

Value and superior CX insulate stores from inflation-related Q3 traffic declines

Article

The trend: Inflation's ongoing impact on consumers' lives is helping some retailers thrive and causing others to struggle, [according](#) to Placer.ai's Q3 2022 Quarterly Index.

- **The winners: Discount retailers**, which have seen foot traffic rise 20.0% compared with pre-pandemic Q3 2019 and 0.8% compared with a strong Q3 2021, per Placer.ai.
- **The losers: Full-service restaurants and shopping malls.** Restaurant visits fell 12.4% compared with Q3 2019 and dipped 4.1% year-over-year (YoY), while shopping mall traffic fell 6.4% compared with Q3 2019 and declined 1.6% YoY.

Meanwhile, several other categories such as grocery and mass merchants held steady.

Why discount stores are thriving: Discount stores have been aggressively expanding over the past few years.

- For example, **Dollar General plans to open up to 1,060 new stores this fiscal year and Five Below aims to add roughly 1,000 new stores over the next few years.** That growth has helped the retailers grow their in-store traffic 29.9% and 44.5% respectively compared with 2019. Both merchants' YoY traffic was up 1.8%.
- **Discount stores have been the most obvious beneficiary from consumers trading down to lower-priced retailers.**
- On the other end of the spectrum, a growing share of consumers is choosing to eat at home with restaurant prices up 8.5% YoY.

The experience matters: Even within categories facing significant or moderate challenges, there are individual brands that continue to grow.

- Traffic to **Target** was up 14.1% compared with 2019, while **Sam's Club** (up 6.3%), **BJ's Wholesale Club** (5.8%), and **Costco** (1.7%) also saw strong gains compared with before the pandemic.
- While QSR traffic was down 3.6% compared with 2019 and 0.1% YoY, **McDonald's** visits were up 4.6% and 6.7% respectively, thanks to emphasis on value.
- Beyond value, both Target and McDonald's benefit from strong mobile apps that effectively meld the online and offline experience.
- Finding ways to tie together the customer experience is critical to long-term growth, said **Patty Soltis**, eMarketer principal analyst at Insider Intelligence. "While most customers continue to purchase in brick-and-mortar stores, the first stop in their shopping journey is often with a digital experience," she said. "Because the customer experience so often starts with a digital channel such as an email, website, app, social media, or search engine, it is

incredibly important to ensure that each of those channels is aligned to pull the customer through the customer journey to lead them to purchase.”

Where Consumers Worldwide Buy Items, by Category and Channel, May 2022

% of respondents

	Mostly offline	Mostly online	Mix of both
Essentials	48%	17%	33%
Home improvement	40%	19%	37%
Luxury products	38%	23%	33%
Beauty products and personal care	34%	26%	37%
Big ticket electronics	33%	27%	36%
Health and fitness products	31%	26%	37%
Fashion	29%	28%	41%
Books and periodicals	27%	32%	35%
Consumer electronics and entertainment	27%	30%	39%
Kids and baby products/toys	26%	27%	42%

Source: MIQ, "Unboxing the Global Retail Consumer" conducted by Sapio Research, July 14, 2022

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The big takeaway: While value-oriented retailers are benefiting from economic uncertainty, so are those that deliver an excellent customer experience. That may come in the form of **Trader Joe's** quirky service (along with the return of samples), or more technology-focused initiatives, such as Target offering shoppers the **option** to make returns through its Drive Up curbside service.

- There's ample opportunity for retailers to distinguish their brands (and drive sales) by exceeding expectations given **only 53% of general retailers believe that their current digital tools are sufficiently advanced** for the shopping experiences they need to offer, per a recent **[PYMNTS study](#)**.

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