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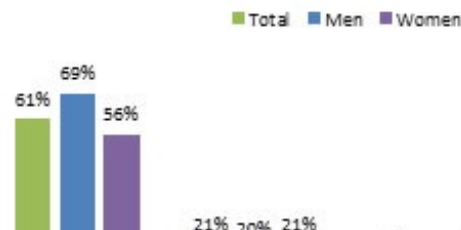
Setting a New Pace in Activewear

▶ Back-to-School Season Gets Passing Grade

The back-to-school shopping season remains the second largest retail push after holiday - but jittery consumers had retailers worried, pulling out all the stops, with promotions that began even before the school year ended.

Some in the industry have predicted a relatively flat increase for back-to-school

Do You Plan to Spend More, the Same, or Less on B-T-S Clothing Compared to Last Year?



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this year. Walter Loeb, founder of Loeb Associates, recently told WWD that the difference might only be evident in e-commerce.

"The Internet is already highly promotional, Loeb said in an interview. "That's where retailers are gaining share...Success this b-t-s season will be selective and it won't be for all retailers."

Data from the National Retail Association support this; 2008 to 2009 saw a 2.3% decrease in family clothing store sales, and a 7.6% decrease in women's clothing store sales. From 2009 to 2010, however, online retail sales increased 5%, according to Kathy Doyle Thomas, chairman of the Retail Marketing and Advertising Association.

"Consumers are smarter," Thomas says.

"They're doing a lot of price comparisons online, and not just for big ticket items. It's for the backpack and the Guess jeans, too."

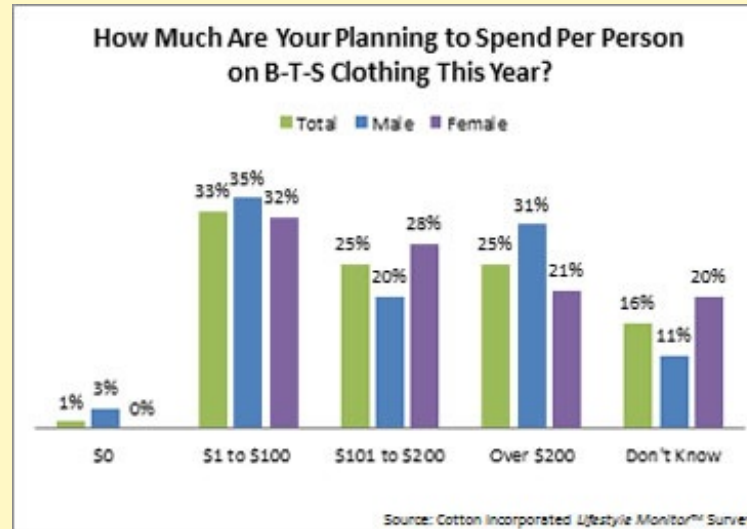
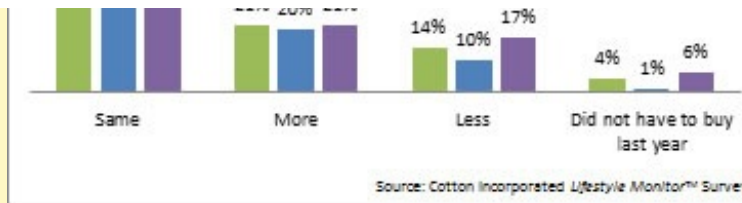
The mother of three adds, "I have a teenage daughter, and I told her she can't get \$100 jeans. This is a great time to teach kids how to prioritize and to bargain shop."

Some states are hoping to ease the burden on consumers by offering tax-free shopping days or weekends. In New York, the sales tax has been abated for clothing and footwear purchases under \$55, until March 2012.

"It can be the kick-off for back-to-school, or stores can extend the savings with blow-outs on summer apparel," Thomas says.

The timing of these promotions, though, may matter more this year than in years past. While data from the Cotton Incorporated *Lifestyle Monitor*™ survey show that 89% of parents plan to make back-to-school purchases before the first day of school, the National Retail Federation reports more than 40% of shoppers will begin shopping three weeks to one month before school starts, up from 33% last year.

The average consumer planning to spend on back-to-school intends to spend about \$223, but for those



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retailers that rolled out promotions in early June, when many students were still in school, it may be an anxious period of wait-and-see as families delay their purchases.

This attitude is compounded by declining levels of economic optimism among consumers. Less than a third say they are very or somewhat optimistic about the U.S. economy, and less than half are very or somewhat optimistic about their own personal financial situation, according to Monitor data. Among those who plan on buying something for the 2011/2012 school year, 78% are concerned about rising prices for gas and food limiting their back-to-school budgets. Even those families whose children attend schools with uniform policies still have to plan for back-to-school, though their budgets may be smaller as a result. Cindy Harcum, a Baltimore City resident and mother of three, says, "Shopping for school uniforms is a more cost-effective alternative. If my kids weren't in uniform schools, we'd be spending more on designer fashion."

Harcum says she typically browses online, and then purchases the approved khaki pants and polo shirts in store.

One potential silver lining? The Monitor survey finds that 79% of consumers who shop for back-to-school clothing for their children also buy clothing for themselves, at least some of the time.

Denim, always a strong contender at back-to-school, will probably help drive sales again this year, for both parents and their children.

"Denim is a natural choice when you want to be fashionable with a minimum of fuss," says Donald Johannesson, creative and design director of Dish Jeans Ltd. He noted that though there was a dip in denim sales in the middle of 2010, some jeans sales sectors have been up as much as 20% since the beginning of the year, "a great indication that the traditionally heavy denim months in the fall will once again be strong."

On average, consumers spend about \$33 on a pair of denim jeans, while 9% say they will spend \$100 or more.

"As long as the perceived value/quality ratio is clearly met, consumers are ready to indulge themselves a little," adds Johannesson.

If that sentiment carries into holiday, retailers will be feeling merry, indeed.



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