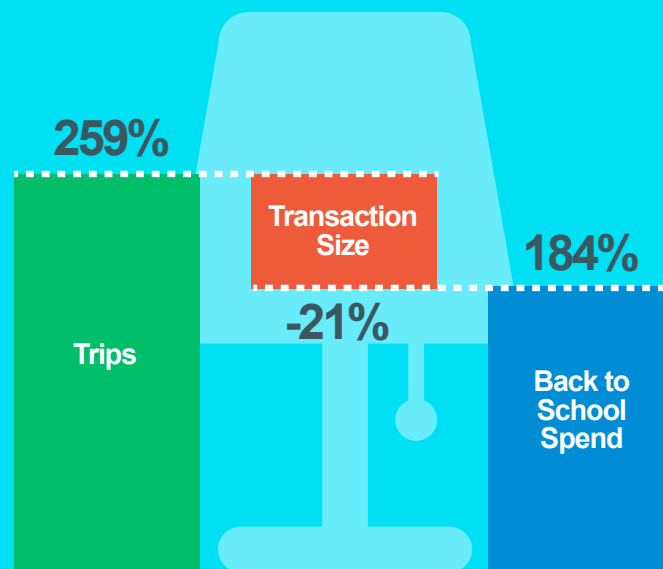
Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)



Shoppers drove up spend in the Office Supply & Electronics category by 146% over the non-B2S period as they lined up to buy everything they needed. However, families don't have time to make an extra trip for supplies once school starts. After the bell rings, you'll find that they're 33% more likely to buy these necessities online, compared to just 3% more likely during the Back to School period.

Office Supplies and Home Décor: Families are willing to shell out online

Back to School shoppers stocked up online for lower cost décor basics



GROWTH IN BACK TO SCHOOL HOME DÉCOR ONLINE PURCHASES OVER THE NON-BACK TO SCHOOL PERIOD

Source: 2014 data from Cardlytics Aggregated Transaction System (CATS)

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Spend for Home Décor E-commerce peaked in late July and grew 184% overall, as families spent the extra money required to send students off to decorated dorms and lockers at school. This growth was driven by a 259% growth in online shopping 'trips,' even though average transaction size decreased more than 20%, suggesting that a majority of online purchases are low-cost basics and accessories.

Conclusion

By the end of this summer, consumers will be stocking up for Back to School and bringing many of their needs to Specialty retailers. “What we’ve found is that Back to School drives more spend and more trips to more stores across several categories,” said Dani Cushion, CMO of Cardlytics. “As a result, we recommend that retailers across the board prepare for Back to School as a distinct shopping event in both their media and in-store efforts.”

As customers browse more stores and make purchases more frequently, below is a short cheatsheet for businesses that want to adjust their marketing efforts in order to maximize on the B2S opportunity.

1. Highlight specific categories in your ads

Since today’s consumers are savvier, their shopping behaviors are getting more and more specific—which means ads tailored to their interests will win out over more generic ones. For example, if you’re a general apparel retailer, call out specific items from each of your categories to draw potential customers into your stores. You can use your best-selling shoe in your ads – even if shoes aren’t your sole focus.

2. Make your promotions reflect online and offline purchase behavior

Be sure to extend your Back to School ads and promotions for a longer period of time online to entice more customers to your site. E-commerce sites saw B2S traffic lift until the end of September, and apparel retailers saw two distinct spikes—which means you could double the opportunity for B2S.

3. Invest in top-of-the-funnel activities

Since consumers are more willing to shop around to check off their B2S shopping lists, don’t be afraid to invest in traffic-generating marketing tactics to attract new customers. Get the word out about your store and catch the attention of consumers who are on the lookout for new places to shop.

4. Hold your current customers tight

With shoppers on the hunt, don’t give existing customers any reason to spend elsewhere. Stay relevant with engaging Back to School campaigns and bump up your retention and loyalty efforts.

For more insights and strategies to get customers through the door for their Back to School needs, contact info@cardlytics.com.

Study Methodology

- Back to School Retailers: 125 retailers and their online counterparts, based on Back to School spend across both 2013 and 2014, as seen on the Cardlytics platform
- Back to School Categories: Apparel, E-Commerce, Broadline, Home Décor & Garden, Office Supply & Electronics, Shoe & Athletic Footwear, Sporting & Outdoor Goods

For the purposes of this analysis, Cardlytics has defined the Back to School shopping season as the 6 weeks from mid-July to the end of August. The non-Back to School period includes the rest of the year, minus the Winter Holiday season.

About Cardlytics

Cardlytics® is a data analytics and digital advertising company that makes all advertising better. Our patented technology measures and connects trillions in retail purchases to millions of individual consumers, served via our unique ad platform. We partner with major financial institutions, including Bank of America, Lloyds Banking Group and FIS, allowing insight into consumer purchases across all categories and geographies, securely and without any personally identifiable information ever leaving the bank. This whole-wallet perspective on consumer spending helps advertisers reach millions of customers with highly relevant campaigns across all digital media –display, mobile, video, social and email – and precisely measure results. Thousands of brands, retailers and restaurants in the US and the UK are using the Cardlytics product suite to drive billions of impressions and connect online advertising directly to in-store sales lift. Cardlytics is a private company that has raised nearly \$170 million from leading hedge and venture funds, private investors, and from the world’s leading loyalty company, Aimia. Headquartered in Atlanta, Cardlytics has offices in London, New York, Chicago, and San Francisco.