

# Discount and off-price retailers benefit from economic uncertainty, but those gains might not last

Article

**The trend:** With more shoppers looking for deals to offset higher prices for everyday essentials, off-price and discount stores continue to benefit.

- **Discount retailers account for half of the top 10 fastest-growing retail companies in the US,** per Kantar.
- **Burlington, TJX Companies, Ross Stores, Designer Brands, and Five Below** each generated sales growth of over 40% in 2021.

**How we got here:** As inflation has risen, so has discount and dollar stores' share of wallet, as consumers turn to stores like **Dollar General** and **Dollar Tree** for more of their needs.

- **Average spending on grocery items at discount retailers rose 71%** from October 2021 to June 2022, per InMarket data reported by The Wall Street Journal. Spending on those same items in grocery stores fell 5% in the same period.
- **Foot traffic to discount stores continues to grow:** In July, store visits were 3.2% higher compared with March 2022, per Placer.ai. Dollar store visit share—the proportion of visits to dollar stores compared with superstores and grocery stores—remains above pre-pandemic levels, although the latter two categories still account for almost 90% of visits to food and beverage retailers.

**Going further:** Discount retailers are poised to keep growing, but in order to do so they need to move beyond providing necessities and focus on enhancing the customer experience.

- For instance, by adding fresh produce to stores, discount stores can keep shoppers from returning to grocers for their fresh food needs. That's the reasoning behind Dollar General's plan to grow the number of stores that offer produce to 10,000 over the next few years.
- Adding a more comprehensive loyalty program that rewards visitors for shopping more could also improve retention.

**Off-price stumbles:** Despite the market opportunity afforded by more cost-conscious shoppers, off-price retailers face a slightly more uncertain outlook. That's partly the result of the difficulties in matching last year's stellar performance as pent-up demand and stimulus money sent customers flocking to stores. But the sector is also facing the same problem as many others in the retail industry: an inventory glut.

- Many are currently stuck "with more inventory than they can handle," **Kelly Pedersen**, a merchandising practice leader at PwC, told The Business of Fashion.
- At the same time, retailers are anticipating a sales slowdown: Ross Stores CEO **Barbara Rentler** said the company expected same-store sales to fall 4% to 6% in Q2.

**The bigger picture:** Shoppers tend to turn to discount and off-price retailers in times of necessity. That makes it difficult to build loyalty, which could throw a wrench into the [aggressive expansion plans](#) many of these companies are pursuing.

- With grocers adopting a number of tactics, from personalized rewards to pushing CPG brands to increase promotions, discount stores will have to offer value beyond the lower price tag to keep shoppers from finding better alternatives.
- The same is true for off-price retailers, which are facing more competition from fashion resale platforms (and from brands launching their own resale capabilities).

**Top 10 US Retailers, Ranked by Store Openings vs. Closings, Jan 1-Sep 3, 2021**

| Openings          |              | Closings                    |              |
|-------------------|--------------|-----------------------------|--------------|
| 1. Dollar General | 1,035        | 1. Christopher & Banks      | 449          |
| 2. Dollar Tree    | 393          | 2. Francesca's              | 342          |
| 3. Murphy USA     | 211          | 3. Alimentation Couche-Tard | 318          |
| 4. Family Dollar  | 198          | 4. 7-Eleven                 | 293          |
| 5. Casey's        | 160          | 5. Family Video             | 250          |
| 6. Five Below     | 158          | 6. Bed Bath & Beyond        | 246          |
| 7. Ace Hardware   | 145          | 7. Ascena Retail Group      | 195          |
| 8. Foot Locker    | 109          | 8. Foot Locker              | 174          |
| 9. Aldi           | 100          | 9. QuickChek                | 156          |
| 10. Burlington    | 92           | 10. The Children's Place    | 131          |
| <b>Total</b>      | <b>4,799</b> | <b>Total</b>                | <b>4,844</b> |

Note: figures represent store openings and closures that occurred, or are expected to occur, in the respective calendar years  
Source: Coresight Research, "US & UK Store Openings & Closures Tracker: 2021 Week 35," Sep 3, 2021

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