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Amazon and Sweetgreen find the tide has turned on positioning themselves as tech companies

Article

The trend: The so-called era of free money is over, which has driven investors to focus on retailers' and restaurants' bottom lines rather than top-line growth and long-term bets.

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- The paradigm shift has caught companies like **Sweetgreen**, which positioned itself as a tech company that happened to sell salad, on the back foot. Like many tech companies, Sweetgreen spent liberally (including handing out $113 million in share-based compensation over the past three years) to grow its business rapidly but has yet to turn a profit. With its market cap down more than 83% since it went public, the company is now taking steps to achieve "disciplined, capital-efficient growth," per The Wall Street Journal.
- Connected fitness retailer **Peloton,** which sold a tech-focused vision of transforming the way people work out, shed nearly 91% of its market cap after investors said the company may have maxed out its core market.
- Even **Amazon**, which positioned itself as a tech company that happened to sell goods, is increasingly focused on profitability for its retail business. It embarked on a wide-ranging cost-cutting strategy that included shuttering eight cashierless Amazon Go locations in Seattle, New York, and San Francisco. While the stores are revolutionary, they're also incredibly expensive to build and operate given that the stores' technology has not meaningfully increased sales.

A tough road ahead: The Federal Reserve's low-interest-rate policy fueled speculative investments in tech companies (and companies posturing like tech companies) that used cheap debt to drive rapid top-line growth.

- But as the Fed cranks up interest rates to stymie inflation, debt has grown increasingly expensive. As a result, many companies that rapidly increased staffing levels during the pandemic have laid off workers to cut costs (although many still have many more employees than they did before the pandemic).
- With inflation remaining high and consumers pulling back on discretionary spending, retailers ranging from **Best Buy** to **Target** to **Lowe's** are bracing for a challenging year and potential year-over-year revenue declines.
- We expect **US retail sales will slow to 3.3%** this year, according to our Retail Sales forecast—down from 8.1% last year as consumers pull back on discretionary spending.

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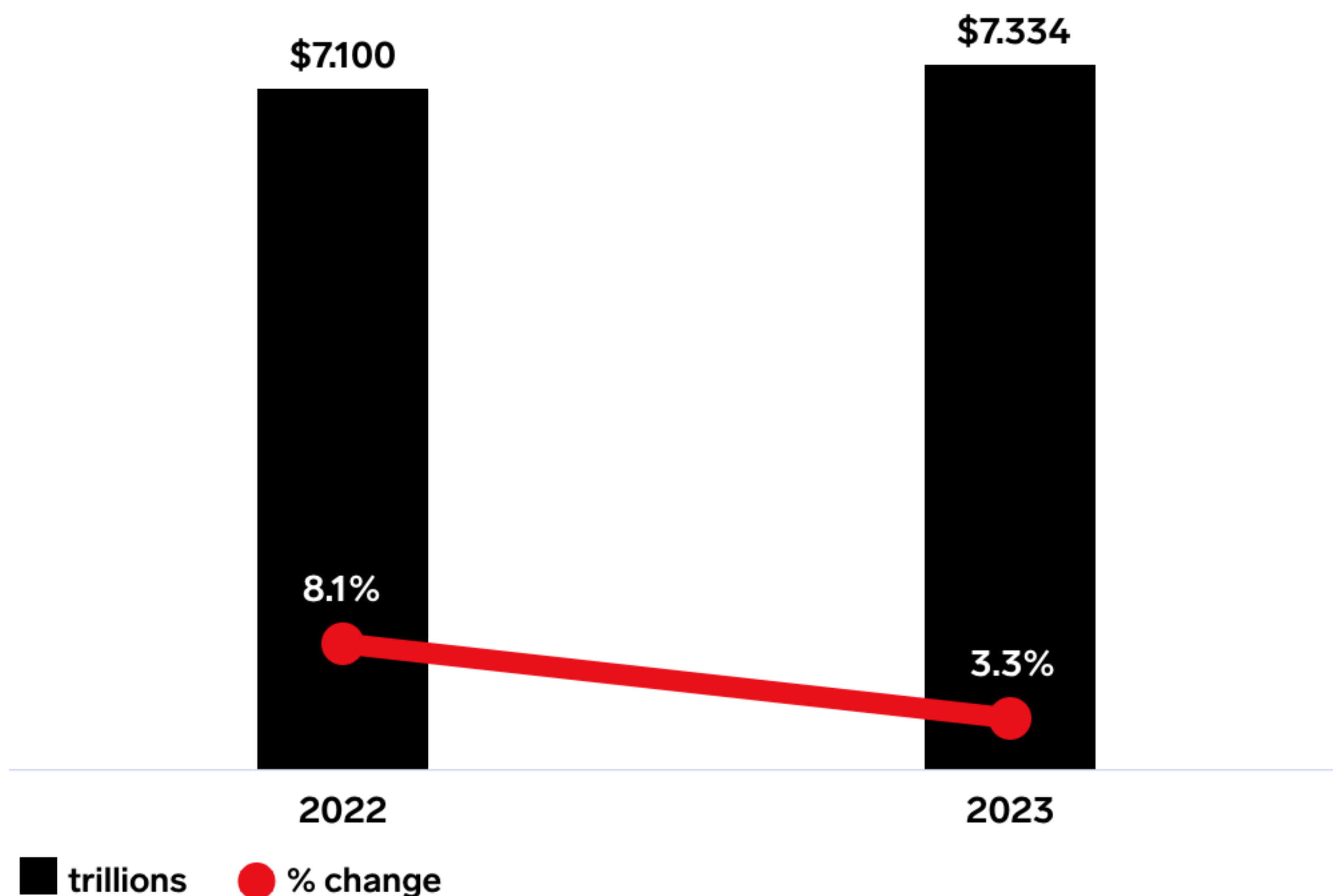

The big takeaway: When debt was cheap, retailers and companies could sell investors on big ideas and compelling narratives. Now, they have to accomplish a more basic objective: Sell enough goods and/or services at a large enough margin to turn a profit.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting*

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