

A tale of two retail tiers: How luxury, discount retailers approach TikTok, physical stores, and resale

Article

While mid-tier retailers like **Bed Bath & Beyond** and **Kohl's** struggle, discount and luxury retailers are seeing success as some consumers trade down amid inflation while others splurge to treat themselves amid tough times, respectively.

Something to TikTok about: Brands on both sides of the discount-to-luxury spectrum are using TikTok to reach younger generations, who are attracted to the platform's short-form video content and commerce-forward strategy. But the ways in which they use the platform differ.

Luxury retail relies heavily on the experience. From white-glove service to curated collections, every luxury buyer wants to feel like a VIP. Achieving that on a platform of millions of viewers can be difficult.

To replicate that VIP feeling, luxury brands create content giving users sneak peeks into the world of luxury.

- Many brands found early success on TikTok with **unboxing videos**, using influencers to give users a window into what it's like to buy luxury.
- Brands have since pivoted to using the platform to feature **behind-the-scenes exclusives** or even to **livestream fashion shows**.

Discount retailers use TikTok to provide inspiration and help consumers stretch their dollars.

- Walmart is leaning into value-focused aspects, **sharing recipes** and **meal ideas** for consumers looking to keep costs down.
- Dollar Tree is **using current trends** like #watertok to promote products.

Let's get physical: Brick-and-mortar retail is back as consumers return to stores for the in-person shopping experience.

Luxury brands are providing consumers with an ultra-curated, best-in-class experience.

- With its **new high-end "salon"-style stores**, Gucci has set its sights on its wealthiest clients. "Nothing will cost less than \$40,000, and it will go up to as much as \$3 million for high jewelry," said Francois-Henri Pinault, CEO of parent company Kering.
- **Tiffany & Co.'s revamped flagship store** in New York City will also cater to "a more elite clientele" and feature products at higher price points.

Discount and off-brand retailers are expanding at a rapid pace as they aim for accessibility.

- As consumers trade down in the grocery category, discount retailers are beefing up their consumables offerings in an effort to become a one-stop shop.
- Retailers like Dollar General and Five Below are experimenting with new formats, featuring items at a slightly higher price point to attract more middle-income earners, a demographic that is increasingly shopping at discount stores.

Resale ready: We forecast total US resale volume will reach \$110.92 billion this year, a 7.6% increase YoY, driven by increasing adoption among both consumers and retailers.

As consumers balance the cost of necessities with the desire to splurge, secondhand luxury is a sweet spot.

- The global secondhand luxury goods market grew 28% in 2022 to reach €43 billion (\$45.21 billion), according to Bain & Company and Fondazione Altgamma, representing 1.3 times the growth rate for new luxury goods.
- There's an increasing number of online marketplaces dedicated to secondhand luxury retail (including The RealReal and Depop), but brands like Balenciaga and Rolex are getting in the game too.

Traditional secondhand retailers are also taking advantage of growing resale adoption, moving their services online to reach even more consumers.

- Goodwill made its ecommerce debut with GoodwillFinds, an online platform for secondhand shoppers across the US.
- Meanwhile, resale site thredUP quietly launched a discount site where everything is \$7 and under, a way for the platform to move excess inventory and attract customers looking for ultra-low prices.

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