

4 more retail predictions for 2024

Article

Our analysts have already [made their big predictions for the year ahead](#), but the newsletter team has a few more to add to the list. As Amazon hits the gas on grocery, it may use its Amazon Fresh stores for fulfillment. Plus, we think beauty will get personal, Amazon could give digitally native brands a helping hand, and a healing economy could spell trouble for discount stores.

1. As Amazon invests further in its grocery footprint, it will open combined brick-and-mortar/fulfillment center stores

The ecommerce giant confirmed it's moving forward with its **expansion of Amazon Fresh stores** after pressing pause last year.

Newly revamped locations in **Chicago** and **Los Angeles** feature improvements in selection and stock and more convenient checkout options (like Dash Cart or self-checkout). Amazon said it will continue to iterate and experiment with new features and programs, which could include using Amazon Fresh stores as fulfillment centers to fuel its grocery delivery business.

Amazon's regional fulfillment model, which divides its national logistics network into eight regional networks, enables it to have the **fastest click-to-door time** among retailers. But as it builds out its grocery business, it may need additional facilities to store and sort fresh, refrigerated, or frozen food.

This is where Amazon Fresh locations can double up their functionality, serving both in-store and online customers, potentially cutting down delivery times even further and enabling Amazon to provide customers with hyper-local products.

2. Beauty gets hyper-personalized

Some 37% of US beauty consumers say that personalized content and product recommendations would help them feel more confident purchasing products digitally, according to a May 2023 survey from Bolt.

Younger beauty consumers are more likely to buy a product if technology allows them to find the perfect shade or formula while shopping online, per Bolt.

In 2024, we expect beauty brands to lean further into technology to provide a more one-to-one shopping experience.

For example, AR can help users “try on” a product before buying, while AI can help brands do everything from providing more targeted product recommendations to actually creating personalized products.

This desire for hyper-personalization will extend beyond just beauty products—we expect health and wellness brands to use similar tactics.

3. More digitally native companies will partner with Amazon

Though **digital native D2C brands** like Allbirds and Warby Parker exploded onto the scene in the 2010s, they've struggled to keep up momentum, often losing share to more established brands.

- This year, retail sales from digitally native brands will account for less than a quarter (24.3%) of D2C sales, per our forecast.
- Digital native brands' share of total retail ecommerce sales peaked at 3.4% in 2021, but will continue to decrease through 2027 when they will make up just 2.6% of the total.

To keep growing, some brands, like **Allbirds** and **Peloton**, started selling their products via Amazon. We expect more will join them in 2024.

Using its flywheel of ads, ecommerce, and fulfillment, Amazon can help digitally native brands more easily reach a wider audience, simplify the purchasing process, and even ship goods faster.

4. Off-price and discount retailers lose the customers they gained in 2023 if the economy and consumer sentiment improves

The 2024 economy is off to a good start as a result of high consumer spending during the holiday season, nine months of wage gains, and a jump in consumer confidence, according to Jared Bernstein, chair of the White House Council of Economic Advisers, as reported by Reuters.

If this continues, consumers may loosen their spending and go back to shopping the way they did before inflation caused prices to skyrocket.

While this could mean good news for mid-tier retailers like Macy's or Kohl's, it may spell trouble for **retailers that benefited from cost-conscious consumers** trading down, like Walmart, Dollar General, or T.J.Maxx.

If consumers start abandoning off-price and discount retailers, we expect to see a variety of efforts to recapture those customers, potentially by lowering prices even further or building out loyalty program features.