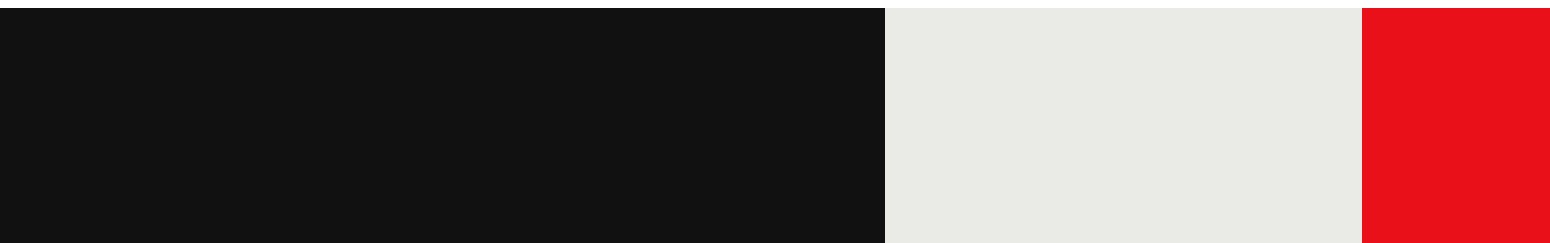



Inflation offers off-price retailers a chance to win new customers

Article



The news: US consumer sentiment fell more than expected in early March thanks in part to surging gas prices driving inflation up to its highest level since 1982, [per](#) preliminary data from the University of Michigan Consumer Sentiment Index.

- Those conditions are forcing consumers to reconsider how and where they spend their money.

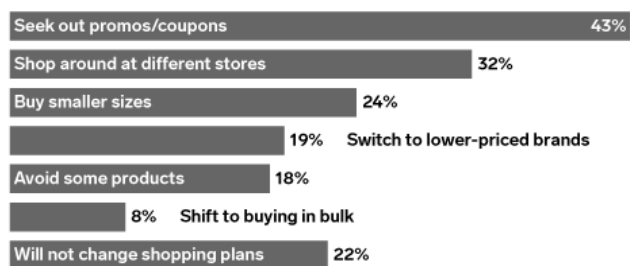
- By focusing on value, off-price retailers such as **Big Lots**, **Burlington**, and **TJX** (operator of retailers including **T.J.Maxx**, **Marshalls**, and **HomeGoods**) may be able to win new customers.

More on this: Inflation is having an impact on [consumer spending](#) as shoppers cut back on discretionary purchases.

- February order volume was down 11.0% year over year (YoY), and the items per order fell 1.3%YoY, per Salesforce's February [Inflation Data](#).
- Inflation drove a significant share of consumers to adjust their Valentine's Day purchasing by leading them to shop at different stores (32%), switch to lower-priced brands (19%), and avoid some products (18%), according to a February 2022 survey report from Numerator.

Changes to Valentine's Day 2022 Shopping Plans Due to Inflation According to US Adults

% of respondents, Jan 2022



Source: Numerator, "2022 Consumer Survey Report: Valentine's Day," Feb 7, 2022

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Crisis creates opportunities: Consumers seek out brands that they perceive offer value when their pocketbooks are being squeezed. Retailers and brands that find ways to convey the value they provide may be able to benefit.

- "Anytime there's uneasiness is a great opportunity for our model to accelerate a little bit more," said **Ernie Herrmann**, TJX CEO and president, during an earnings call.
- Big Lots** aims to entice new customers to trade down to its owned brands that it believes offer quality and value. At the same time, it looks to persuade shoppers to enroll in its rewards program to drive repeat business, **Jonathan Ramsden**, chief financial and administrative officer at Big Lots, said during an earnings call.
- The tight labor market has helped boost pay for many lower-wage workers, which may help mitigate some inflationary pressures.

The challenges: “Every retailer is impacted by inflation, regardless of category. As consumers’ confidence goes down, so do their dollars spent. While there’s the potential for off-price retailers to win new customers who trade down, the overall climate leads many consumers to only buy what they absolutely must have,” said **Suzy Davidkhanian**, eMarketer principal analyst at Insider Intelligence.

- Off-price retailers also have to contend with the inventory issues caused by production constraints and lower levels of clearance merchandise. The situation has caused retailers such as **Nordstrom Rack** to source products from new vendors to ensure they have a large enough selection.

The big takeaway: Low prices will likely help off-price retailers attract new customers in the short term.

- However, those retailers need to offer an experience that goes beyond “discount” and “value” to retain those customers over the long term.