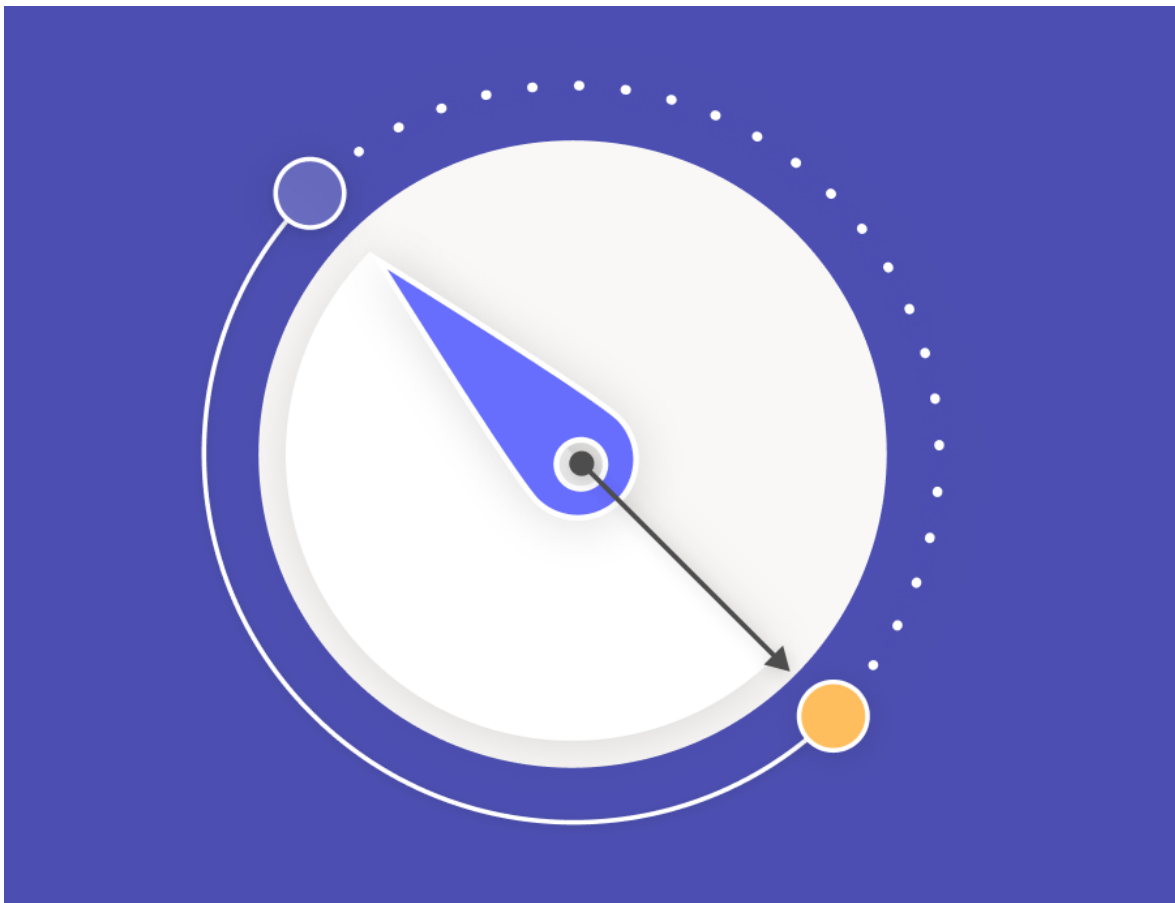


July 2023

# Retail at the Halfway Point of 2023

Explore the retail trends that have prevailed in 2023 so far and find out which industries and brands are finding success in a dynamic economic environment.



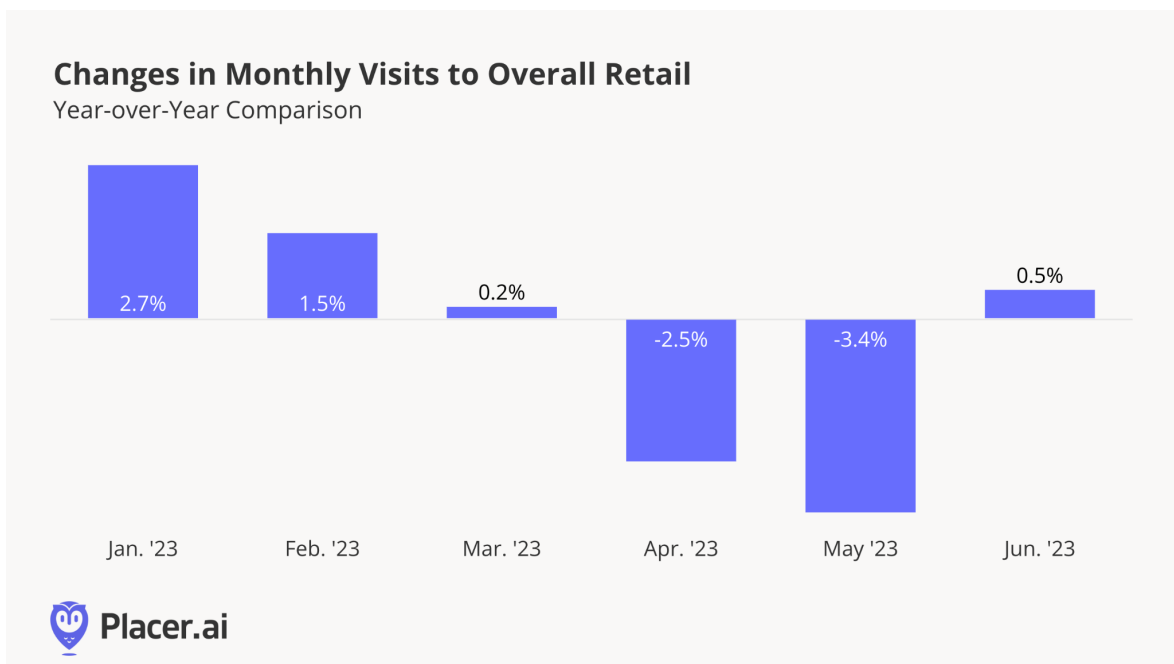
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## Summer Sun Is Out and So Are Shoppers

Despite its fair share of success stories, [retail in 2022](#) was greatly impacted by inflation and soaring gas prices. And although 2023 started off strong relative to the Omicron-impacted early months of 2022, retail visits fell in April and May as consumers continued to struggle with high prices and tighter budgets. But the [last month](#) of H1 2023 offered reason for optimism as year-over-year (YoY) foot traffic turned positive. Could we be starting to see the fruits of the efforts many brands and industries have made to drive traffic and position themselves for long-term growth?

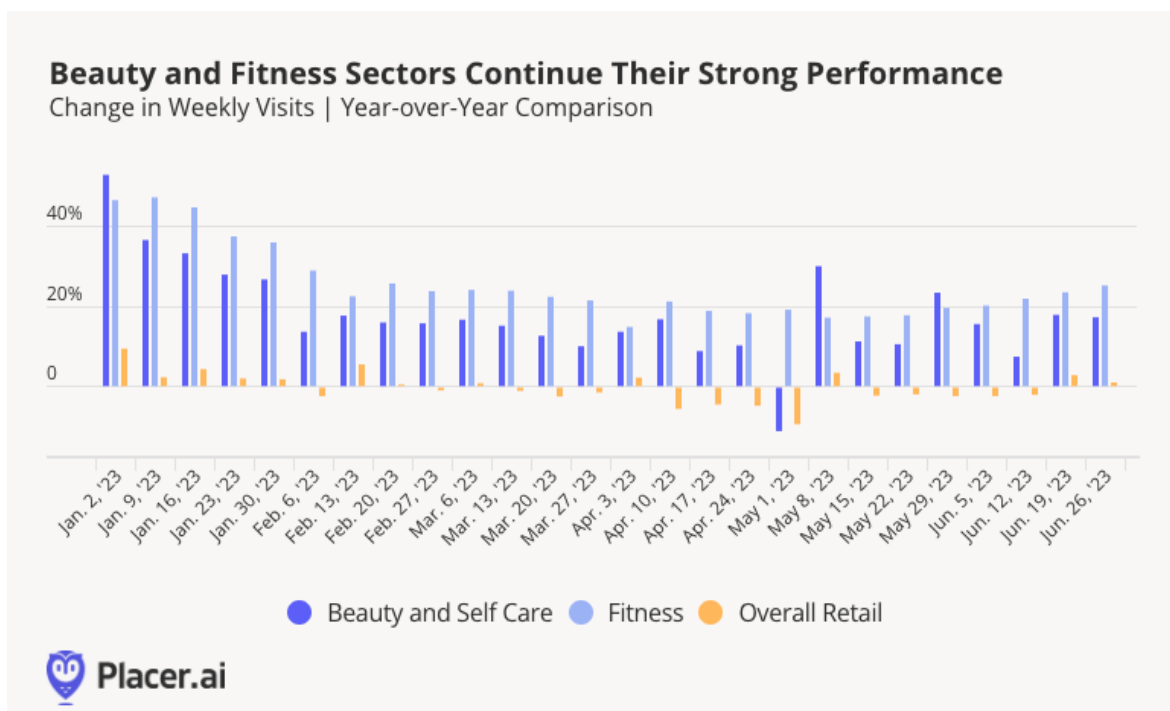


This report highlights some of the retail successes of the first half of 2023 and the biggest trends to follow as H2 gets underway. Using location intelligence, we evaluated the impact of the heightened demand for health and wellness across categories; analyzed the ongoing strength of value-focused retailers; looked at the location analytics behind some major retail real estate takeovers; and revealed the connection between return-to-office trends and local retail patterns. Keep reading to learn about the biggest retail winners of the past six months and uncover emerging

consumer trends that are likely to shape the retail landscape in the second half of 2023.

## Beauty and Fitness Foot Traffic Becomes Routine

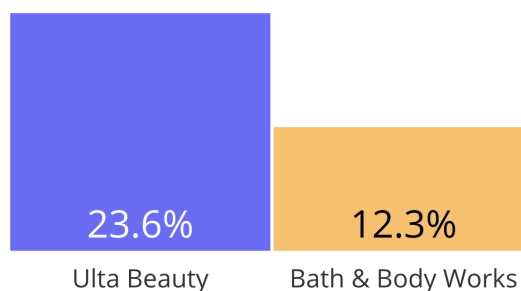
In recent years, [self-care](#) has taken on a more central role in consumers' routines, making [beauty](#) and [fitness](#) two of the biggest winners of 2022. Location intelligence suggests that the trend has continued in H1 2023 as consumers continued to look for [affordable luxuries](#) and [pastimes](#) and YoY visits to both categories far outpaced the wider retail average.



### Ulta Beauty and Bath & Body Works Deliver Experiences

The increased demand for beauty and self-care drove significant YoY visit increases for two of the largest beauty retailers – Ulta Beauty and Bath & Body Works.

H1 2023 | Year-over-Year Visits Comparison



The jump in visits relative to the [already strong H1 2022](#) could indicate that inflation-strapped consumers are [prioritizing experiences](#) and favoring retailers where the visit itself provides value – and a visit to Ulta or Bath & Body Works fits this bill perfectly. In-store shopping allows visitors to [try out fragrances](#), test new makeup, and get the input of store staff, making a trip down the aisles a sensory journey worthy of an in-person trip.

## Fitness Chains Provide a Cost-Effective Fix

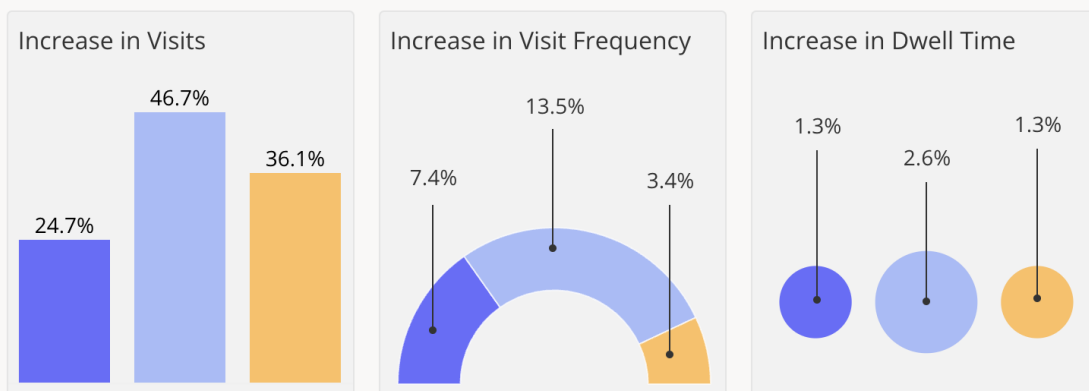
Also in the self-care sector, fitness clubs were another retail category that experienced strong visit growth in H1 2023. And many chains, including LA Fitness, 24 Fitness, and EōS Fitness also experienced increased visit frequency.

In addition to the renewed [social appeal](#) of returning to the gym after a pandemic hiatus, gym-goers in H1 2023 likely viewed their fitness hobby as a budget-friendly pastime in light of the current inflationary climate. Since most gym memberships grant unlimited access to the facilities, an additional workout or extended visit to the steam room allows fitness consumers to spend time out of the house [without breaking the bank](#).

### Fitness Wave Continues: Upward Trend in Visits, Frequency, and Dwell Time at Fitness Centers

H1 2023 vs H1 2022

● LA Fitness ● 24 Hour Fitness ● EōS Fitness



## Health and Wellness in Food

As beauty and fitness chains benefit from the entrenchment of healthy habits, grocery and dining brands that focus on nutritional health and wellness are also seeing a boost.

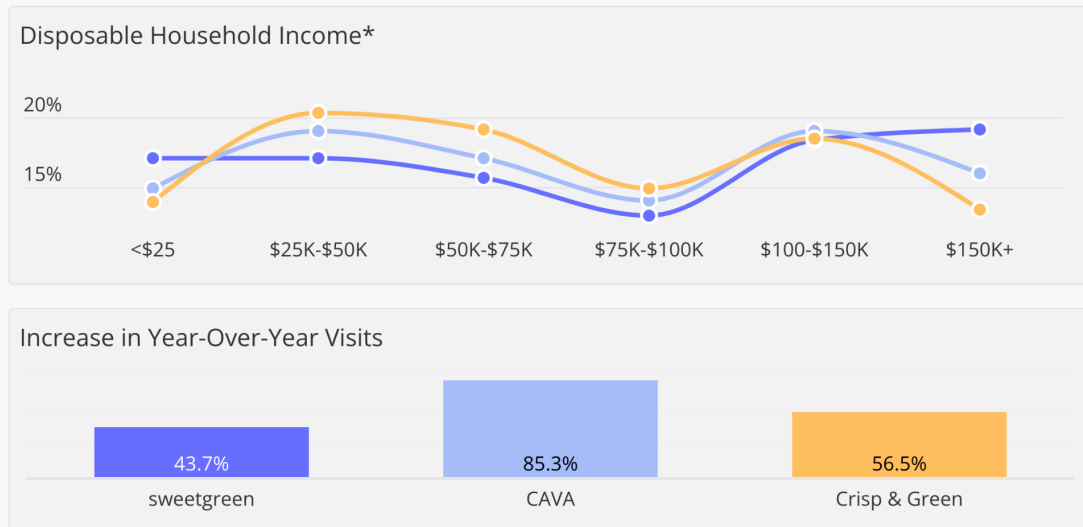
### Healthy Restaurant Chains

Analysis of health-focused restaurant chains sweetgreen, CAVA, and Crisp & Green revealed the positive impact that the increased interest in health and wellness is having across categories. Despite the [rising cost of eating out](#), positive YoY foot traffic to these salad and veggie-friendly eateries indicates that consumers are placing value on eating well – even when budgets are tight.

Notably, this trend applies to consumers of nearly all earning levels. In H1 2023, the [potential markets](#) defined by sweetgreen, CAVA, and Crisp & Green's trade areas included diners with varying amounts of disposable income. Perhaps as expected, all three chains' trade areas had a relatively high share of residents with \$100-\$150K of annual disposable household income (HHI). But sweetgreen's trade area also had a high share of residents with either disposable HHI of less than \$25K (17.0%) or more than \$150K (19.3%). Meanwhile, the potential market of both Crisp & Green and CAVA had a relatively large share of consumers with disposable HHI of \$25K-\$50K.

## Healthier Dining Options Attract Visits From a Range of Income Brackets

H1 2023



\*Based on STI Popstats 2022 Data of Potential Market of Trade Areas



The potential for these chains to drive foot traffic from consumers at nearly every income bracket indicates that diners across the board are prioritizing healthy eating.

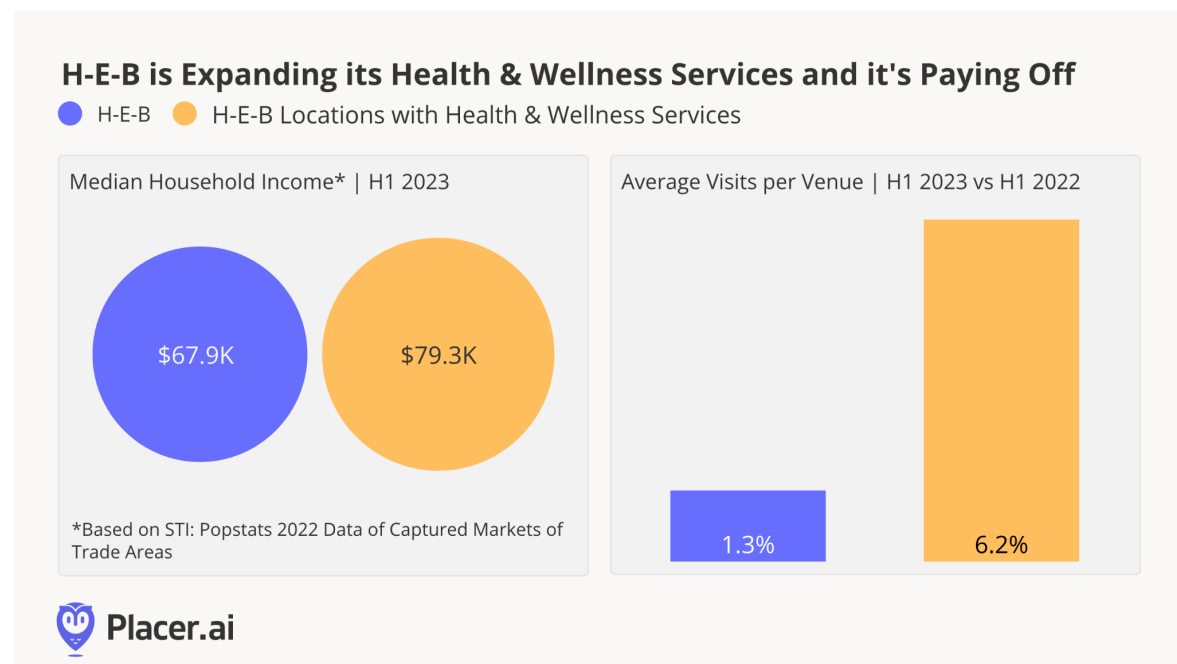
## Grocers Promote Total Health Beyond Food

Leading grocery players are also leaning into the heightened interest in health and wellness. [H-E-B](#) – the dominant grocer in Texas – found continued success in H1 2023 as it developed its fleet of [primary care clinics](#) and nutrition services. The company – one of the growing number of grocers that have integrated [health services](#) into their brands – launched its nutrition and clinical services “[H-E-B Wellness](#)” platform last year. The platform offers consultations with [dietitians](#) and [physicians](#), lab testing, and vaccines at various price points based on either a monthly membership or single visit fee scale.

Comparing visits to H-E-B locations with wellness services with visits to the chain overall in H1 2023 revealed that stores that offered clinical or nutritional

consultations attracted visitors with a higher median HHI than those that did not. H-E-B stores with these services also had greater YoY visits per venue growth than H-E-Bs without these programs.

The higher median HHI of visitors to H-E-B stores with the wellness platform could be due in part to the added expense of healthcare or nutritional consults on top of groceries. H-E-B appears to be attracting more affluent consumers – who likely have other healthcare options – perhaps due to the convenience of grocery shopping and getting a check-up in [one stop](#). And H-E-B can benefit from visits from these higher income consumers who likely have more spending power throughout the store. Additionally, because H-E-B's wellness platform offers [monthly subscriptions](#), visitors who utilize these services may be motivated to visit a participating store more regularly, which likely contributed to these stores' significant visits per venue growth.



## Off-Price and Dollar Stores Seized the Day

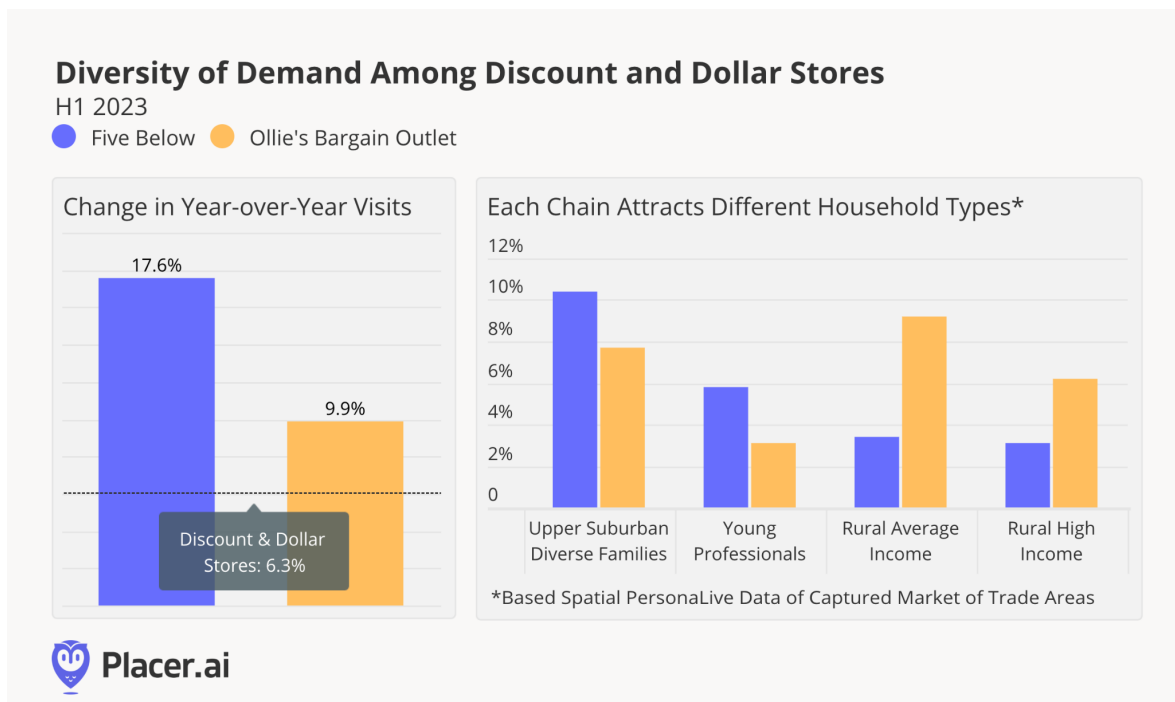
Discount and dollar stores as well as off-price retailers also came out on top in H1 as inflation-impacted shoppers – including regular consumers of the category and those who [traded down](#) from other retailers – flocked to these chains in search of value.



## Ollie's Bargain Outlet and Five Below

[Ollie's Bargain Market](#) and [Five Below](#) have been expanding their store fleets and seeing YoY visit growth for quite some time. And diving into the psychographic makeup of these brands' visitor base highlights the variety of value-conscious shoppers and the diversity of the Discount & Dollar Store category.

[Trade area analysis](#) of Ollie's and Five Below using the [Spatial.ai: PersonaLive](#) dataset revealed that, in H1 2023, Five Below had a greater share of visitors from Upper Suburban Diverse Families and Young Professionals, while Ollie's claimed a higher share of Rural Average Income and Rural High Income visitors.

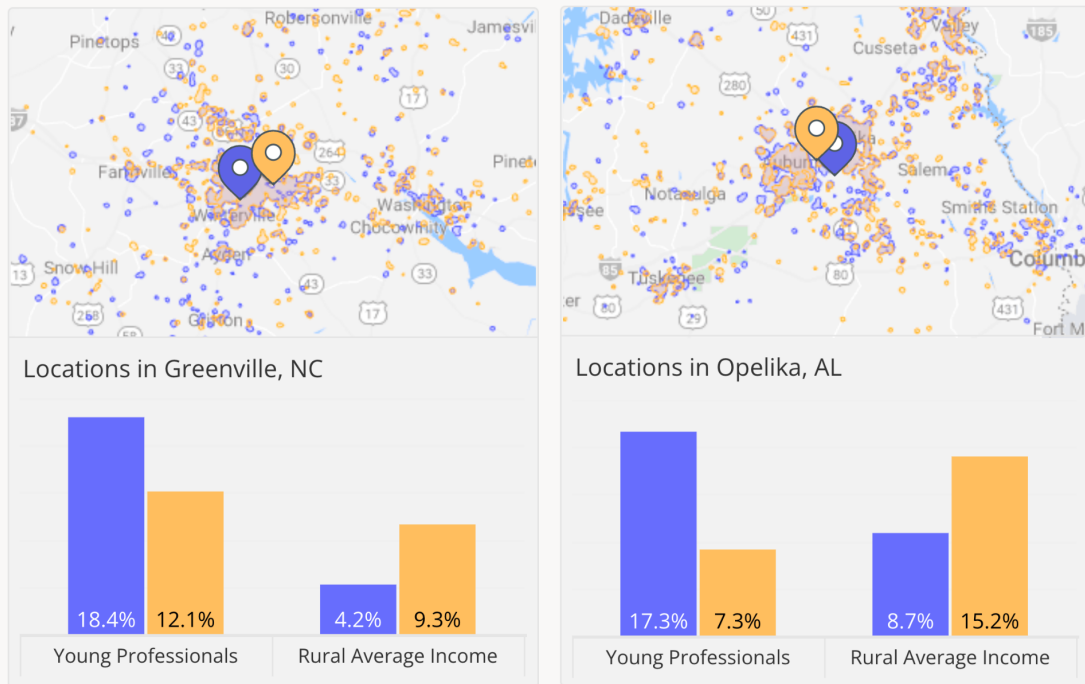


The differences between the two chains' visitor base are also apparent when analyzing stores on a local level. In Greenville, NC, and Opelika, AL – where consumers had the option of visiting both retailers in H1 2023 – Ollie's drove traffic from a larger share of Rural Average Income visitors while Five Below attracted a greater share of Young Professionals.

## Neighboring Ollie's and Five Below Attract Different Households\*

H1 2023

● Five Below ● Ollie's Bargain Outlet



\*Based on Spatial: PersonaLive Data of Captured Markets of Trade Areas



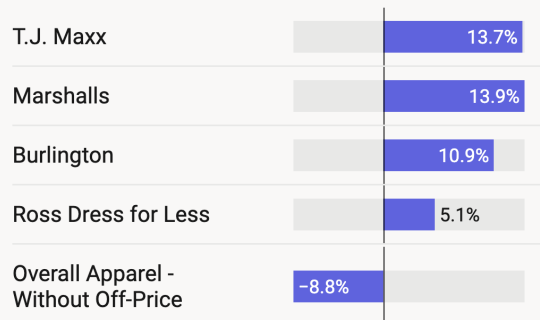
This indicates that, in the first half of 2023, discount and dollar store shopping appealed to consumers of many backgrounds. And while some may have been regular dollar store visitors, others were likely motivated by inflationary concerns and the need to [stretch their dollars further](#). And because Ollie's and Five Below tend to resonate with local audiences that match the visitor mix of the chains as a whole, there should be plenty of room for both brands to succeed as they expand into new markets.

## Off-Price Power

Along with discount and dollar stores, off-price retailers – among them T.J. Maxx, Marshalls, Burlington, and Ross Dress For Less – capitalized on the growing [demand for value](#) in the apparel and home goods spaces in H1 2023. And as demand grew, many of these brands continued to up their [store counts](#), which likely also played a part in the YoY visit growth of off-price retailers.

And as consumers continued to favor experiences and retail visits that offered something extra, the [treasure-hunt](#) atmosphere that awaited consumers in-store may have also helped drive foot traffic. With plenty of new [merchandise available](#) to off-price sellers, consumers had ample motivation to visit off-price stores for attractive finds at steep bargains.

H1 2023 Compared to H1 2022



Created with [Datawrapper](#)

## Capitalizing on Consolidation

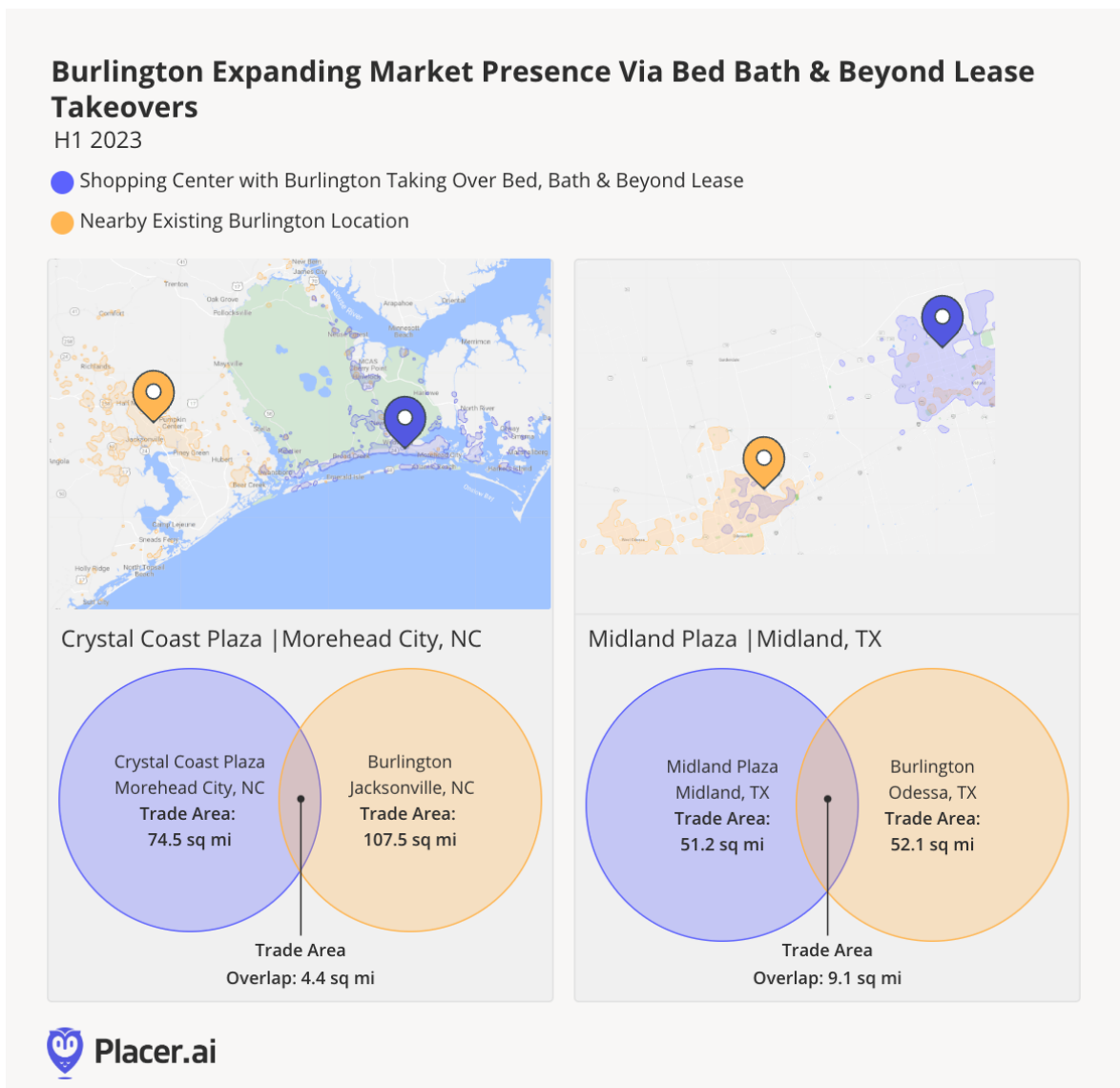
Another recurring theme in H1 2023 was the [consolidation](#) of certain retail categories, with several larger retailers standing to gain from the closures of competing chains.

### Burlington and Barnes & Noble

[Bed Bath & Beyond](#)'s recent Chapter 11 filing put many of the brand's retail locations on the market, and several [companies](#) looking to expand their footprints – [including](#) Barnes & Noble and Burlington – have been quick to snatch up these venues. Zooming in on two of Burlington and Barnes & Noble's lease takeovers can lend insight into how the new locations may be an ideal fit for the chain.

An H1 2023 trade area analysis of an existing Burlington store in Jacksonville, NC and a soon-to-be converted Bed Bath & Beyond in Morehead City, NC revealed that the

two venues had minimal trade area overlap. Additional analysis also revealed that a Burlington in Odessa, TX and a nearby Bed Bath & Beyond that will become a Burlington in Midland, TX also had limited trade area overlap. This suggests that Burlington can expect little cannibalization of existing store visits as it converts these new locations.



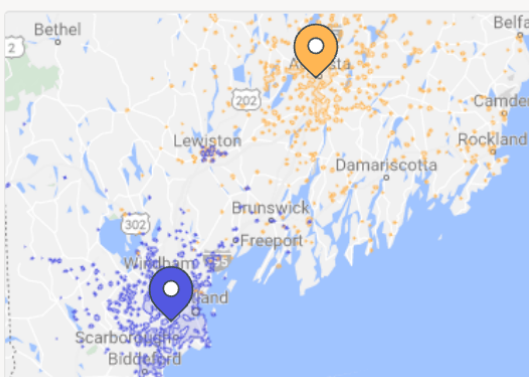
Trade area analysis revealed a similar theme for Barnes & Noble's venue bids. The bookseller is set to take over a Bed Bath & Beyond in South Portland, ME – near an

existing Barnes & Noble location in Augusta, ME – and in H1 2023, these venues had relatively small trade area overlap. In Santa Fe, NM, trade area analysis of the bookseller’s planned takeover told a similar story. Here, an existing Barnes & Noble in Albuquerque, NM had almost no trade area overlap with the Santa Fe, NM Bed Bath & Beyond in H1 2023. It appears that the Santa Fe, NM and South Portland, ME markets are virtually untapped by Barnes & Noble thus far, and both could have the potential to attract new visitors to the chain going forward.

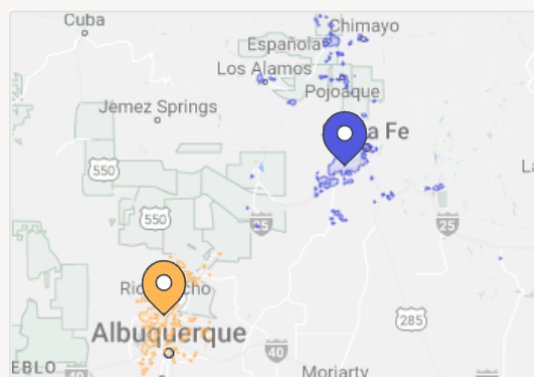
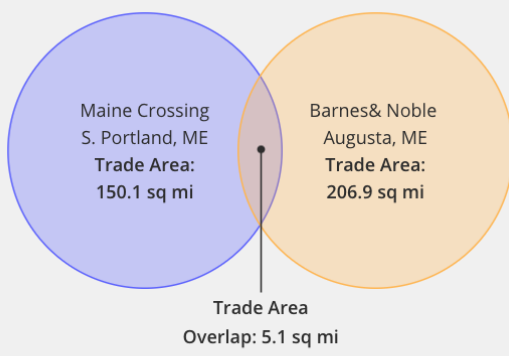
## Bed Bath & Beyond Leases Provide New Market Expansion Opportunities for Barnes & Noble

H1 2023

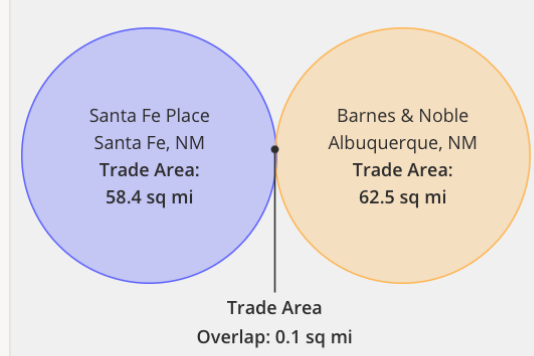
- Shopping Center with Barnes & Noble Taking Over Bed, Bath & Beyond Lease
- Nearby Existing Barnes & Noble Location



Maine Crossing | South Portland, ME



Santa Fe Place | Santa Fe, NM



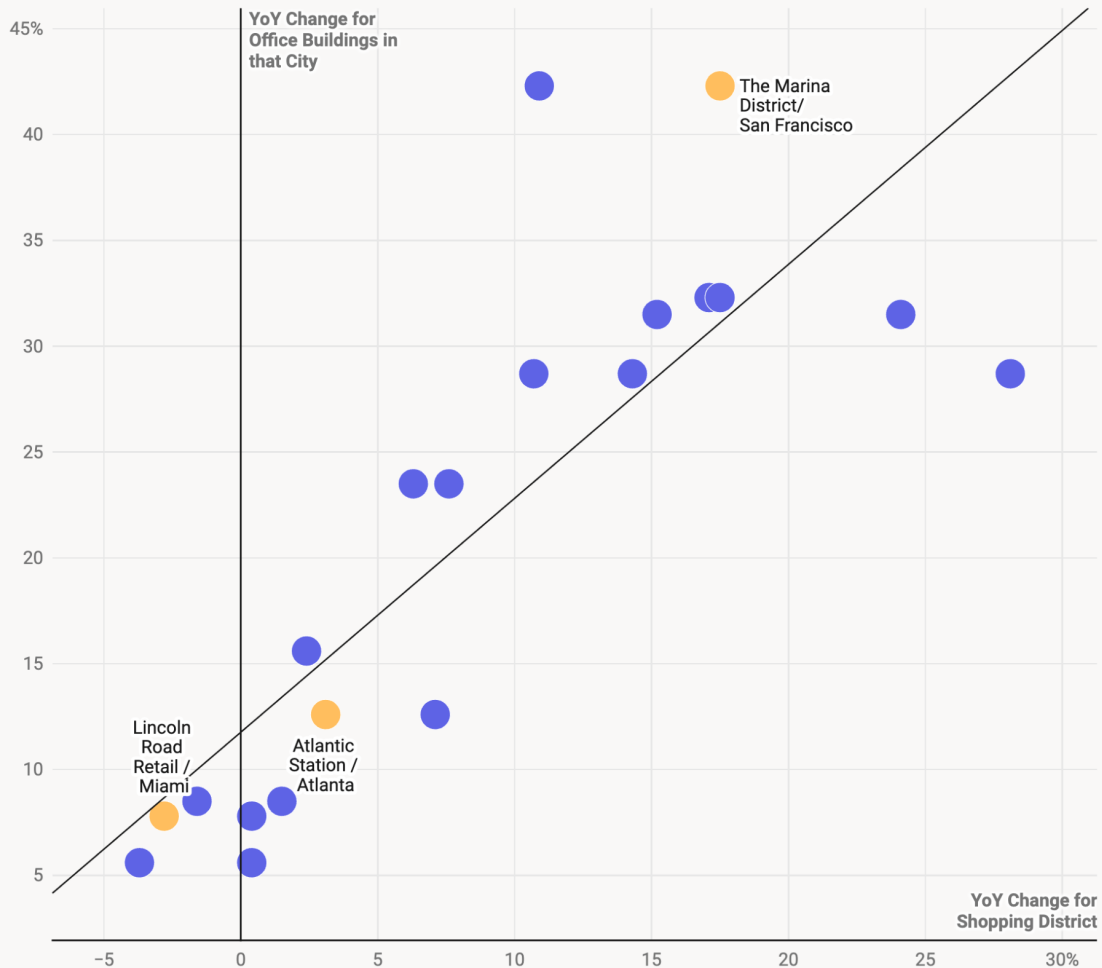
## Return-to-Office and the Retail Impact

The final stop of this report is an exploration of the impact of employees' return-to-office (RTO) on retail visits. Foot traffic to U.S. [office buildings](#) hovered around 60% of pre-pandemic levels for most of H1 2023 as [flexible work](#) models persisted, but some business centers are experiencing higher shares of on-site workers than others. These patterns have far-reaching effects on the planning and service of transportation networks and on the businesses that hope to attract [employees during their workday](#).

Analysis of YoY office and retail foot traffic for several shopping districts in H1 2023 revealed the correlation between workplace attendance and retail foot traffic in nearby shopping districts. In broad strokes, the shopping districts with a larger increase in YoY office attendance were more likely to have greater YoY retail foot traffic growth – signaling the [recovery](#) of commercial and employment hubs and offering further evidence of the close relationship between workers and area businesses. Shopping districts could benefit from investing in [co-working spaces](#) with the potential for daily traffic from different groups of workers on their respective on-site work days.

## Could the Return to Office Impact the City's Shopping Districts?

H1 2023 Visits Compared to H1 2022



Source: Placer.ai • Created with [Datavrapper](#)



## H1 2023 In The Books

The current economic landscape is not without its fair share of challenges for both retailers and consumers. But H1 2023 revealed the many sectors and companies that have proven their ability to thrive in a dynamic market.

As businesses continue to recover from the pandemic and inflation begins to ease, brands can take the lessons learned from recent years and chart a path forward for ongoing success.

## Key Takeaways

1. **Summer Retail Looks Bright.** With May 2023 seeing the lowest rate of inflation in two years, overall retail foot traffic could remain elevated into H2 2023.
2. **Beauty and Fitness Sustain Performance.** Home-grown habits gave rise to consistent visits in the fitness and beauty categories as demand for cosmetics and health clubs endures.
3. **Health is High-Priority.** Veggie-heavy restaurants attract consumers of all means. And grocers that promote nutrition as part of a healthcare platform garnered consumer attention in H1 2023.
4. **Off-Price and Dollar Stores Soared.** Consumers of various backgrounds flocked to discount chains in search of value, proving that these retailers have something for everyone.
5. **Some Rise Where Others Fall.** Consolidation in various retail categories has paved the way for brands undergoing expansion to take over valuable real estate and reach new markets without cannibalizing existing visits.
6. **Return-to-Office (RTO) and Retail Link.** A close relationship exists between workplace attendance and retail foot traffic. Commercial hubs with a larger increase in YoY office attendance were more likely to have greater YoY retail foot traffic growth.