

escalent

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Financial Services COVID-19 Market Research Perspectives

Ongoing coverage of COVID-19's impacts

Not since the polio outbreak of the early 1950s have parents had so much anxiety and so many complicated decisions to make around the simple act of sending their children to school. COVID-19 is changing lives and having a large impact on our economy. It's hard to look at these macro factors without thinking about the stress and challenges parents are facing.

In this volume, we examine all things back-to-school: how consumer spending is different than prior years, some of the complicated financial decisions parents have to make, new ways to approach student loan debt, and resources for students who still want or need to buy a car.

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[How to Target Ad Spend to Advisors and Affluent Investors](#)

[A Data-Driven Blueprint for Brand Authenticity](#)

We've got you covered.

What to do:

- 1** Consider How Spending Has Changed
- 2** Watch for New Ways to Pay Off Student Loans
- 3** See How Some Financing Companies Are Helping Students

Back-to-School Spending in a Pandemic



“The traditional back-to-school shopping season isn’t just practical, it’s cultural. Even as adults it’s the time of year where we refocus. Our days get more structured, we plan for Q4, and—hey, I could probably use some new shoes or a jacket. Unless we’re talking about 2020, where the mile markers for a typical year are missing. We’re still spending, but it’s happening differently—and often more haphazardly—for many.”

– Loribeth McCann, SVP, Financial Services

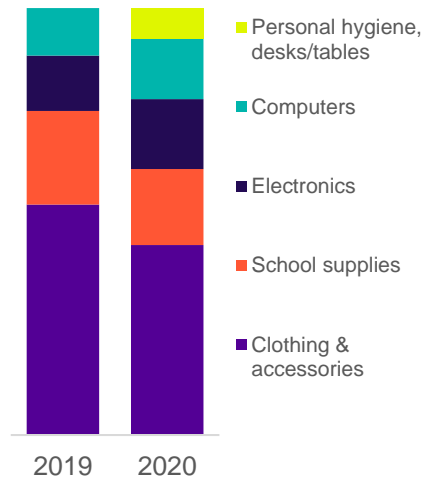
The Back-to-School Moving Target

It’s the 2nd biggest shopping season of the year. A few months ago, articles about what the 2020 Back-to-School (BTS) season spoke of retailers’ anxieties around potential revenue losses related to the continued reduction of in-person shopping and the uncertainty of whether or not students would physically return to school.

By mid-summer, the tone shifted. Predictions were that spending could hit a record high, largely due to technology and furniture needs to support distance learning. Retailers were working to adapt to the increased volumes of some supplies (hygiene products, headphones, water bottles), and a reduction in others (lunchboxes, shoes).

Now that most schools have been in-session for a few weeks, we’re seeing confirmation of the record-breaking BTS shopping season. Commentary has now shifted to retailers’ predictions of an “extended”/prolonged BTS shopping season, and how they are adjusting offers and sales tactics accordingly.

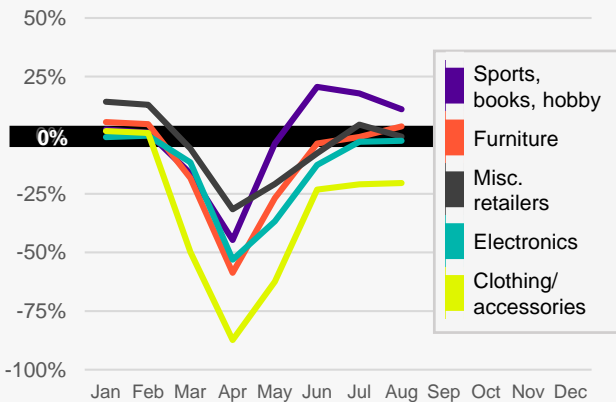
% BTS SPEND, BY CATEGORY



Source: 2020 Deloitte back-to-school survey

2019 VS. 2020 MONTHLY RETAIL SALES

(% difference in 2020 vs. same month 2019)



Source: US Census Bureau: Advance Monthly Retail Trade Report

Looking Ahead

The BTS shopping season rebounded retail spending in many key categories, and now retailers are thinking about what the 2020 *holiday* shopping season will look like. Whereas, in the BTS scramble, retailers adjusted to consumer *needs*, for holiday shopping, they’re trying to predict (and inform) what consumers *want* their 2020 holidays to look like:

- Start early—we’ll start seeing holiday offers in October.
- Many of the nation’s largest retailers have already announced they will stay closed on Thanksgiving Day.
- Recent trends of “experiential” gifts are likely to shift back to more traditional items.
- Increase in outdoor markets.

Back-to-School Is Complicated

Aspects like distance learning, childcare, transportation, and stocking up on masks and hand sanitizer have made the logistics and financing of back-to-school nothing short of complicated!

CAN YOU RELATE? CLICK TO WATCH →



Our homes are serving as offices, schools, movie theaters, restaurants and gyms. Pulling all of these things in-house triggered cuts to discretionary and commute-associated spending. Many consumers planned to shift those dollars to save for education, but six months later we're in a global recession. Families are dealing with long-term pay cuts, furloughs and layoffs, and so many of those dollars are going other places instead.

The New Costs of Back-To-School

Whether students are going back to the classroom or continuing with distance learning, there are new costs of back-to-school.

IN-PERSON LEARNING requires a multitude of:



- **Masks** per child (and per parent)
- **Lanyards** to keep masks from getting lost



- **Hand sanitizer**
- **Water bottles** since fountains (aka "the bubblers") are turned off

DISTANCE LEARNING calls for heftier investment in:



- **Tech** (webcams, tablets, computers, better phones)
- **Headphones with mics**
- **Desks / workstations / chairs**
- **In-home school supplies**



- **Wi-Fi service** and/or signal amplifiers
- **Food / snacks**
- **Prizes** (or bribes) to keep kids engaged

Add to that the dollars many families are spending for tutors and childcare to support virtual learning. It's all both complicated and costly!

ESCALENT PERSPECTIVES

"We haven't changed our 529 contributions. I had hoped to substantially increase those given that our twins would be entering kindergarten, but daycare costs have been replaced by tutoring costs. The 529 will have to continue to roll as-is for now.

We also might have to spend more when the time comes to send the kids back to the classroom. We were given classroom supply lists, but we'll cross that spending bridge if and when we come to it."

– Stacy Sims,
Research Director



Impacts on Educational Savings

Many families were hoping to move dollars spent on childcare and extracurriculars to 529 plans or other future educational costs. But, with new back-to-school costs and employment scenarios, that's not happening for all.

Creative Solutions to Student Loan Debt

“As if COVID-19 weren’t crisis enough, student debt is at crisis-level with about 45 million borrowers owing nearly \$1.6 trillion in loans (the 2nd highest consumer debt category behind mortgages). Creative solutions, like 401(k) student loan matching, can be part of the solution. Employers make 401(k) contributions on behalf of employees who are repaying student loans. The idea is to receive a match without being required to make any 401(k) contributions of their own, allowing them to use more of their earnings to pay off student debt.”

– Megan Fields, Research Analyst, Cogent Syndicated

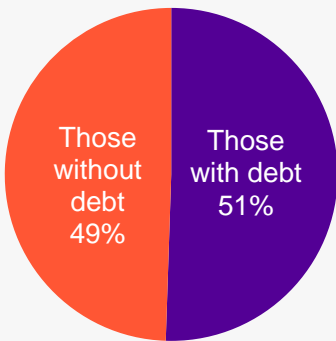


Slow Uptake on 401(k) Student Loan Matching

The history: Prudential Retirement, as a 401(k) administrator, began offering 401(k) student loan matching in 2016. Yet, it wasn’t until 2018, when Abbott Laboratories received explicit direction from the IRS, that 401(k) student loan matching really started to become more mainstream. Cogent Syndicated is on top of measuring this new program, and we see 3% of plan participants benefitting from it now.

The future: While this is a relatively new development in the 401(k) plan market, it is possible that more could be done to encourage awareness and uptake. When presented with the idea, a full 75% of Millennials express that they are ‘extremely interested’ in the program.

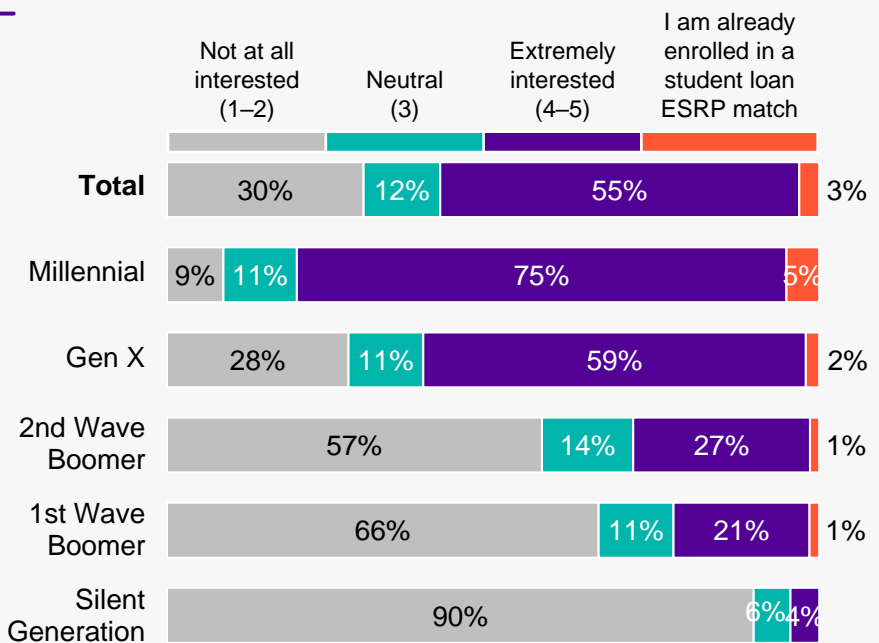
STUDENT LOAN DEBT AMONG PLAN PARTICIPANTS



Source: Cogent Syndicated. DC Participant Planscape™ June 2020.

INTEREST IN 401(k) STUDENT LOAN MATCH

(Among those with student loan debt)



Back-to-School Auto Finance

Q&A with Tim Taylor

Senior Vice President, Financial Services



Q: As many went back to school this month via virtual classrooms, what is the impact on vehicle ownership and use?

A: Vehicle ownership is pretty variable to begin with among students. Some colleges, particularly in urban settings, don't allow student's to have cars on campus. But then there are commuter colleges where nearly every student owns a vehicle. Nationally, vehicle ownership is just shy of 50% among college students. While COVID-19 is not likely to reduce that, virtual learning is decreasing the need for students to have vehicles. This decreased need will likely delay purchases of new and/or replacement vehicles.

Q: Besides a reduction in need, are there other barriers to vehicle purchase by students?

A: Parents often help students buy a vehicle, so the economic uncertainty faced by parents filters down. Layer this uncertainty onto record high student debt, and you get a confluence of factors that impact future purchase intentions—from increasing consideration of lower cost, used vehicles to delaying purchases indefinitely.

Q: What are financing companies doing to help college students during this time?

A: Many financing arms of auto manufacturers have been leading with innovative ways to help all consumers—whether it be guaranteeing to make a certain number of payments if the customer loses their job due to COVID-19, or offering the ability to defer a certain number of payments. In addition, manufacturers and their finance arms are reaching out to students and parents in other unique ways, like:

INCENTIVES FOR GRADUATES	SCHOLARSHIPS	EXTENDING CREDIT AND OFFERING REWARDS
Manufacturers, (e.g. Toyota, GM, Ford, Nissan) are offering college grad discount programs to assist students with their next car purchase. Students could receive between \$400–\$1,000 off their next vehicle purchase.	The GM Women's Retail Network 'Drive to Succeed' Scholarship is open to females in the US or Canada who are pursuing academic degrees in automotive management, business and technical certification in automotive education.	Manufacturers (e.g. Toyota, GM, Ford, Nissan, Chrysler) have formed partnerships to offer loyalty or reward credit cards. Points can be redeemed towards vehicle sales, service and parts. Some cards include cash back, travel and gas rewards.

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