



BRIGHT DISPOSITION

BACK TO SCHOOL 2017 UK MARKET RESEARCH REPORT

STATIONERY, LUNCH BAGS & SCHOOL BAGS

SAMPLE PAGES

INTRODUCTION

Welcome to the third Bright Disposition Back to School report. I started these reports in 2015 to give an overview of the U.K retail market and share my market knowledge about the stationery category, having bought stationery for a number of UK multiple retailers including Paperchase and Sainsbury's. I know from experience of having worked for both retailers and suppliers that it can be difficult to get out of the office to comp shop and review the market properly. This year we've had a team of four retail analysts constantly reviewing the Back to School market during July and August 2017.

We've extended part one of the report to include even more analysis of retail and market trends. We've also added in three new sections: Back to School focus group results, a guide on how to plan and buy for Back to School and market disruptor reports into Smiggle and Amazon.

Retailers Reviewed

We've reviewed 44 retailers including stationery specialists, supermarkets, discounters, variety retailers, department stores, design led and fashion retailers.

As I comment every year, the number of retailers selling stationery continually increases and this year we have added Waterstones, Primark, Home Sense, Typo, Urban Outfitters and Card Factory to the list of retailers we have reviewed.

Contributors

I would like to acknowledge the fantastic team work involved in pulling this year's report together. Contributors to the report in addition to myself Alexandra Miles include Faika Khurram, previously Merchandise Manager at Paperchase, Anna Grigg, previously Gifts and Stationery Buyer at Sainsbury's and Kelsey Edwards who is working with Bright Disposition as a summer intern. Between us we have worked for ten different British retailers (including WHSmith, WHSmith travel, Sainsbury's, Next, Paperchase, John Lewis, BHS, Harrods, Top Shop and Virgin Megastores) and have over 30 years of experience in buying and merchandising!

I hope you enjoy the read and as always it stirs up some thoughts and ideas.

Alex Miles (Managing Director of Bright Disposition Ltd)

EXECUTIVE SUMMARY

Part One

An overview of the economic climate, retail and stationery trends in 2017

1.1 The economic climate: Competition is intense and growing at a time when consumers are challenged with rising inflation, higher levels of debt and stagnant wages. The challenges of trading in the current U.K economic climate will be outlined in part 1.1.

1.2 The retail climate and retail trends: Over the years of buying stationery and then reporting on it, it has been fascinating to observe how the market has changed and evolved. The current retail climate and broader retail trends such as the rise of discounters, market disruptors, omnichannel retailing, mobile commerce, social media, influencer marketing, retail agility, personalisation and retail entertainment will be reviewed in part 1.2.

1.3 – 1.4 Back to School and Stationery market trends: There have been some clear step changes in recent years in the way that stationery is being sold over the Back to School period that will be examined throughout the report. 2017 Back to School trends and then specific stationery product and marketing trends are outlined in 1.3 and 1.4. Stationery market trends reviewed include the following: colour, branded products, bundle packs, novelty stationery, fashion stationery, gender, pencil cases, licensed stationery, product innovation, pricing, promotions and inflation, Back to School marketing and newsletters.

1.5 Back to School Focus Group Results: Our 2017 focus group with 8 mothers and two secondary school students reviews the following: Back to School shopping methods and timeframes, favourite retailers and brands, school requirements and how involved children get in the Back to School shop.

1.6 How to plan and buy for Back to School: Written from a retailer's perspective by Buying and Merchandise managers, part 1.6 will give advice and top tips on how to plan and buy for a Back to School promotion.

1.7 Market Disruptor Report – Smiggle. The rise of the colourful retailer - an in depth, analytical report into the way Smiggle is disrupting the stationery market.

1.8 Market Disruptor Report – Amazon. Is Amazon taking over the World? An in depth, analytical report into Amazon's place in the retail sector including trends in the U.S market, coverage of their Prime day and new Amazon Go stores.

Part Two

Retail Review

In part two Retail Review we look at individual product offers over the Back to School period in store, online and relevant social media activity in 44 different retailers. These are in depth competitor shop reviews detailing products that were sold in Back to School space, pricing and promotions and in store marketing.

The list of retailers reviewed is as follows: Accessorize, Aldi, Amazon, Argos, Asda, ASOS, B&M, Card Factory, Cath Kidston, Claire's, eBay, Hema, Home Bargains, Home Sense, John Lewis, Kikki.K, Lidl, M&S, Matalan, Morrisons, Ocado, Office Outlet, Paperchase, Poundland, Poundstretcher, Poundworld, Primark, Ryman, Sainsbury's, Smiggle, Sports Direct, Tesco, the Range, the Works, Tiger, Tinc, Typo, Urban Outfitters, Very, Waitrose, Waterstones, WHSmith, WHSmith Travel, Wilko.

In recognition of the importance of omnichannel retailing this year our analysis of instore and online will be combined and reviewed together, along with social media activity by retailer. The focus of the report is stationery, school bags and lunch bags and the retail reviews do not cover school uniform.

Part Three

Product & Design Trends

We've spent the summer reviewing the stationery market and capturing the latest trends in fashion and novelty stationery and accessories. Part four of the report is made up of 13 mood boards reviewing 2017 design and product trends and some up and coming trends to watch out for. Trends include Unicorns, Glitter and Monsters.

Appendix

In the appendix we review price points across market leading stationery products in 17 key retailers.

1.9 IN DEPTH MARKET DISRUPTOR REPORT - AMAZON

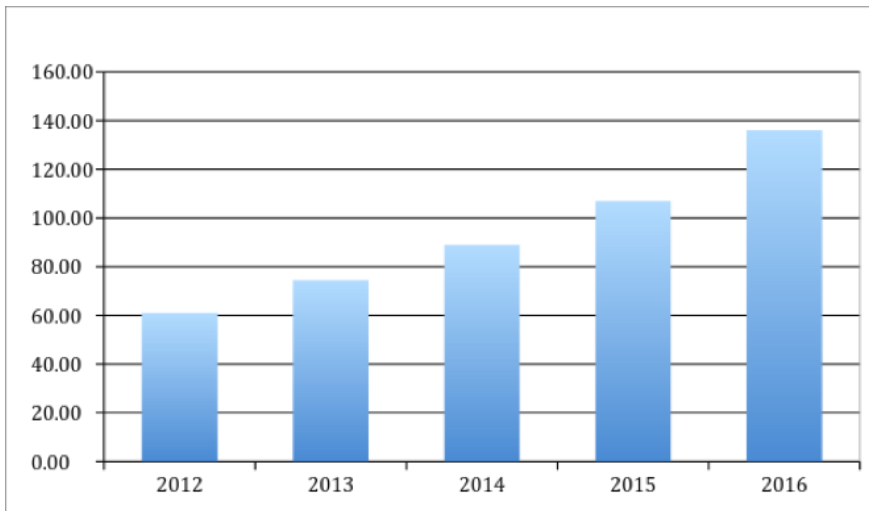
Is Amazon taking over the world? A review of Amazon's place in the retail sector

The wealth of data available about Amazon online is significant and with the following in depth report, we hope we will provide you with a summary of what Amazon is doing in the global retail market. Although a lot of what we've written is about the U.S market, we believe this data provides an invaluable insight into what is to come next in the U.K. Amazon trial things in the U.S market and then tend to roll things out very quickly if they work. Watch this space and be prepared to react quickly!

Here we explore a bit about the history of the Ecommerce giant, its growth, and more about its recent performance and the impact it's having on the retail sector, both positively and negatively.

It was recently announced that Amazon founder Jeff Bezos has become the 3rd richest person in the world, showing that his net worth is \$65 billion.

If the founder is worth that much, then what is the company worth? The answer is approx. \$90 billion. Amazon has had rapid growth over the last few years, with sales over double what they were 5 years ago:

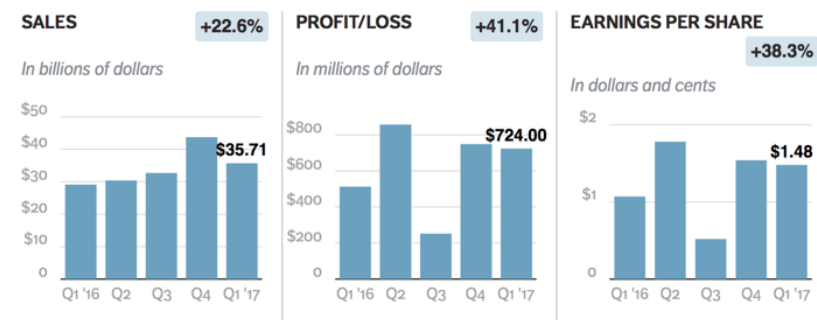


Source: Marketwatch.com

Reported sales in the second quarter of 2017 showed an increase by 22.6%. The company reported revenue of \$38 billion for the second quarter.

Another strong quarter for Amazon

The online retailer's latest quarterly profit and sales exceeded analysts' expectations.



Source: Amazon

THE SEATTLE TIMES

So it's not slowing down anytime soon.

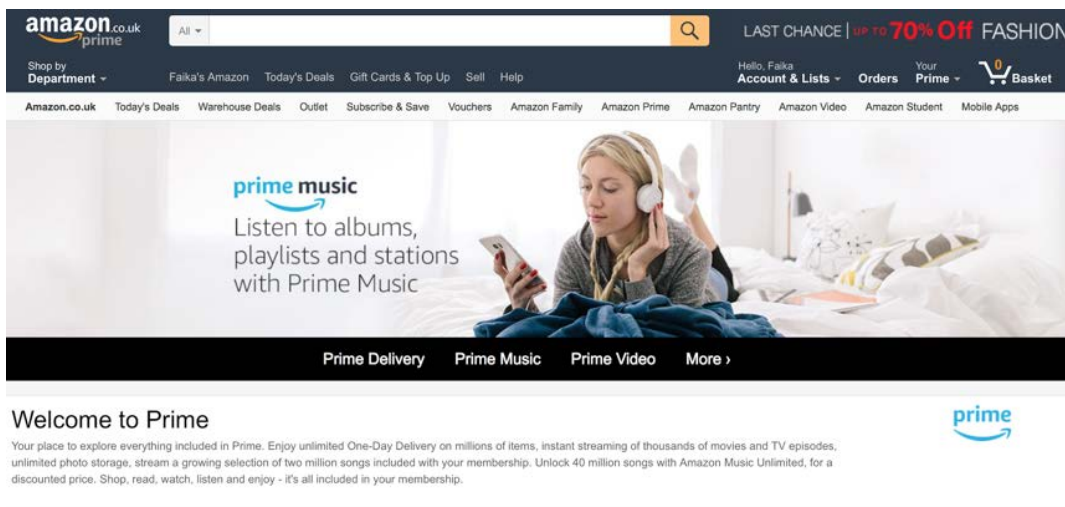
How did it all happen?

Amazon was the brainchild of Jeff Bezos who started Amazon back in 1994 in his garage. It started off just selling books, but then took on DVDs, CDs, apparel etc. It now pretty much covers everything and anything.

The growth since 2015 has been phenomenal and if you read into the detail, it has coincided with its growth in Amazon Prime (launched back in 2005, it is estimated that it has now 65 million subscribers worldwide)

Amazon Prime and its impact on the US Market

Prime is a significant part of Amazon's business. A recent survey by Morgan Stanley estimated that about 40% of Amazon Prime members spend over \$1,000 a year on Amazon, while only 8% of non-Prime shoppers do so. It also found that Amazon Prime members spend about 4.6 times more money on Amazon than non-Prime members. (Source Business insider UK)



So what is the appeal of Prime? Well it's been evolutionary. It started off as offering a two-day delivery for a flat fee. Now you can subscribe on a monthly basis, and it includes films and TV, music streaming, and most recently offering a service where you can try on clothes before you buy.

Prime Service	What it covers
Delivery Benefits	Unlimited One-Day Delivery on millions of items, Same-Day Delivery in select areas.
Prime Pantry	Everyday sizes of popular household items delivered for a flat delivery fee.
Prime Now	One and two-hour delivery on tens of thousands of items in select areas.
Same Day Delivery	Order by noon and get it by bedtime
Prime Video	Unlimited streaming of thousands of movies and TV shows.
Prime Music	Stream a growing selection of two million songs included with your membership. Unlock 40 million songs with Amazon Music Unlimited, plus get an exclusive discount.
Prime Early Access	Prime members get 30-minute early access to Lightning Deals on Amazon.co.uk.
Prime Photos	Secure unlimited photo storage with anywhere access.
Kindle First	Choose one Kindle book of the six Editors' Picks each month for no additional cost.
Amazon family	Enjoy 20% off nappies.
Twitch Prime	Ad-free Twitch viewing, Twitch subscriptions and more.
Member Exclusive Discount	Get an exclusive discount on pre-orders, including collector's editions, for box games for PC, PlayStation 4, Xbox One, Wii U, 3DS and more.
Household	Share select Prime benefits with another adult in your household.
Prime Reading	Enjoy unlimited reading on any device, with over a thousand books, magazines, comics, articles, Kindle Singles, and more.

KIKKI.K

Kikki.K is a Swedish stationery and gift retailer founded by Kristina Karlsson in 2001. Kristina was searching for a meaningful business idea that she would feel passionate about and after struggling to find beautiful and inspiring stationery and equipment for her first home office she realised there was a gap in the market and her business plan was born - Swedish vision, delicious stationery, gorgeous gifts. Kikki.K is a global company and they currently have 5 stand-alone stores in the UK, as well as selling in Fortnum and Mason, Selfridges and new for this year; John Lewis stores. Whilst the ranges aren't solely focused on the Back to School market, they are beautiful, directional for other retailers and have broad appeal. Kikki.K are definitely a company to be watched.

The company have created a true Kikki.K culture, in their motivational signature, handwritten font, warm service and customer gifts and also their take on craft and scrapbook style techniques in everyday items. Their ranges are centred around organisation, dreams and goals and health and wellbeing.



In Store

Design collections

The inspiration collection – clearly focused around products and slogans that inspire people to achieve their dreams. This collection is mainly made up of life journals both containing ideas on managing and improving life and also space to create your plan.

The oh so lovely collection – pink, grey and rose gold, this collection really is elegant and beautiful.

The travel collection – charcoal and metallic colours, a very sophisticated range of travel journals, notebooks and passport and document holders.

The time is now collection – pale blue and white collection with gold foiling and accents, centred around numbers and time slogans. This collection had items like diaries, desk calendars, journals, pens and magnets.

Price & Service

Prices are at the higher end of the stationery market but it shows in the product design and quality. Indicative prices are as follows:

- Pastel gel pens 5pk £6
- Fashion gel pen £2.50
- A4 project book £9
- A5 case bound leather notebook £16
- A5 case bound leather diary £24
- Barrel pencil case £10

Monogramming was available on a range of leather stationery including notebooks, folios, a pencil case and keyring.

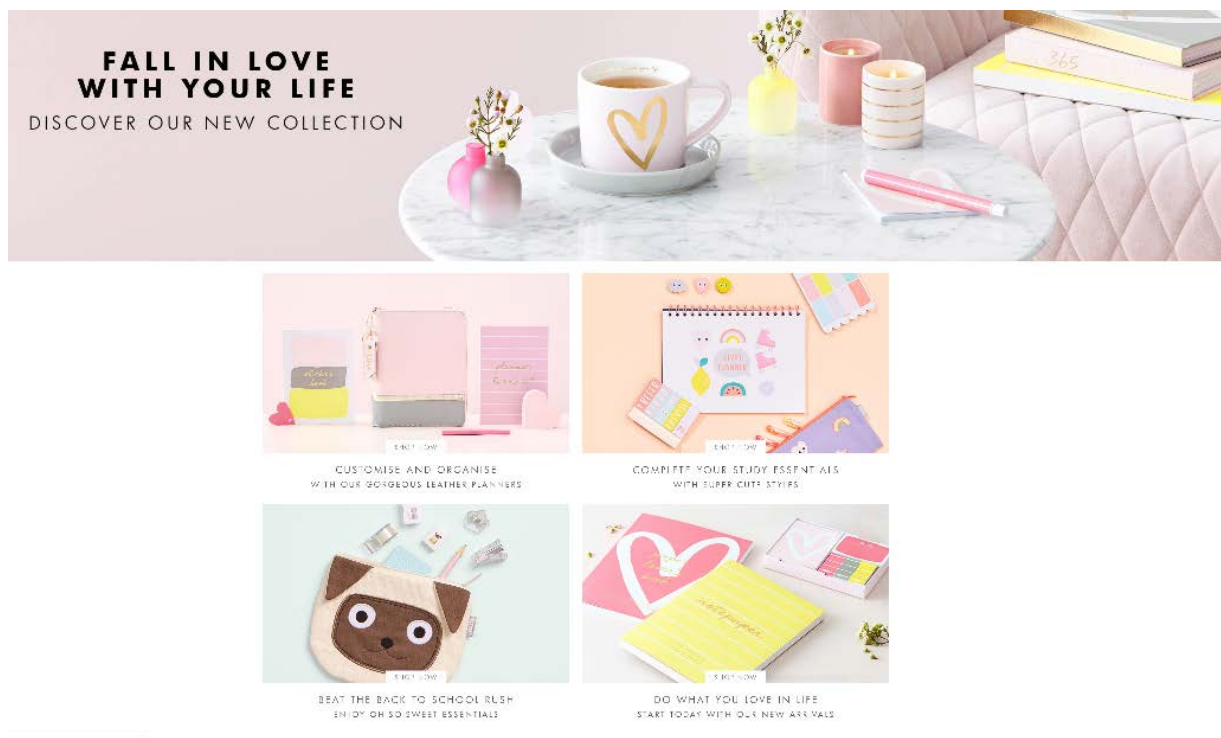




On making a purchase in store you were asked for an email address and date of birth. As a welcome, you were then emailed a £5 voucher to spend on your next store visit or online and also advised that you would receive similar as a birthday gift. All Kikki-K diaries also have a website printed on the bottom corner of every month where the owner can receive a little surprise or gift. These personal touches all add the experience of shopping at Kikki.K and the community they have created.

Online

When you click onto the site, it's exactly what you would expect from a retailer like Kikki.K. The tones were soft, lots of pastels, metallics. Although there wasn't a screaming message of Back to School, there were a few smaller banners which referred to study essentials and shopping the Back to School rush. Their main banner was showcasing their new collections.



'School Essentials' were made up of their fashion product, not really sorted by anything in particular. Images were very sharp. Price points as in store seemed to be in line with or higher than Paperchase, so higher than the average Back to School price. There was no branded offer on the site.

It's a very enticing website, beautifully done in line with the product. It's not really about Back to School here, more a person who loves stationery and wants to buy fashion stationery.

The delivery charges were definitely not in line with other stationery sellers. Free shipping only applied if you spent over £90. Under that it was £6, but up to 10 day's delivery. They state quite clearly that all products are shipped from Hong Kong, hence the lead time. Not sure how sustainable that is, but it must be proving cost effective for them.

Social Media

Facebook: 211, 613 Followers (as of 01/09/17)
Total Likes: 215, 232

They had lots of Back to School posts on their Facebook page. There were a number of offers which weren't visible on the website at the end of the August. As in store they offered free Monogramming for a limited time, which was a nice touch. They also had 20% off. Like the website, it's a very well thought out Social media page, with high levels of engagement.

Instagram: 331k Followers

Massive engagement numbers on this account. Most posts have over 3,000 likes, the highest we have seen for any Instagram page, even higher than the grocers who have a lot more followers. Beautiful, simple shots. They have informative commentary, not led by humour, but very engaging and inspiring. A picture of some candles had the commentary below:

'Be inspired to stop for a moment and love life with this beautiful boxed set of scented candles, perfect for gifting. Let the warm woody scent with undertones of vanilla relax you and inspire you to appreciate the little joys in life. Click the link in our bio to get yours.'

Kikki.K are very visible on YouTube with numerous how to videos, including 'How to do Kikki.K handwriting' and 'How to customize your Kikki.K planner'. Most videos have gathered around a thousand views a week. There are also several videos from unofficial bloggers reviewing their items.

On Pinterest Kikki.K has 304k followers, they have a board for each fashion collection, boards inspiring weddings, workspaces, parties, travel and wellbeing and also recipes and meal plans. They have 211.5k followers and 215k likes for their Facebook page. There has been no evidence over the summer of a Back to School campaign but they have stayed very visible on social media. If you want to know who does the whole omnichannel and social media piece really well, this is the retailer to review.



Back To School 2017 Design Trends

TREND: Neon



TOP Left to Right: Neon Pencils in B&M, Agenzio Range in Paperchase, Neon Notebooks and Filing in B&M, Agenzio Range Notebooks in Paperchase.
MID Left to Right: Neon Mid-year Diary in Paperchase.
BOTTOM Left to Right: Neon Range in Poundland, Neon Storage Range in John Lewis, Neon Pencil Cases in WHSmith, NU Craze Range in Wilko, Neon Range in Poundland.

