Arielle Feger

From exploding growth to leaning into loyalty and luxury, here's why these 5 retailers are the ones to watch

Article

Heading into 2023, there was a lot of uncertainty about how retailers would fare. While rocky market conditions persist, there are a few companies emerging as early leaders.

We asked our analysts which companies they have their eyes on this year and why they're positioned for potential success (or disaster).

1. The Kroger Co.

Why we picked it: Kroger's growing digital business.

"After years of planning, Kroger is ready to begin scaling its digital grocery model," said our analyst Blake Droesch. "By strategically placing last-mile spoke outlets to expand the reach of its fulfillment centers, the retailer is making its grocery delivery services available in regions where it doesn't operate any physical stores."

This year, we forecast Kroger's grocery ecommerce sales will grow 14.7% YoY, reaching $15.85 billion. As this only represents 12.0% of the company's total sales, there's plenty of room for Kroger to grow.

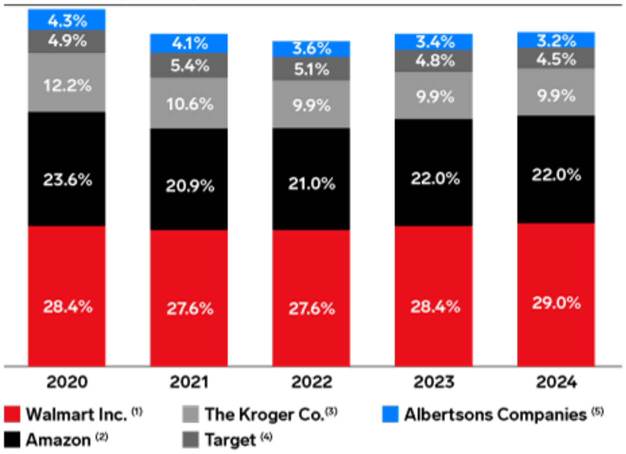
To ensure success, Kroger will need to raise awareness and compete for market share in areas where consumers may not be familiar with the brand, said Droesch.

In other news: There's another big reason all eyes are on Kroger this year: its anticipated (and much-contested) merger with Albertsons Companies.

Last week, the chains announced they would divest 250 to 300 stores in an effort to ease antitrust concerns. But that may not be good enough for regulators or the growing number of consumers seeking to stop the deal.

US Digital Grocery Sales Share, by Company, 2020-2024

% of total grocery ecommerce sales



Note: excludes fuel; (1) represents the gross value of grocery products sold on Walmart.com and SamsClub.com (browser or app), regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; (2) represents the gross value of grocery products sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; includes Amazon Fresh and Whole Foods Market delivery and pickup; includes direct and marketplace sales; (3) represents the gross value of grocery products sold online (browser or app) from all banners under Kroger, regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services: (4) represents the gross value of grocery products sold on Target.com (browser or app), regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; (5) represents the gross value of grocery products sold online (browser or app) from all banners under Albertsons Companies, regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services
Source: eMarketer, Aug 2022

277370 eMarketer | InsiderIntelligence.com

2. Tiffany & Co.

Why we picked it: Luxury shows no signs of slowing down.

Even amid these troubled times, luxury has remained a bright spot for retail, said our analyst Sky Canaves.

“Since being acquired by LVMH [Moet Hennessy Louis Vuitton] two years ago, Tiffany & Co. has roughly doubled its profits, which hit a record of more than €1 billion [$1.07 billion] in 2022,” she said.

Growth is being driven by a strong brand revitalization effort and collaborations that speak to luxury’s increasingly younger and more diverse audiences—from sneakerheads to crypto enthusiasts to ultra-luxury watch collectors.

And there’s more to come, Canaves said. “The reopening of the Tiffany flagship in New York City, anticipated in the first half of 2023, will draw visitors from around the world to experience a bit of its legendary retail magic.”

In addition, the luxury retailer will use social media and ecommerce to drive sales from beyond its physical store, said Canaves. "I'm expecting to see a ton of organic creator content on TikTok that will expand the brand's influence even further."

3. Nike

Why we picked it: This could be a make-or-break year.

Although it's managed to avoid the sales slowdown that many of its peers have experienced, Nike is facing pressure from affordable competitors like Skechers as well as new players like lululemon athletica and Hoka, according to our analyst Rachel Wolff.

The brand may turn back to its wholesale relationships to stay in the green.

"Despite Nike's recent focus on D2C [direct-to-consumer], the company is rebuilding its relationship with retail partners like Foot Locker and Dick's Sporting Goods, which could signal a larger shift back to wholesale," said Wolff.

Better together: We're not the only ones noticing the brand power of Tiffany & Co. Nike is collaborating with the jeweler on a co-branded pair of Air Force 1 sneakers featuring a robin's egg blue swoosh and silver shoe accessories.

4. Temu

Why we picked it: Temu's explosive growth.

In the four months leading up to December 2022, Chinese online marketplace Temu experienced "virtually unprecedented growth in traffic," said our analyst Andrew Lipsman.

The company's heavy investment in search advertising may be a driving force behind its growth.

"Search for almost any commodity product—especially if your search includes the word 'cheap'—and you'll find a Google result for Temu.com," said Lipsman.

Temu also made a splash with its Super Bowl spot, putting it on the map for many US consumers for the first time.

The catch: Can the company achieve long-term profitability?

To avoid the fate of predecessor Wish.com (which has plummeted 97% from its peak stock price), Temu needs to build an engaged user base and reduce customer acquisition costs over time, said Lipsman.

“A killer TikTok strategy and sticky mobile app will be the keys to achieving what its predecessor could not,” he advised.

5. Macy’s

Why we picked it: Macy’s dedication to customer loyalty.

At a time when many department stores are struggling, Macy’s is doubling down on its core customer, according to our analyst Suzy Davidkhanian.

“With loyalty waning, now is not the time to try to cut through the marketing clutter to go after new customers,” she said.

According to Davidkhanian, Macy’s is using technology to create frictionless customer experiences, both in-store and online. It’s also leveraging tech to optimize its supply chain process and increase efficiencies.

“Plus, it's dabbling in innovation in a measured but splashy way, like having a virtual Thanksgiving Day Parade in the metaverse and [selling] NFTs,” she said.

A smart strategy? Earlier this year, Macy’s lowered its outlook for Q4 results, indicating its loyalty-focused strategy may not be working as planned. Will it pay off in the long term?

This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, subscribe here.