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The brands and retailers best positioned to succeed in 2023—and the ones in trouble

Article

The outlook: While many retailers are no doubt hoping the struggles they faced in 2022 are in the rearview mirror, the reality is that many of the macroeconomic factors that emerged in the latter half of the year will continue to affect performance well into 2023.

Retailers and brands poised for success: Many of the retailers positioned to succeed in 2023 also excelled in 2022.

- **Walmart**'s grocery dominance will continue in 2023, as inflation continues to play a guiding role in determining where consumers shop. The retailer will also get a much-needed boost from its retail media network as marketers look to get closer to the point of purchase.
- Luxury brands like **LVMH Moët Hennessy Louis Vuitton**, **Richemont**, and **Burberry** will continue to perform strongly, although the uncertainty generated by China's lockdown protocols could drag down overall growth.
- Discount stores will continue to hold strong appeal for consumers, especially as many add fresh food and groceries to their product array. Discount grocers like **Aldi** will gain market share as they attract more higher-income consumers and grow their footprint.
- **McDonald's** and **Chipotle** are in a good position going into 2023, as consumers trade down from more expensive dining options and look for an escape from skyrocketing grocery prices.
- Delivery companies like **DoorDash** and **Uber**—not to be confused with rapid delivery companies, which will face shrinking prospects in 2023—will see sales grow as they expand into non-grocery categories and take advantage of consumers' growing affinity for food on demand.

Retailers and brands in trouble: Mid-tier retailers will find it difficult to survive, especially those that were already in a precarious position before the pandemic. And companies that operate in highly discretionary categories—like used cars and furniture—will struggle as high interest rates put big-ticket purchases out of reach for many.

- **Bed Bath & Beyond** is inching closer to bankruptcy after an ill-advised shift to prioritize private labels just before the pandemic hit, leaving the retailer out of stock of key items and unable to meet demand.
- **Party City** is struggling to resurrect its business as elevated operating, supply chain, and material costs take their toll, while inflation-hit shoppers are spending less and trading down to cheaper retailers.
- Rising interest rates are hurting sales for used cars, which is impacting **Carvana**'s ability to offload the inventory it amassed when used car prices were at their peak. The company lost

$508 million in Q3 alone, and will likely face a restructuring next year to address a potential liquidity crunch.

- **Wayfair**'s active customers fell by 22.6% in Q3, while orders per customer and orders delivered both dropped. With home sales falling as mortgage rates increase—and renters staying put as their housing costs rise—Wayfair and other furniture retailers face a difficult 2023.

The big takeaway: Retail bankruptcies were few and far between in 2022, but that could change in 2023 as market pressures cause investors to choose sure bets over loss-making enterprises. Still, most retailers are in a much better position going into 2023 than they were during the first year of the pandemic—and with consumer spending continuing to hold up under pressure, the retail landscape looks more secure than it did in the beginning of 2022.