ICSC Research

# Retail Real Estate Business Conditions

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## A Promising Back-to-School Season in the U.S.

***Rising Spending Should Benefit Bricks-and-Mortar Retail***

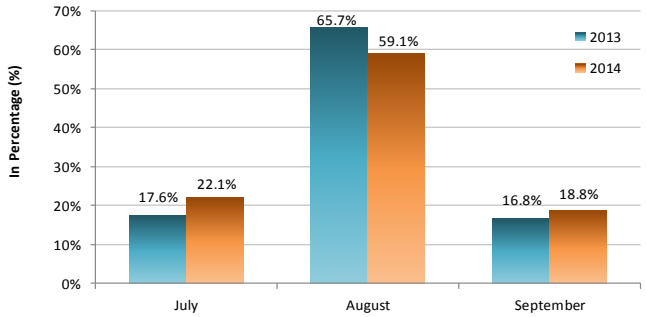
Shoppers plan to go earlier, spend more and purchase a wider array of items this back-to-school (BTS) season compared to recent years, according to a special ICSC consumer tracking survey which was conducted July 11-13, 2014, by ORC International. **These shifts in consumer intentions bode well for shopping center landlords and tenants** as they gauge the impact of their promotions on July and August sales results.

*The Growing Importance of July*

Almost four of 10 U.S. households who have planned to shop for the BTS season have begun their purchases. As this is a larger ratio than prior years for the same period—it had been generally been three out of 10—this year's households have likely been enticed by early promotions by major retailers such as Wal-Mart, Target, Macy's, J.C. Penney, Staples, Office Depot and Apple—to name a few.

In line with this shift, this year's survey also suggests that BTS shopping should increasingly be spread among July, August and September. (See Chart 1.) Helped by sales tax holidays for BTS items held in several states, August should still capture the lion's share (59.1%) among these three months this year in terms of percentage spent during that month but it will be at a lesser level than in August 2013 (65.7%), for instance. This is a result of July's share becoming more significant (22.1%) this year, while September remains third at 18.8%—more or less the same as in the past two years but substantially lower than in 2005 (28.6%).

**Chart 1 - Share of BTS Spending by Month**




*Reasons Behind the Spending Gain*

There will be a greater percentage of households affected by the BTS season who plan to make BTS-related purchases this year versus 2013—80% versus 75%. Of the group that will make BTS purchases, half (50%) intend to spend more on these items this year than last year. (In 2013, only 39% said they would spend more that year than in the prior year. Historically, this percentage rarely rose above 40%.)

As a result, these households should spend approximately $672 on average for their BTS shopping, of which roughly $347 will be on computers, computer accessories, tablets, smartphones and other electronics, and about $325 on clothing, shoes, backpacks and school supplies. This latter amount is $40 higher than the amount intended for non-electronic items in 2013. (Last year's questionnaire did not cover electronics.)

A "change in the need to replace wardrobe and school supplies" remains the main explanation behind the spending shift. That reason has historically been by far the most popular—no matter the direction of the change—with half of the households citing it this year. The second main explanation—although not as popular as in the past two years—remains a "change in job status," with roughly one of four households opting for it. On the other hand, a "change in fashion trends" has been given this year its highest score ever—with one of five households selecting it (a hint of what will be reported in the next section).

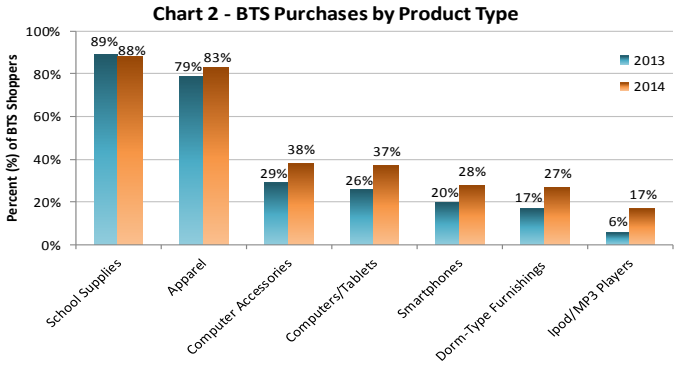
*The Predominance of Apparel As Main Purchase*

As seen in Chart 2, school or office supplies continue to rank first among the BTS items that households plan to purchase this year with nearly 90%—identical to recent years. Following traditional patterns, apparel places second with 83%. But this percentage is higher than prior years—perhaps a consequence of the rising impact of "change in fashion trends" as a deciding factor. Marked higher purchase intentions are also observed for

**ICSC 2014 BTS Survey Highlights**

- Nearly 40% of consumers had already started their BTS shopping by mid-July—the highest percentage since the beginning of this tracking a decade ago.
- BTS shopping will be more dispersed in time this year.
- More households will purchase BTS items this year.
- More households plan to buy for a higher amount than last year.
- More households plan to buy nearly all BTS items in greater quantity, including apparel, electronics and home furnishings.
- Apparel comes first as the most significant purchase in the BTS shopping basket for both girls and boys—far ahead of electronics.
- Approximately 9 of 10 households will select bricks-and-mortar retail as BTS shopping venues.
- Discounters are still expected to be winners but by a narrower margin than in the past. *Other shopping venues such as office supply stores, department stores and specialty stores in shopping centers will gain ground.*
- Three out of four households research online before shopping for BTS items.
- Sales of BTS items drive households to a specific store location—regardless of gender, age and income.

all electronic items. Though this may not surprise much, given the soaring popularity and use of such items, a significant gain in households planning to buy college-dorm type home furniture and furnishings (27% in 2014) comes more as a revelation—also suggesting a solid BTS season in the making.

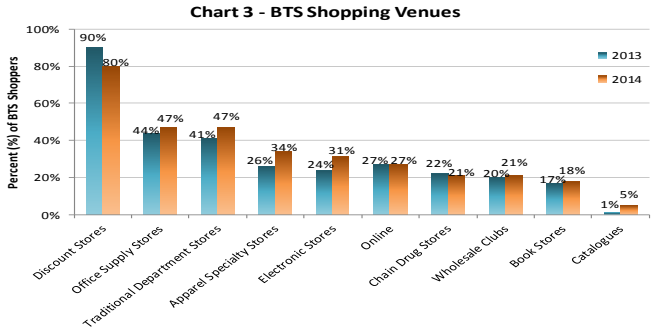



Notwithstanding these overall intentions, **one of four households ranks apparel first as the most significant purchase for both girls and boys during the BTS season**. Electronics comes in second, with about one of 10 households selecting this as the main purchase for both genders.

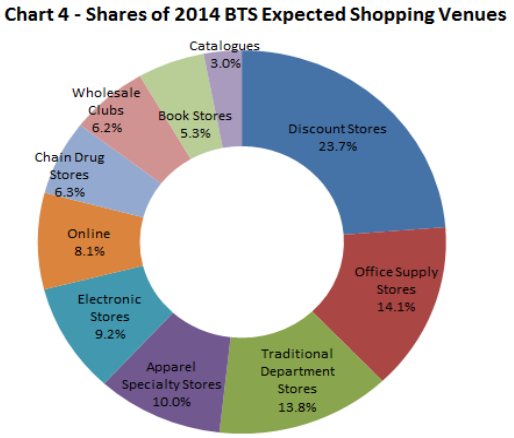
*Where Will Households Buy?*

While discounters still expected to be winners this year, the number of households selecting this shopping venue dropped from 90% to 80%—as shown in Chart 3. (*As a share of all 2014 BTS expected shopping venues, discounters represented 23.7% as seen in Chart 4—down from 28.6% in 2013 and 25.9% in 2012.*)

In line with findings mentioned earlier, **many retailers commonly found in regional malls and open-air centers** (e.g. office supply stores, traditional department stores, electronic stores and apparel specialty stores) **should see increased activity** during this BTS season, as shown in Chart 3.




According to the same chart, other venue types such as drugstores, wholesale clubs and bookstores should remain mostly unchanged this year. The same holds true for online, which may hint at slowing growth of this channel as a shopping option (at least for the BTS season). Chart 4 points out that the share of online as a BTS shopping venue will be 8.1% this year—a drop from last year's 8.6%—while catalogues comprise 3.0%. **This means that nearly 90% of households will select bricks-and-mortar retail as BTS shopping venues.**




*Online Research and Sales as Ultimate Driver to Store Locations*

About three out of four households reported that they do research online before shopping at a store location for BTS items. This result is observed for both genders and all age and income groups—with the slight exception of lower-income group households ($35K annual income or less), which still shows that 61% of them research online.

Overall, 61% of households intending to do BTS shopping admitted that **sales represent the main driver for them to shop at a specific store location**—as indicated in Table 1. This trend is also observable—with some variations—by gender, age and income group. The "ability to physically see, touch or try on the merchandise" comes in second as a factor—again for both genders and almost all age and income groups as well. The quality of merchandise offered at a specific store location ranks as the third driver, as reported by most groups. One-stop shopping and free shipping complete the top-five list but fall significantly behind the first three.

**Table 1 - Top 10 Reasons for Shopping at a Specific Store Location for Back-to-School Items (% of Respondents)**

| | | |
|---|---|---|
| 1 | Sales | 61% |
| 2 | Like having the ability to physically see, touch or try on the merchandise | 52% |
| 3 | Quality of merchandise | 51% |
| 4 | One-stop shopping | 33% |
| 5 | Free shipping | 30% |
| 6 | Printed coupons obtained from newspapers, catalogues, mailings, etc. | 28% |
| 7 | Return policy | 27% |
| 8 | Customer service | 26% |
| 9 | Electronic coupons obtained online, through smartphones, etc. | 23% |
| 10 | Loyalty programs | 21% |

*It appears that a different BTS shopping season than last year is in the making. But the results of this survey also point to a positive season for the shopping center industry, with consumers still driven by price but with more options to shop to their liking.*