2016 CARDLYTICS BACK TO SCHOOL REPORT

A view of retail trends that will help you make the grade with customers this back to school season

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The Back to School (B2S) shopping season is about to kick off, and we’re taking a look at how retailers can move to the head of the class by making the most of consumer spending trends.

Using our unique purchase intelligence, driven by insight into in-store and online purchase data from 120 million accounts, we analyzed the 2015 B2S season. What we found is that consumer spend during the second largest shopping event of the year is changing, presenting both opportunities and challenges for retailers.

REPORT OVERVIEW

This report highlights three noteworthy, actionable trends that impact the bottom line for retailers:

1. More frequent purchases continue to drive overall growth for B2S retail sales. New in 2015, online drove the majority of growth, while brick & mortars showed a decline.

2. B2S rivals holiday spending in key categories, making the season even more important for annual sales growth.

3. Post-season spend was impacted by the arrival of Amazon Prime Day.

Read on to learn how you can make the most of the B2S season before the bell rings.
ONLINE SHOPPING

SHoppers make more frequent, smaller purchases online

Consumers aren’t knocking out their full shopping list in one trip, preferring to spread purchases out over the full B2S season.

Overall 2015 spend was up 2.47% over 2014, driven by significant growth in online spending and more frequent purchases. That online growth came primarily from pure-play online retailers who outgrew brick and mortar .coms by 24x. This demonstrates that consumers are generally getting more comfortable with shopping online with increasing confidence in shipping speeds and reliability.

Interestingly, brick and mortar basket size (or total receipt) went up in 2015, but declined for both pure-play online retailers and brick and mortar .coms. Online basket size decline was likely driven by reduced ‘free shipping’ minimums.

RETAILER TIP #1

In the competitive online shopping environment, retailers must win more purchases while also growing every basket. Consider marketing campaigns centered around ‘buy more, save more’ (10% off of a $100 purchase, 20% off of a $250 purchase) to drive larger baskets and return visits. Brick and mortars can capitalize on growing basket sizes by varying marketing campaigns and spotlight offers throughout the B2S season to give consumers a reason to shop more frequently.

BACK TO SCHOOL 2014 TO 2015 CHANGE

<table>
<thead>
<tr>
<th></th>
<th>Brick &amp; Mortar Stores</th>
<th>Online-Only Stores</th>
<th>Brick &amp; Mortar .com’s</th>
</tr>
</thead>
<tbody>
<tr>
<td># OF PURCHASES</td>
<td>11.1%</td>
<td>18.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>SPEND</td>
<td>-2.4%</td>
<td>-3.7%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>BASKET SIZE</td>
<td>-3.4%</td>
<td>-3.7%</td>
<td>-3.0%</td>
</tr>
</tbody>
</table>

Online Back to School Growth 14.5%
Back to School Purchases +3.91%
Back to School Spend +2.47%
KEY CATEGORIES SEE MORE CONSUMER SPEND DURING B2S THAN HOLIDAY

For some specialty retailers, B2S is more important than Holiday in driving total annual sales.

Office supply, shoes & athletic footwear, and sporting goods stores see nearly – or in some categories more than – 50% of annual customer spend during the B2S buying season.

RETAILER TIP #2

Specialty retailers can take advantage of increased consumer presence with ‘buy now, save later’ offers that will bring people back into the store after the B2S season ends.
AMAZON PRIME DAY PULLED FORWARD CONSUMER SPENDING

In 2014, online spend saw a second spike after the core B2S period. But, the introduction of Amazon Prime Day in 2015 cannibalized some of that post-season spend, pulling it forward to mid-July. Even outside of Prime Day, consumers spent earlier in 2015 with spend peaking in mid-August, one week earlier than in 2014.

With more school districts moving to year-round schools and earlier start dates, we anticipate this trend will continue.

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RETAILER TIP #3

Start B2S online campaigns earlier to capture more of consumers’ spend. Use big sales seasons, like B2S, to drive enrollment for loyalty programs and profit-driving programs that will drive continued purchases year-round.
METHODOLOGY

Back to School Retailers: Retailers and their online counterparts, based on Back to School spend across both 2014 and 2015, as seen on the Cardlytics platform.

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:

2015: JULY 16 - AUGUST 26
2014: JULY 17 - AUGUST 27

CONCLUSION

The B2S season is second only to holiday in terms of consumer spending, so preparing early and strategically planning campaigns across customer touchpoints is key. Omnichannel proved to be a top trend in the most recent B2S season, highlighting the importance of a combined offline and online strategy to capture new consumer dollars.

Here’s our cliff notes version of the tips that will help you grow during B2S:

1. Start your B2S marketing earlier. B2S starts earlier each year, and is impacted by shopping events like Amazon Prime Day and the continued adoption of year-round school schedules. Get out early to meet customers’ needs when they’re ready to spend.

2. Encourage your customers to return after the rush. Specialty retailers can take advantage of increased consumer presence with ‘buy now, save later’ offers that will bring people back into the store after the B2S season ends.

3. Focus on both winning more purchases and growing basket sizes. Present consumers with complementary items – such as lunch box supplies near the grocery section – to encourage larger basket sizes. Also, consider scaled offers that reward customers with bigger discounts as their purchase total increases.

4. Use key sales seasons to drive enrollment for loyalty programs. Make the most of increased consumer spending during B2S by encouraging new and existing customers to enroll in your loyalty program and/or profit driving programs that will drive continued purchases year-round.

PARTNERSHIPS WITH 1500+ FINANCIAL INSTITUTIONS

20 BILLION ANNUAL TRANSACTIONS

$1.5 TRILLION IN ANNUAL CONSUMER SPEND
ABOUT CARDLYTICS

Cardlytics uses purchase-based intelligence to make marketing more relevant and measurable. We partner with more than 1,500 financial institutions – including Bank of America and PNC – to run their banking rewards programs that promote customer loyalty and deepen banking relationships.

In turn, we have a secure view into where and when consumers are spending their money. We use these insights to help marketers identify, reach and influence likely buyers at scale, as well as measure the true sales impact of marketing campaigns.


FOR MORE INSIGHTS AND STRATEGIES TO GET CUSTOMERS THROUGH THE DOOR FOR THEIR BACK TO SCHOOL NEEDS, CONTACT INFO@CARDLYTICS.COM.