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Value-oriented retailers stand to benefit as costs rise

Article

The landscape: The Trump administration's aggressive trade policies are pushing consumer costs higher: The full slate of 2025 tariffs is expected to raise overall price levels by 2.9% in the short term, per Yale University's Budget Lab.

Consumers have taken note: Consumer sentiment fell to its second-lowest reading on record, while year-ahead inflation expectations surged from 5.0% in March to 6.7% in April—

the highest reading since 1981 and the fourth straight month of unusually large increases (0.5 percentage points or more), per the University of Michigan. The spike spans all political affiliations.

- Meanwhile, the share of consumers expecting unemployment to rise in the year ahead has increased for the fifth month in a row—more than doubling since November 2024 and reaching its highest point since 2009.
- "Consumers report multiple warning signs that raise the risk of recession: Expectations for business conditions, personal finances, incomes, inflation, and labor markets all continued to deteriorate this month," wrote **Joanne Hsu**, director of the University of Michigan's Surveys of Consumers, who recently appeared on our "Reimagining Retail" podcast.

The fallout: The combination of rising prices, weakening sentiment, and stock market volatility is making consumers more price-sensitive—and driving shifts in shopping behavior. Shoppers are increasingly trading down to private-label or lower-priced brands, cutting discretionary purchases, delaying big-ticket items, and consolidating trips to stretch their budgets.

The shifts: These behavioral changes began surfacing even before the White House's April 2 "Liberation Day" tariff announcement. In late March, consumers appeared to be pulling forward demand in anticipation of price hikes—especially at warehouse clubs, where value, strong private-label offerings, and the ability to stock up are major draws. According to Placer.ai foot traffic data, warehouse clubs recorded their strongest year-over-year visitation gains the week of March 24.

- **Warehouse clubs are well-positioned to benefit from the current environment.** **Sam's Club**, for instance, is seeing record membership levels and plans to accelerate growth—opening about 15 new stores annually and remodeling all of its locations. The **Walmart**-owned chain aims to double its membership base over the next eight to 10 years. **Costco** and **BJ's Wholesale Club** are expanding as well.
- **Off-price retailers such as TJMaxx and Nordstrom Rack are also poised to win over value-driven shoppers.** Their flexible buying models and ability to source merchandise locally help insulate them from rising import costs—while appealing to consumers across income levels and regions.

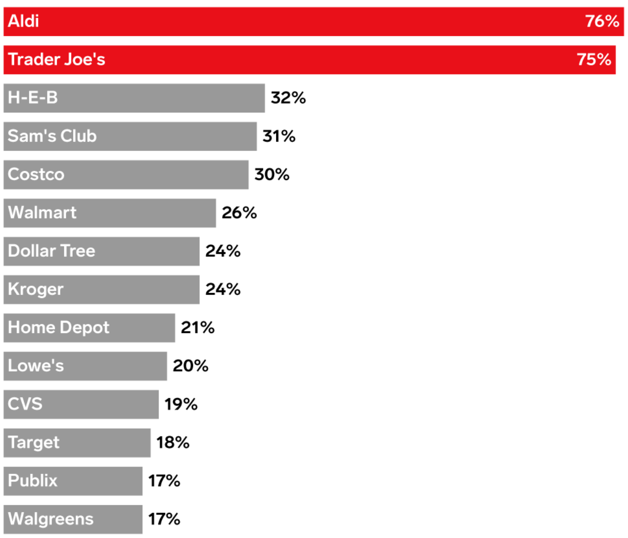
- **Discount grocers, including fast-growing Aldi, are similarly well-positioned to attract cost-conscious shoppers** prioritizing affordability without compromising on quality.

Our take: While few, if any, retailers truly “win” in a challenging economic environment, those that lean into value—through price, private-label strength, or operational agility—will have a clear edge over the competition.

Go further: *Read our report on the Impact of Tariffs on US Businesses.*

Retailers With Higher Shares of Sales From Owned Brands Have Been Pulling Ahead of the Competition

% of total US private label sales, by retailer, 2024



Note: 12 months ending in Dec 31, 2024
Source: Numerator, "Private Label Sector & Channel Trends," Feb 18, 2025

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