

School Supplies Sales Slip

More Companies Report Declining Sales

Bob Stimolo

The results from our 22nd annual survey of school marketers are in and the sales growth picture looks less than encouraging. The number of school supply companies reporting sales increases was 60%, the same as last year. Companies reporting sales decreases rose from 19% last year to 30% this year, and 11% fewer companies reported no change in sales.

The survey was conducted by School Market Research Institute, Inc. and over 100 school supply companies participated including those involved in classroom materials, furniture, and physical education supplies and equipment. The survey is conducted in October of each year so that the respondents' sales numbers will include the current year's back-to-school season.

The survey does not collect actual sales dollars for each company. Instead, the survey asks for percent of sales increases or decreases. Thus evaluating the degree of sales change in dollars is not possible. It is possible that while the same number of companies as last year reported sales growth, the dollar amount of that growth is greater than it was last year. This information is beyond the scope of our survey.

School Supply Sales

When we examine the degree of sales growth reported by school supply companies, the majority, or 36% reported sales growth of 1-10%. This percentage of respondents is down from last year's 42%. Sales growth of 11-20%

was reported by 17% of the respondents and this is up from last year's 9%. Sales growth of 20% or more was reported by 7% of the respondents, down from last year's 9%. In 2006, the number of respondents reporting sales declines increased in every category.

Sales in Elementary and Secondary Markets

The results of all the companies that identified their primary activity as being in the elementary market were tallied. Fifty-eight percent of those respondents reported sales growth, the same percentage as in last year's survey. Twenty-nine percent reported sales declines as opposed to 21% last year.

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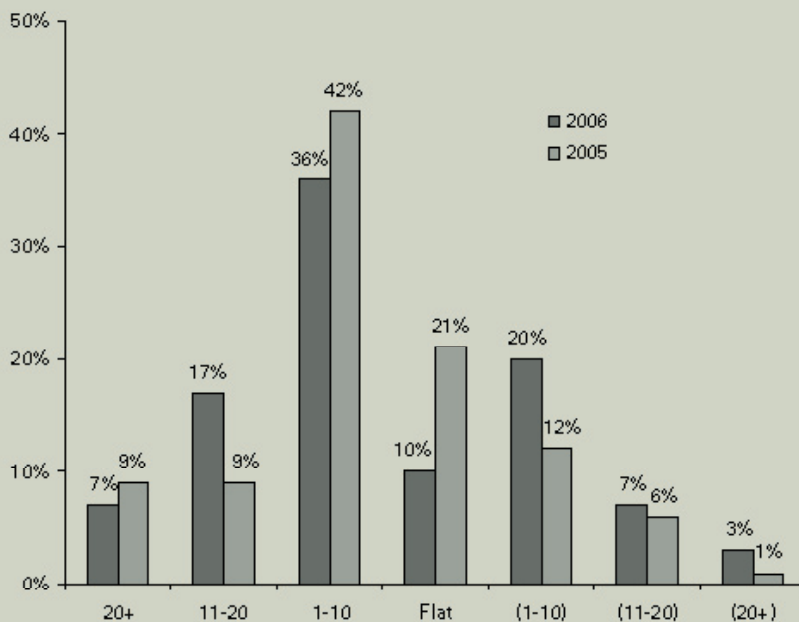
identified their primary activity as being in the secondary market were tallied. Fifty-nine percent reported sales growth this year as opposed to 65% last year. The percentage of these respondents who said sales declined rose from 22% last year to 27% this year.

Contributing Factors

According to the Department of Education, enrollments for the school year beginning in fall 2006 declined for grades 3-9 and rose for grades K-2 and 10-12. Over all grades, there was a net decline of 105,000 students or .2 percent less than the prior year. According to School Planning & Management's 11th Annual School Construction Report, school construction declined almost 13% for elementary schools, rose by over 2% for middle and junior high schools, and declined by almost 5% for high schools.

No Child Left Behind, Adequate Yearly Progress, and Teacher Quality continue to be topics that preoccupy administrators and teachers. No school wants to be placed on the "failing schools" list. A tremendous amount of time, energy, and money continue to be devoted to assessments, test scores, and teacher training. All of these factors may be contributing to less spending on school supplies.

School Supply Co. Sales 2006 vs. 2005



Source: School Market Research Institute, Inc., 22nd Annual School Marketer Survey

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What to Do

Our marketing environment promises to remain challenging. The good news is that enrollments are beginning to rise. This should create a positive environment for school supply sales over the next decade according to the Department of Education enrollment forecast. It is also promising that the education community is attempting to take ownership for No Child Left Behind. Through the actions of the National Education Association, Congress, and other interested parties, prominent educators should be playing a greater role in redefining NCLB in coming years.

In the meantime, we need to stay focused. We must manage our product lines to adapt to the changing demands of educators. We must upgrade our marketing technology in order to have as much reliable data as possible. We need to understand how our marketing strategies are working and we need to make adjustments quickly when they are warranted.

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