



# An earlier back to school

Consumers aren't waiting  
to search for hot deals on  
back-to-school essentials

Back to school 2023  
Consumer pulse survey

[kpmg.com/us](https://kpmg.com/us)

# Retailers, get ready for the early birds

KPMG surveyed nearly 600 households with students from elementary school to college to understand how consumers are thinking about shopping for the 2023-2024 school year.

Consumers report they are feeling stretched from paying higher and higher prices, and almost two-thirds of back-to-school shoppers are concerned with ongoing inflation. All things considered, parents are expanding their budgets to get their kids off to a good start and plan to spend 21 percent more this year.

At the same time, shoppers are willing to work much harder to find the promotions, taking action to counter the impact of inflation on their households. Their number-one strategy is to get out the door and get online early to hunt down discounts—with nearly 10 percentage points more starting their back-to-school shopping before August 1st this year compared to last.

With shoppers indicating they'll be looking for deals on apparel, school supplies, footwear, and other necessities earlier this year, consumer and retail companies need strategies to capture their share of the back-to-school wallet.

**62%** of consumers plan to begin back-to-school shopping before August 1st this year—Almost 10 percentage points more than 53% who got an early start in summer 2022

## Key findings:

### Same shopping list, bigger bill.

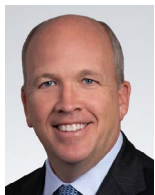
Back-to-school shoppers are expecting to spend roughly 20 percent more this year compared to last—and prices play a big role in that increase. Of the shoppers who expect to pay more, greater than 80 percent anticipate higher prices in-store and online. Retailers can deliver for these consumers by providing demonstrated value and a great customer experience on back-to-school essentials.

### Cautious consumers check spending.

More than 60 percent of shoppers say their household budgets can't accommodate continued price increases. Out of necessity they have become more budget-savvy, and their strategies include leveraging more discounts, bargain hunting, shopping at less-expensive stores, buying fewer luxury items, and simply buying less overall. Retailers can address their needs by ensuring an assortment with price points that meet their budget.

### A head start on back-to-school shopping.

With the back-to-school shopper concerned with prices and looking for bargains, many are going online or in-store sooner. More than 60 percent of households with kids will start checking off their back-to-school lists before August begins (nearly a 10 point jump from prior year). Retailers can plan promotions and marketing campaigns earlier to garner their attention, and shoppers can plan ahead.



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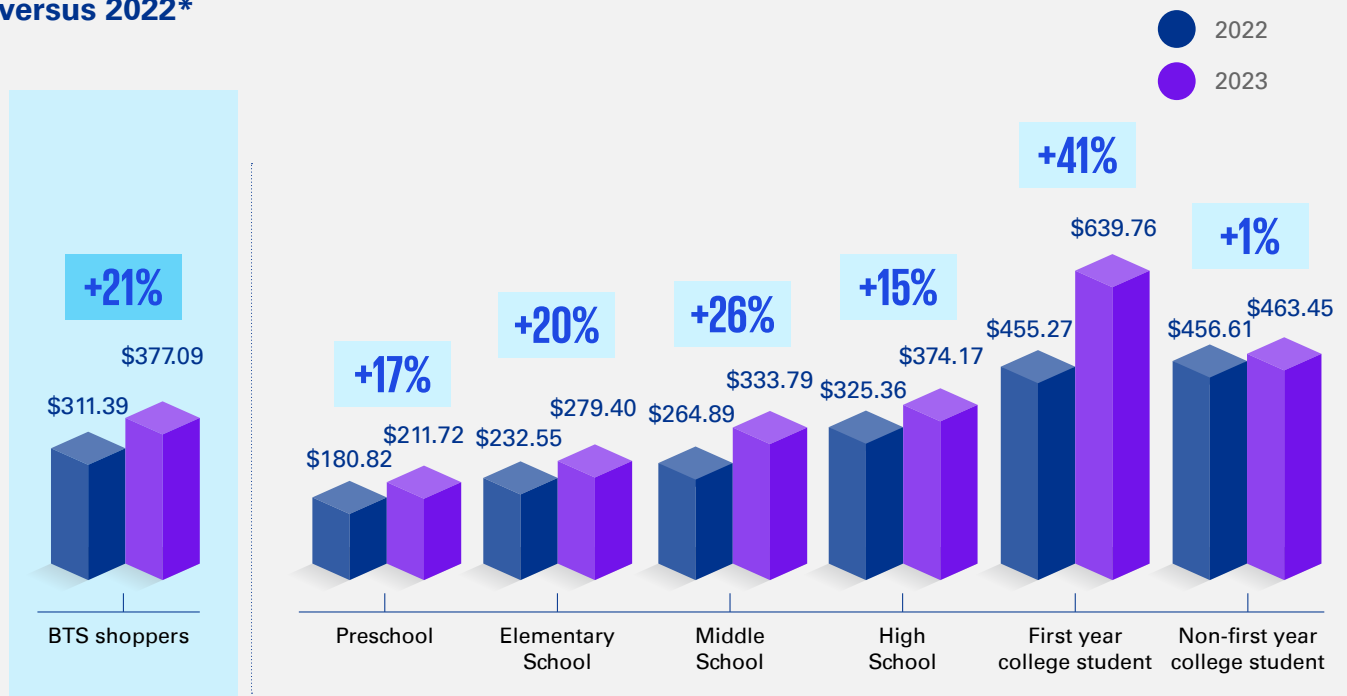
# Same shopping list, bigger bill

Many families target fall as their favorite time of the year to make their largest apparel and footwear purchases alongside core school supplies. Students want to try out new fashion trends, and parents are eager to help them look their best as they return to school. This year, shoppers are preparing to encounter higher prices for the items their kids need and want.

## Budgets expand to keep up with inflation

BTS shoppers are planning to spend \$377 per child this year, on average, with increases expected across all academic levels. That's 21 percent more than a year ago, but nearly the same year-over-year increase households reported in 2022 at 20 percent. Parents are giving their first-year college students the largest budgets to stock up across merchandise categories, aiming for a successful kickoff to college.

**Average spend on back-to-school supplies per child, anticipated for 2023 versus 2022\***



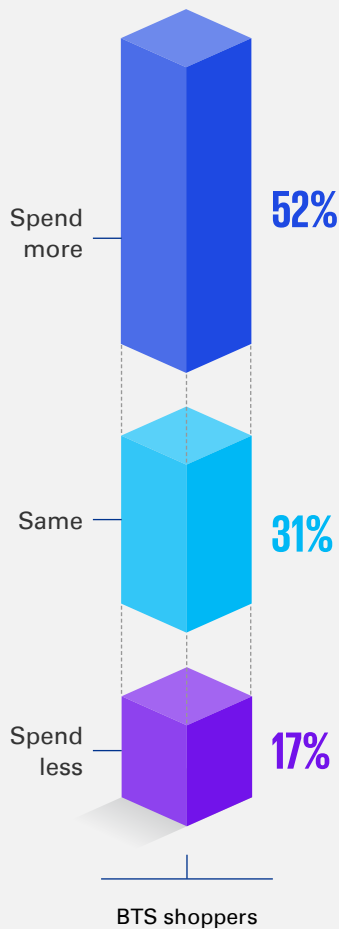
\* Respondents who reported \$0 spend per pre-school child in 2022 were excluded.



Consumers remain concerned about rising prices as the back-to-school shopping season begins. Shopping for school essentials is a major event for families, one that will start sooner this year as parents try to capture early-bird deals. They'll also be even more selective about what they buy and where they shop, targeting brands and stores that can provide more for their money.

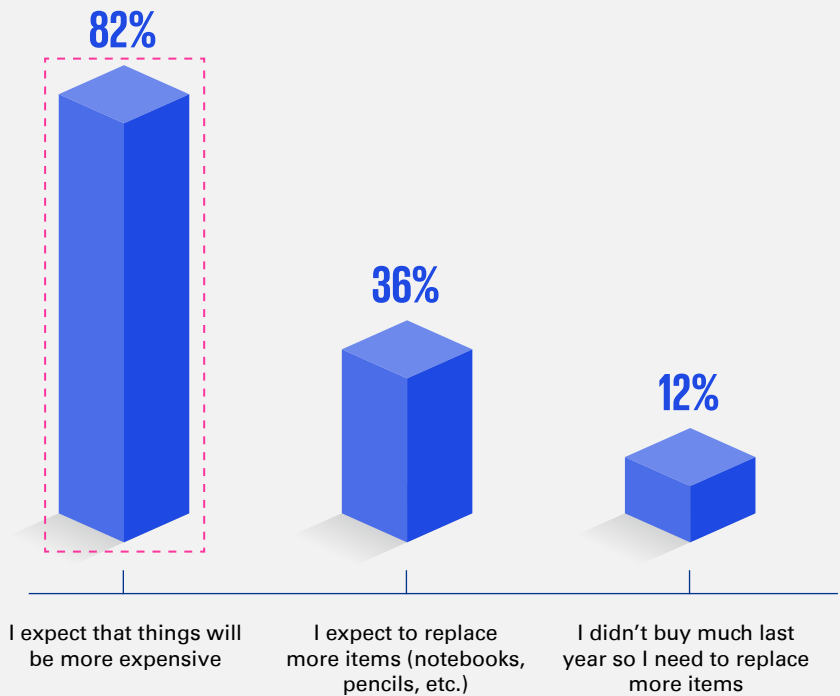
— Matt Kramer, National Sector Leader, Consumer & Retail, KPMG

## Expected change in spend per child, 2023 versus 2022



More than half of back-to-school shoppers expect to spend more this year than last—primarily because they have to, less because they want to. Approximately four out of five of them expect to increase spending due to higher prices.

### Reasons for increased back-to-school spending in 2023\*



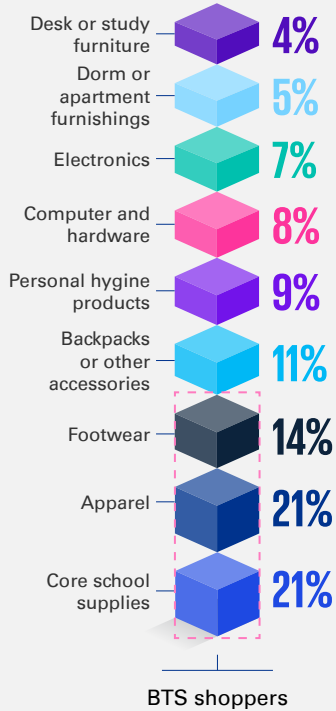
\* Respondents allowed to select more than one option.

## More than half of spend will go to school fashion and supplies

Overall, consumers are dedicating 56 percent of their back-to-school budget to core school supplies (21 percent), apparel (21 percent), and footwear (14 percent).

Households with elementary school children plan to buy more school supplies and spend more, 63 percent, on the top-three categories. The average college student will allocate more of their budget to computers, hardware and electronics (20 percent), as well as buy dorm and apartment necessities such as desks and home furnishings (15 percent).

## Share of spending by product category



## College students cost more

Consumer spending on necessities for returning college students is relatively flat year over year. Households with new college students, however, will feel the impact of inflation.

As can be expected, parents buy substantially more for first-year college students than they spent on those students in prior years. Families will spend an average of \$640 this year on their freshmen, 38 percent more compared to spending on upperclassmen.

Among households with college students that say they expect to increase their spending this year, nearly 70 percent point to higher prices as by far the primary reason over replacing more items at 30 percent.

Of the consumers with college-aged students who plan to spend more in 2023:

**67%** expect higher prices

**30%** need to replace items

**11%** didn't buy much last year and need to add more

Of the consumers with college-aged students who plan to spend less in 2023:

**55%** need fewer items

**36%** have less-expensive items to buy

**30%** are uncertain about the economy

**17%** think the deals will be better this year

# Cautious consumers check spending

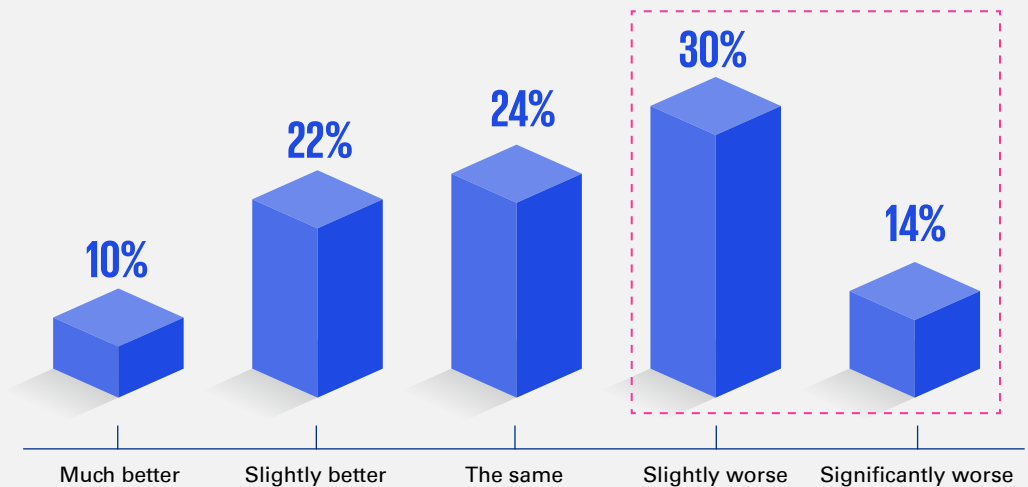
Tighter budgets and a guarded outlook on the economy is influencing back-to-school buying patterns as consumers focus on savings and essentials.

## Consumers have concerns

Out of necessity, shoppers have become more budget-savvy since U.S. inflation reached a 40-year high of 9.1 percent in June 2022.<sup>1</sup> Growing familiarity with navigating the inflationary environment led many to develop strategies to counter higher prices, yet the percentage of those who say they can't afford any more price hikes remains above 60 percent. Meanwhile, 44 percent feel they are worse off financially now than a year ago, compared to 32 percent who feel more financially solid.

**62%** of shoppers say their household budgets can't accommodate continued price increases, down slightly from **69%** in summer 2022.

Financial security summer 2023 compared to summer 2022



Inflationary pressure is nothing new to consumers, but they aren't just passively absorbing rising costs. In addition to bargain hunting, many back-to-school shoppers say they're prepared to cut their spending in order to accommodate higher prices into limited household budgets.

— Duleep Rodrigo, National Advisory Leader, Consumer & Retail, KPMG

<sup>1</sup> Bureau of Labor Statistics

# Shoppers look to trim purchases

Among the 17 percent of back-to-school shoppers who plan to spend less on their students this year, almost half are drawing from smaller monthly household budgets than the year before. Nearly 40 percent also say they are spending less due to economic uncertainty, and 45 percent say they need fewer items this year.

The volume of items purchased will likely fall, especially in lower-demand categories including desks, dorm and apartment furnishings, and electronics.

## Retailers can anticipate shopper behavior

Eighty percent of the consumers we surveyed consider apparel and footwear essential to school shopping.

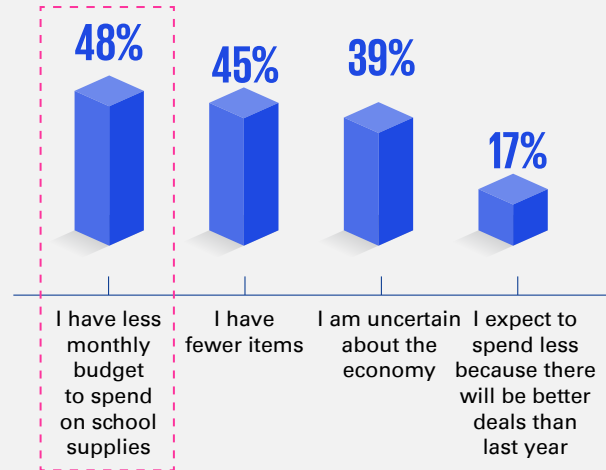
They've also increased their plans to spend on these categories four percentage points since 2021, indicating that consumers continue to pivot away from pandemic spending back toward being on trend with fashion and brands in a normal learning environment.

However, shoppers who are focused on inflation will adjust to afford these purchases. More than 60 percent of those planning to buy new apparel for school have observed price increases, including one-third who say they've seen prices go up 10 percent or more in the last six months. Three-quarters of them plan to change their purchasing strategies as a result, including approximately half who will simply buy fewer items.

Likewise, more than half of the shoppers who say they've noticed higher prices for school supplies will look to mitigate the impact, including about one-third who will buy on discount and search around for bargains.

Given the top price mitigation strategies identified, retailer success this season largely depends on how they appeal to households to earn their share of back-to-school dollars. Retailers could offer early and meaningful deals on desirable merchandise, capture the attention of the 61 percent of shoppers who plan to get out their early, and then work to maintain volumes through exciting deals.

### Reasons for reduced back-to-school spending in 2023\*



\* Respondents allowed to select more than one option.

### 74 percent plan to change how they shop for apparel due to higher prices.



54 percent plan to change how they shop for office/school supplies due to higher prices.



“ ”

With almost half of survey respondents feeling worse off financially compared to last year, back-to-school shopping is really focused on the essentials. For school supplies, parents are seeking promotions or better bargains; for apparel, parents may opt to buy fewer items for their kids BTS wardrobes.

— Julia Wilson, Principal, Advisory Strategy and ESG, KPMG



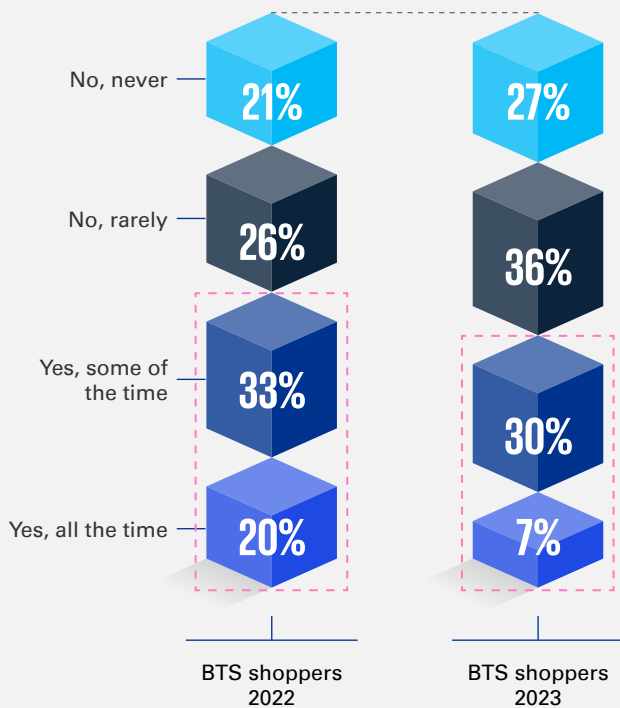
# Luxury sits lower on the shopping list

Another sign of consumer cost-cutting is the back-to-school shopper’s approach to luxury goods this year. After more than half of last year’s shoppers said they consider luxury items as part of their back-to-school shopping agenda, just 37 percent feel the same now.

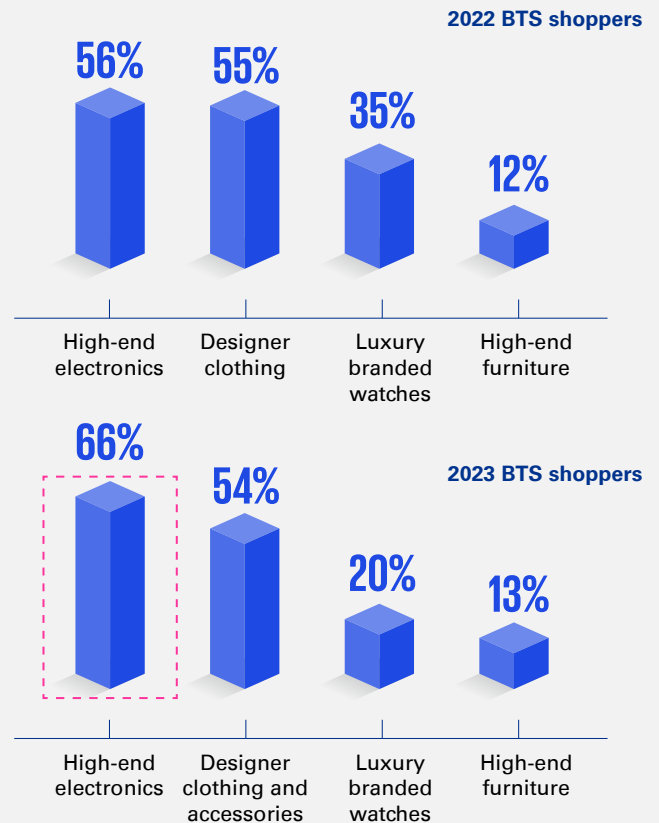
U.S. consumers continue to reduce spending on non-essential goods—nearly three out of four expect to cut discretionary spending at least 6 percent, affecting luxury brands.<sup>2</sup>

Our survey indicates that a pullback in luxury spending will likely have greater impact on two categories that shoppers have included on their that back-to-school list: electronics (66 percent) and designer clothing and accessories (54 percent).

**Percentage of consumers who purchase luxury items as part of their back-to-school spend**



**Types of luxury items purchased**



<sup>2</sup> J.P.Morgan, “What’s next for the luxury market?,” April 27, 2023

# A head start on back-to-school shopping

Many consumers will hit the stores their favorite e-commerce sites early in search of back-to-school deals to help relieve some of the inflationary squeeze on their budgets.

## Inflation mitigation

The majority of back-to-school shoppers are worried about inflation, and they're going to do something about it. A significant 70 percent plan to start their shopping early and give themselves the best chance to track down discounted goods.

How early? Compared to last year, consumers planning to begin back-to-school shopping before August 1st is up nearly 10 percentage points, 62 percent from 53 percent.

Nearly 70 percent of households in Southeast and South Central United States where school starts earlier will begin buying up clothes and supplies well before August. Even in the Northeast where classes begin in September, almost half the households will have started back-to-school shopping by the end of July.

## Consumers shop in-store, for now

Nearly 60 percent of back-to-school shoppers plan to hit the stores this year, similar to 2022 and up from about 50 percent in 2021.

But the shift toward brick-and-mortar shopping experiences after the height of the pandemic is likely to tilt back again.

The 43 percent of shoppers who plan to check off their back-to-school lists with online purchases include more higher-income households as well as millennials and Gen Z. As those generations continue to gain purchasing power they will drive the online percentage higher.

61% of back-to-school shoppers are worried about inflation. Among those shoppers:

70% will look for early discounts

57% will buy cheaper brands

42% will try different retailers

41% will buy fewer supplies

57% of back-to-school shoppers plan to head to the stores to buy necessities for new school year.

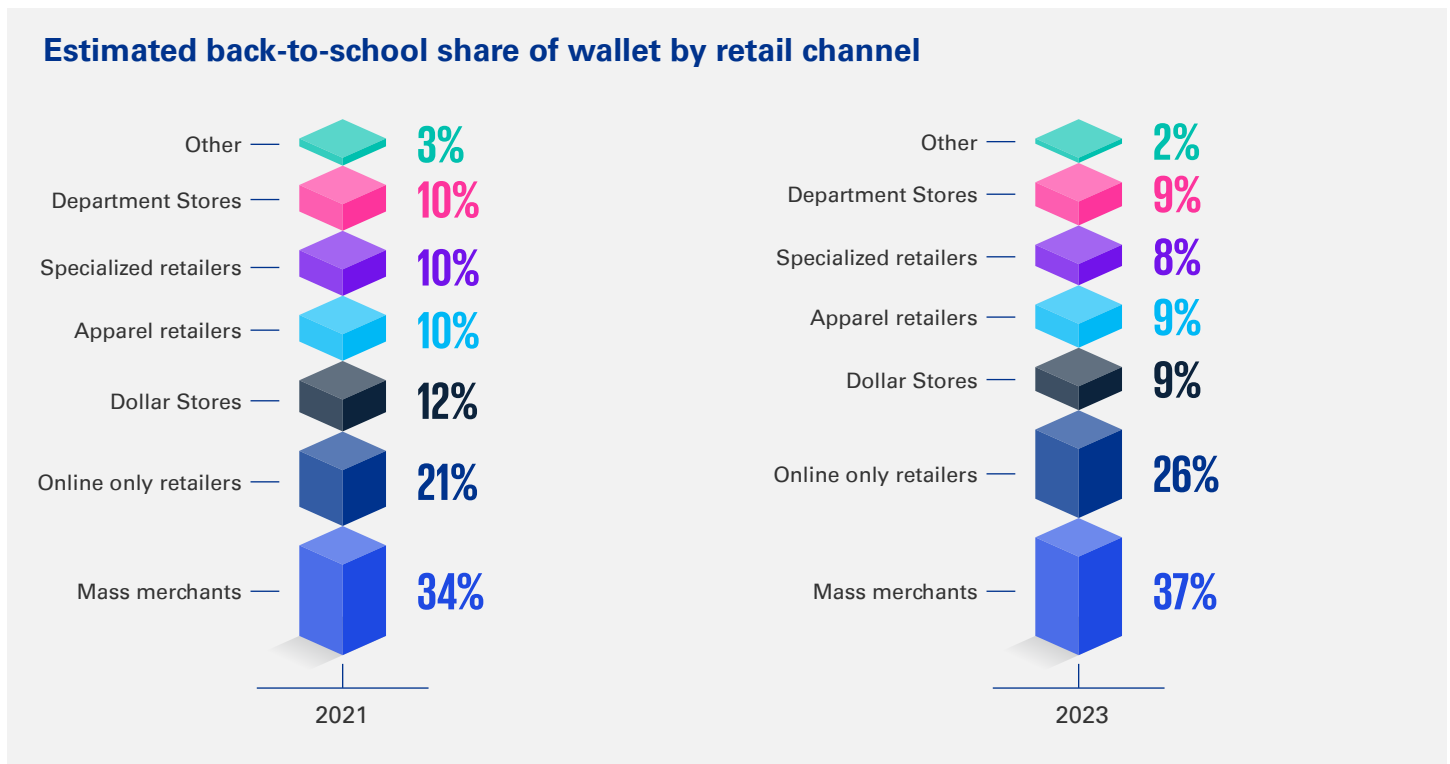
43% will shop online, with greater representation from higher-income households, the millennial and Gen Z generations.

# Mass merchants remain the school shopping destination of choice

Mass merchants are the top channel for back-to-school shopping with an estimated 37 percent share of wallet, up from 34 percent two years ago. Households with elementary school-age students in particular will more often choose to peruse the aisles at mass retailers than surf online, 43 percent compared to 25 percent.

Online retailers will attract 26 percent of all consumer school budget dollars this year, ticking up from 21 percent two years ago. Online shoppers tend to have higher incomes; one-third of households earning more than \$200K prefer it more than any other channel this season.

Households making more than \$50K intend to spend more for school-related items through mass and online retailers than they did the previous year. Both channels appear to be taking share from department stores, apparel retailers, and specialty stores in 2023 as consumers are forced to search for deals given constrained budgets.



# Wealthy consumers also increasingly seek value at mass retailers

Shoppers in the \$100K-\$199K income segment are looking to spend 10 percentage points more at mass retailers this year, or 37% of their wallet.

Again, this suggests that even higher-income households are likely responding to economic uncertainty and inflationary pressure by trading down where they believe they can find lower prices. Wealthier customers are helping to drive higher overall share among mass merchants, demonstrating that mass retailers' strategies to attract this segment are working.<sup>3</sup>

<sup>3</sup> GlobeSt.com, "Wealthier Shoppers Are Patronizing Lower-Cost Stores," July 12, 2023

# KPMG insights



## Price with value in mind

Retailers can navigate consumer concerns about inflation by taking a strategic approach to pricing and promotion. Use analytics to understand what pricing decisions can increase revenue while limiting the impact to unit volumes, implement category/assortment strategies toward more profitable products, optimize discounts, and increase marketing efficiencies.



## Deliver effectively in-store and online.

Take a consumer-centric approach and meet customers where, when, and how they want to shop, while carefully monitoring the profitability impact of fulfillment. Retailers can increase market share by demonstrating an exceptional customer experience across each channel.



## Be hyper-focused on the full range of assortment opportunities.

Cost-conscious consumers will seek greater value and lower prices offered by alternatives or private label. Retailers can find pockets of growth by looking at expanding their inventory of private label and other value-oriented products.



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