

Off-price stores maintain their appeal as shoppers look to score deals

Article

The trend: Off-price retailers are gaining share as their treasure-hunt formats and array of deeply discounted merchandise attract deal-seeking shoppers.

- Foot traffic to off-price retailers **T.J. Maxx, Marshalls, Burlington, and Ross Dress for Less** mostly outpaced visits to non-off-price apparel chains in the first four months of 2024, per

Placer.ai.

- Both **TJX** and **Ross Stores** reported Q1 earnings ahead of expectations and raised their profit outlooks for the year, indicating that both companies are optimistic about the opportunities ahead even as shoppers show signs of increased price sensitivity.

TJX soars: TJX in particular is benefiting as wealthy shoppers trade down to cheaper retailers, and customers across income levels look to score designer goods at affordable prices.

- The possibility of scoring a **Saint Laurent** handbag or **Burberry** rain boots at a fraction of the original price is particularly appealing for luxury-loving Gen Z and millennial consumers—and fueling social media buzz as shoppers post about their finds.
- Videos tagged #MarshallsFinds generated 1.3 billion views on **TikTok**, while T.J. Maxx and Marshalls have a combined 5.2 million **Facebook** fans, according to The Wall Street Journal.
- The excitement of the treasure-hunt experience coupled with TJX’s strategy of offering “good, better, best” brands is helping it gain share in both apparel and home goods, even as retailers like **Target** warn of softness in discretionary spending.
- Net sales rose 6% year over year (YoY) in Q1 to \$12.48 billion, while comparable sales rose 3%, driven entirely by an increase in transactions.
- The retailer noted that the second quarter is “off to a good start” as its value proposition continues to resonate strongly with deal-seeking shoppers, and expects the economic environment to offer up more chances to take share.

Chances to grow: TJX is so bullish about its prospects that it sees a long-term opportunity to add at least 1,300 stores to its global footprint, which includes locations in the US, Canada, Europe, and Australia. The off-price retailer isn’t alone: **Burlington**, **Ross**, and **Nordstrom Rack** are also in expansion mode as they look to capitalize on shoppers’ price-consciousness.

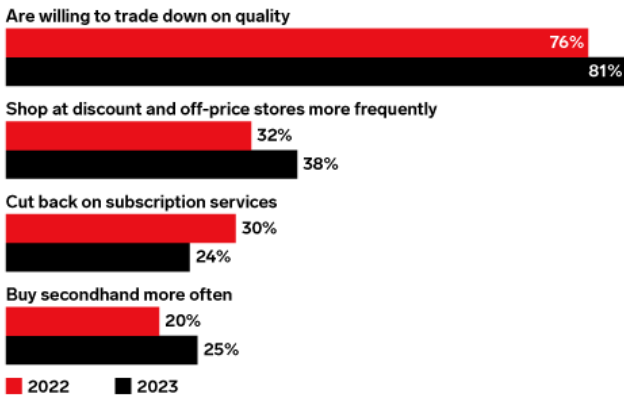
- Burlington’s goal is to open 100 net-new stores per year, although that ambition was thwarted last year due to the difficulty of finding retail spaces that met its standards.
- Ross expects to open 75 Ross Dress for Less stores and 15 **dd’s discounts** locations this year; long term, it expects to operate 2,900 Ross locations and 700 dd’s discounts stores, up from its current total of 2,127.
- Nordstrom Rack has 26 store openings in the pipeline so far for 2024 and 2025, as its department store parent looks for ways to attract new shoppers and capitalize on **Rack’s**

position as a growth engine.

The big takeaway: Off-price retailers are perfectly positioned to take advantage of the current price-conscious environment, especially as lower-income shoppers pull back even more on discretionary spending and high-income shoppers search for deals at **Walmart** and **TJX**.

Select Spending Behavior Changes Among US Shoppers, 2022 & 2023

% of respondents



Note: due to rising inflation

Source: Bread Financial, "The State of the American Shopper," Oct 23, 2023

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