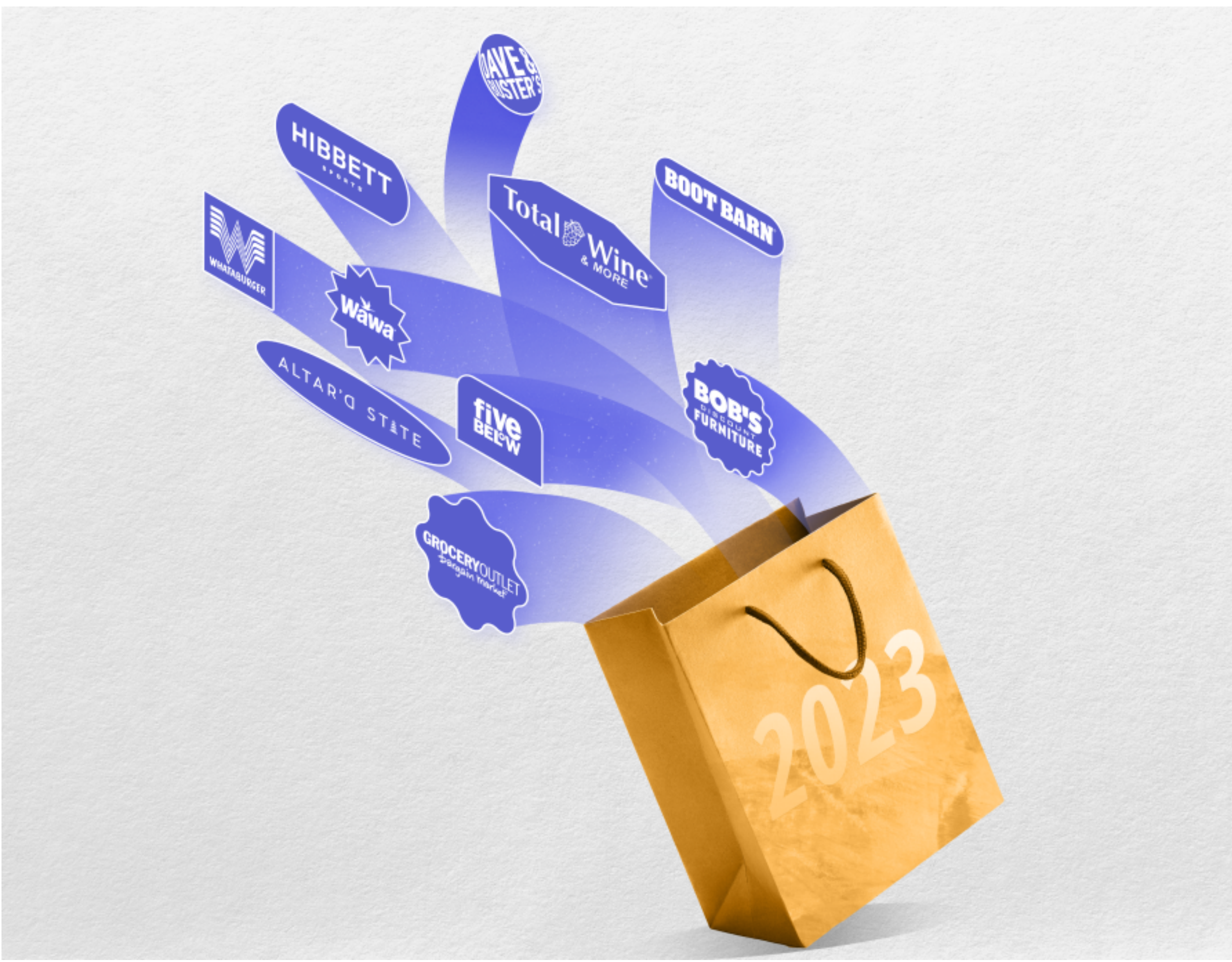
January 2023

10 Top Retail Brands to Watch in 2023

This report draws on layers of geospatial, psychographic, and foot traffic data to reveal 10 retail brands with a winning strategy for the coming year.



Placer.ai

The 2023 Opportunity

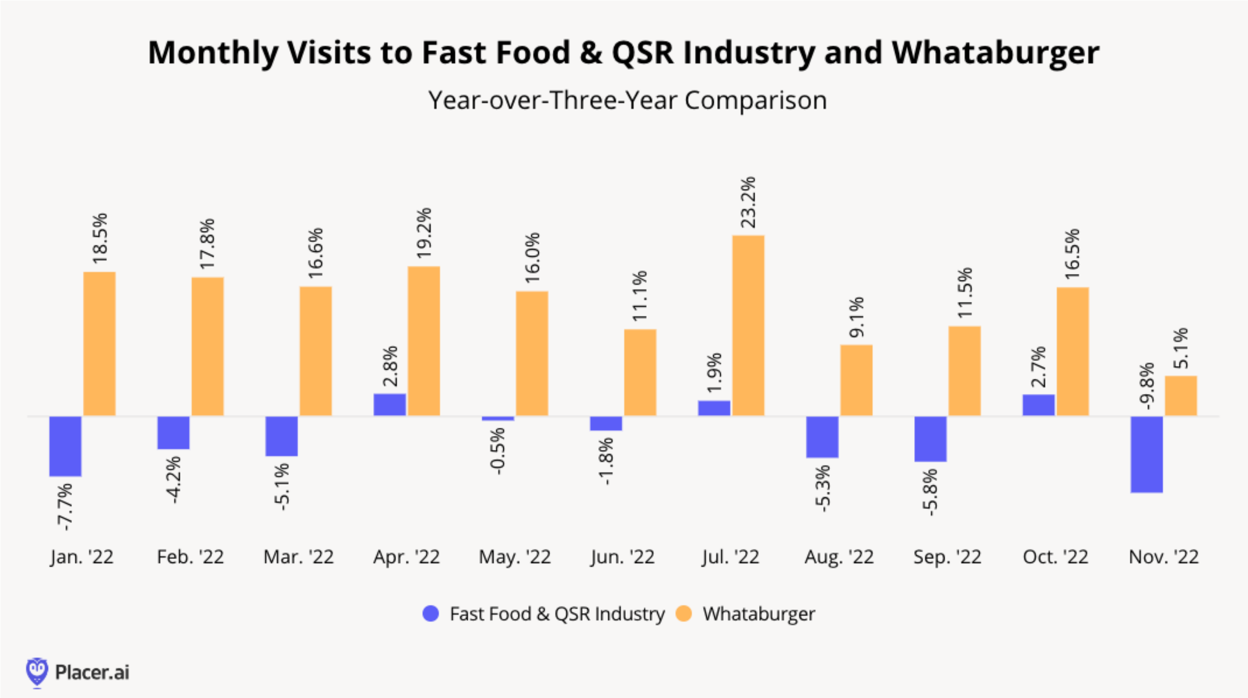
The past year was a tumultuous one for retail, as a post-pandemic shopping boost gave way to historic inflation, rising gas prices, and the looming threat of a recession. At the same time, the changing economic and consumer landscape is creating new opportunities – and certain companies are particularly well-positioned to benefit from these shifts.

This white paper takes a closer look at 10 brands to watch in 2023. Several of the chains are uncovering expansion potential in underserved markets with huge growth potential. Some are capitalizing on shifts in consumers preferences while others are doubling down on value pricing to appeal to bargain hunters. And while each company highlighted here is implementing a slightly different approach, these 10 brands have one thing in common – they all have a winning strategy for the coming year. Read on for some of 2023's retail winners.

Whataburger: Cult Classic Capturing Visits

2022 was a big year for many regional QSR chains, with In-N-Out Burger, Culver's, and Cook Out all gaining visitation share in their respective markets. San Antonio, TX-based Whataburger and its cult following appears particularly well-positioned to replicate its success in 2023. The company's store openings are often characterized by long lines of hungry customers, some of whom have waited for hours to try burgers. Recognizing the strength of the brand, BDT Capital Partners purchased the chain in 2019 with the intention of expanding Whataburger's footprint.

Whataburger increased from 828 to 923 locations between 2019 to 2022, and foot traffic to the chain skyrocketed accordingly. In the time period from January and November 2022, the company significantly outperformed 2019 – October and November 2022 saw year-over-three-year (Yo3Y) visit increases of 16.5% and 5.1%. Whataburger's Yo3Y visits also dramatically outperformed Yo3Y nationwide QSR traffic trends.

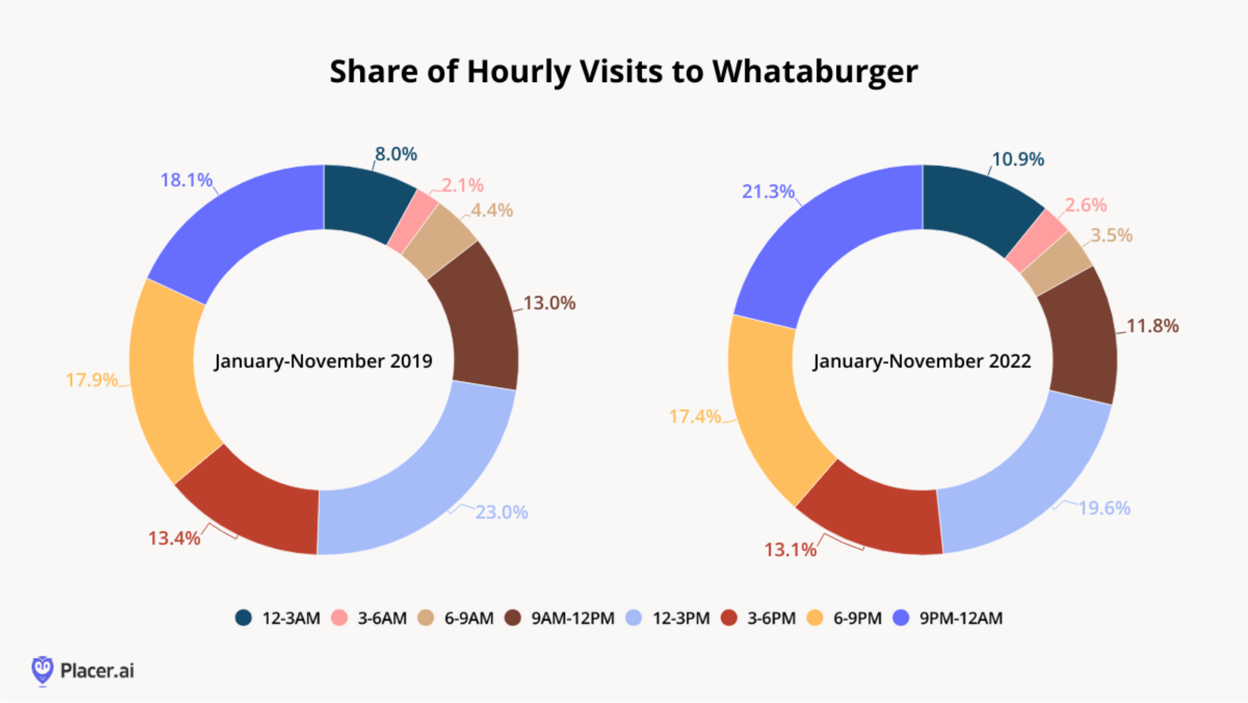


Whata-Late-Night-Stop

Some of Whataburger's traffic increase may be due to its opening hours. The chain is known for staying open 24 hours a day, a significant draw at a time when more and more restaurants shut their doors earlier in the evening. And location analytics indicates that an increasing number of visitors are indeed taking advantage of this late night option.

Between 2019 and 2022, the share of visits from 9 PM -12 AM grew from 18.1% to 21.3% – a significant increase in visits given the chain's overall growth. Late-night visits grew as well, with the percentage of visits in the 12 - 3 AM time slot growing from 8.0% in 2019 to 10.9% in 2019.

The combination of Whataburger's cult status, its new focus on expansion, and its late-night hours in the context of a shifting dining landscape all bode well for the chain heading into 2023.

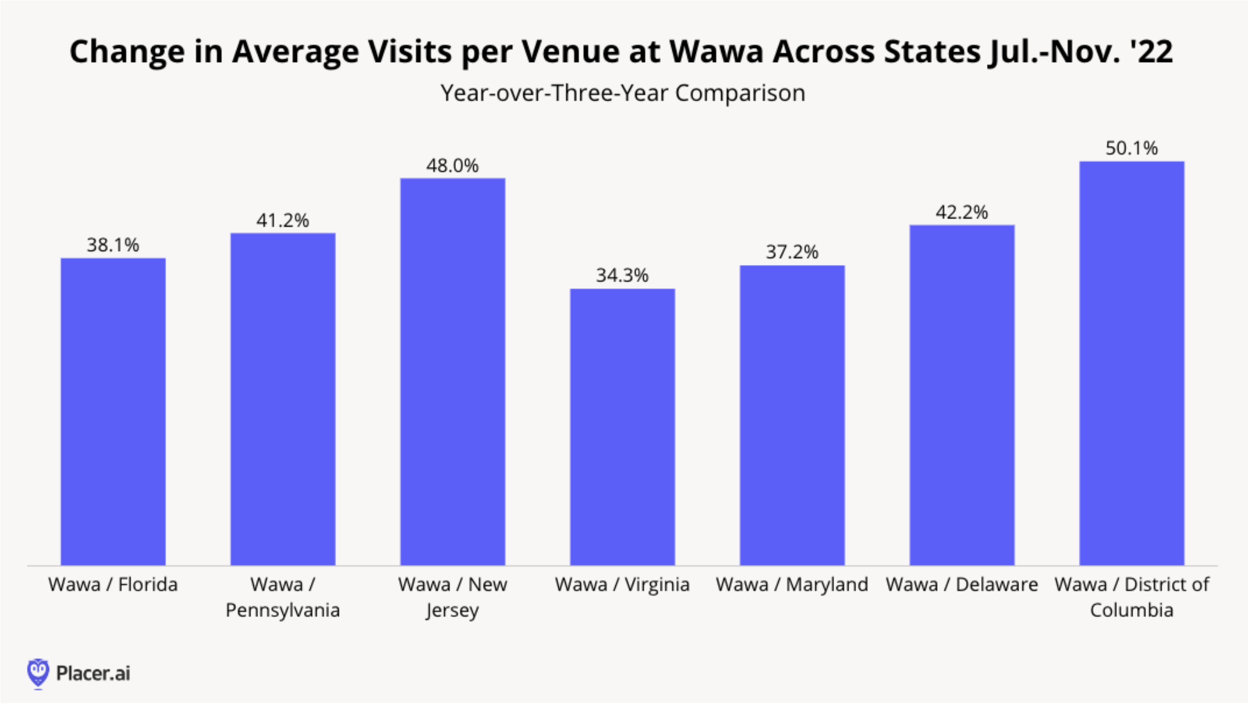


Wawa: The C-Store Darling of Dining

Convenience store food is having a moment. Already in 2020, reports were noting that convenience stores were becoming America's favorite restaurants – and now, the category may even be taking market share from QSR locations.

One convenience store particularly lauded for its food is Wawa, an East Coast chain with locations in seven states. And though the company has been on the top of the convenience store food chain for a while, with gourmet publications Food & Wine and Saveur extolling the chain's culinary offerings, the past few years have seen its popularity soaring.

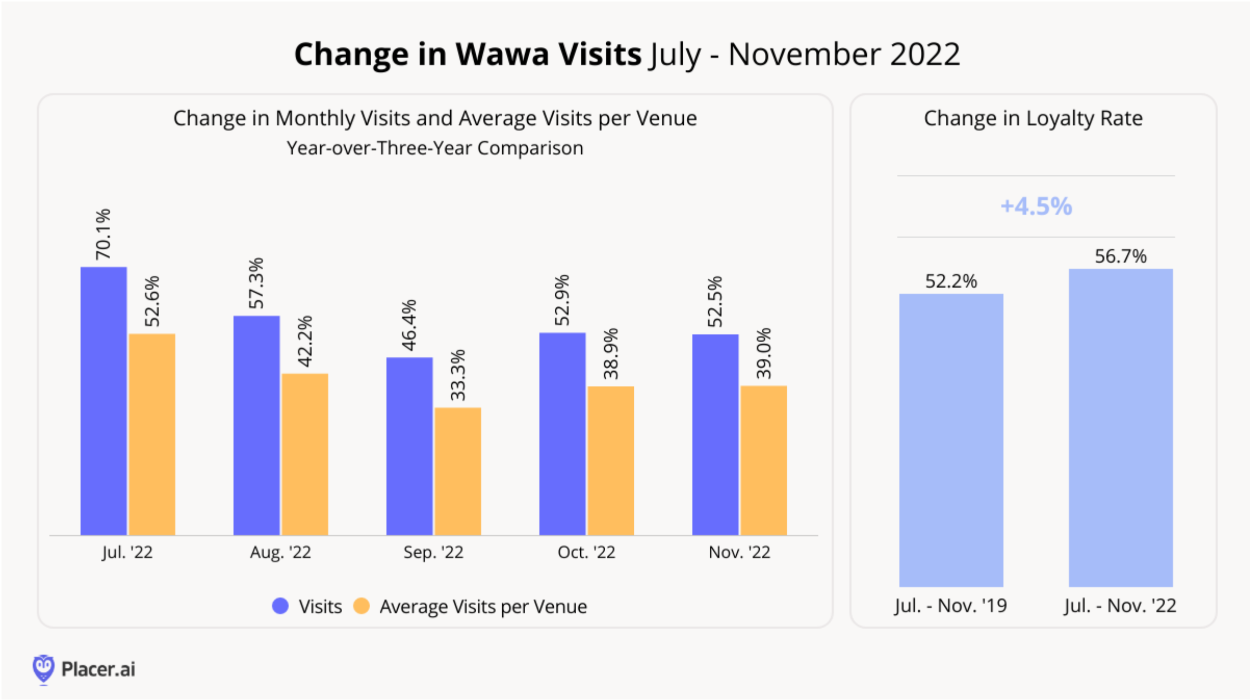
Not only has overall foot traffic to Wawa increased in recent years, average visits per venue have grown as well across all seven states. Wawa venues in New Jersey, Delaware, and D.C., saw the largest increases, with 48.0%, 42.2%, and 50.1% more visits, on average, than in 2019, while the remaining states all saw average visit per venue growth between 34.3% and 41.2%. The strong performance may be incentivizing the chain to continue expanding: Wawa recently announced plans to open locations in four more states – Tennessee, Indiana, Kentucky, and Ohio. According to Wawa CEO Chris Gheysen, the company plans to operate 1,800 locations by 2030.



Wawa's Loyalty Driving Expansion

Aside from having some of the most highly-regarded convenience store food in the country, Wawa also has seriously loyal customers, dubbed "Wawaholics." One couple even tied the knot at the Wawa where they first met, while another tattooed the company's name on his body.

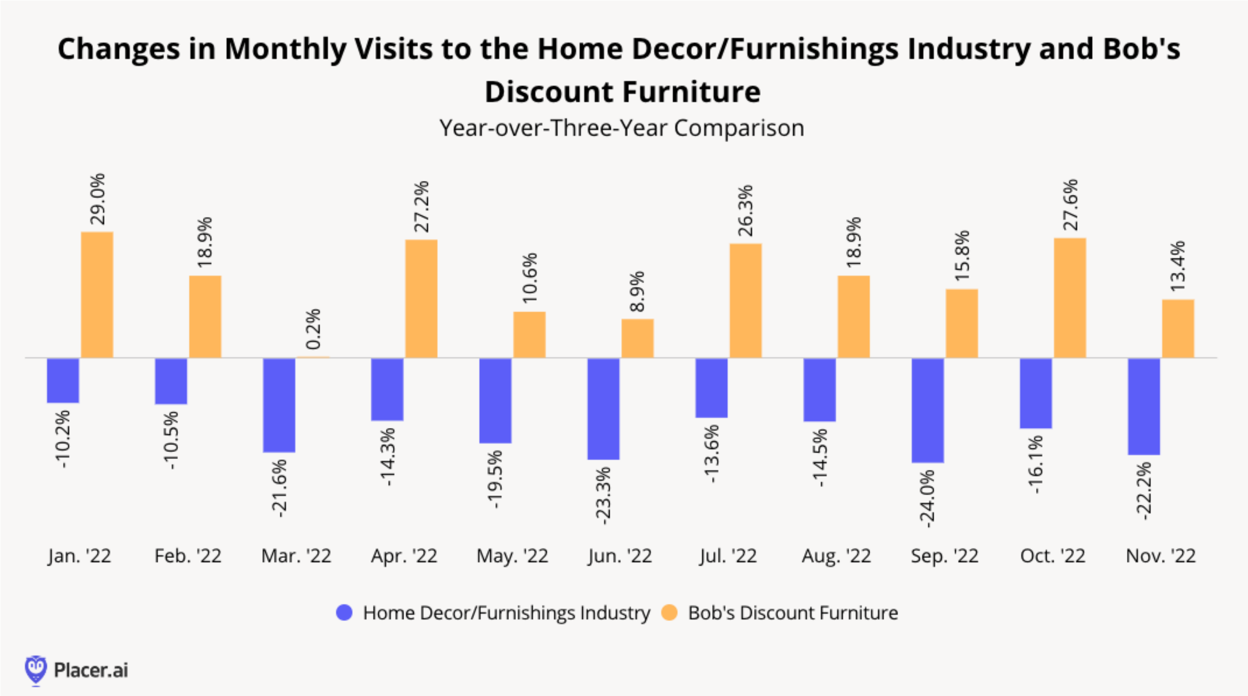
And, this loyalty has only been increasing compared to 2019. Between July and November 2022, the share of loyal customers – customers returning to a Wawa location more than twice in a given time period – increased by 4.5% when compared to the same period in 2019. This juxtaposition of strong loyalty, expansion plans, and food that is celebrated by foodies and regular joes alike can help position the brand for success into the new year.



Bob's Discount Furniture: Holding Onto Pandemic Gains

The home furnishing segment enjoyed a pandemic boost as people under work-from-home (WFH) mandates found themselves wanting to spruce up a home office or tackle a DIY project. Since then, the majority of the home decor retailers have seen their visit patterns return to pre-pandemic levels.

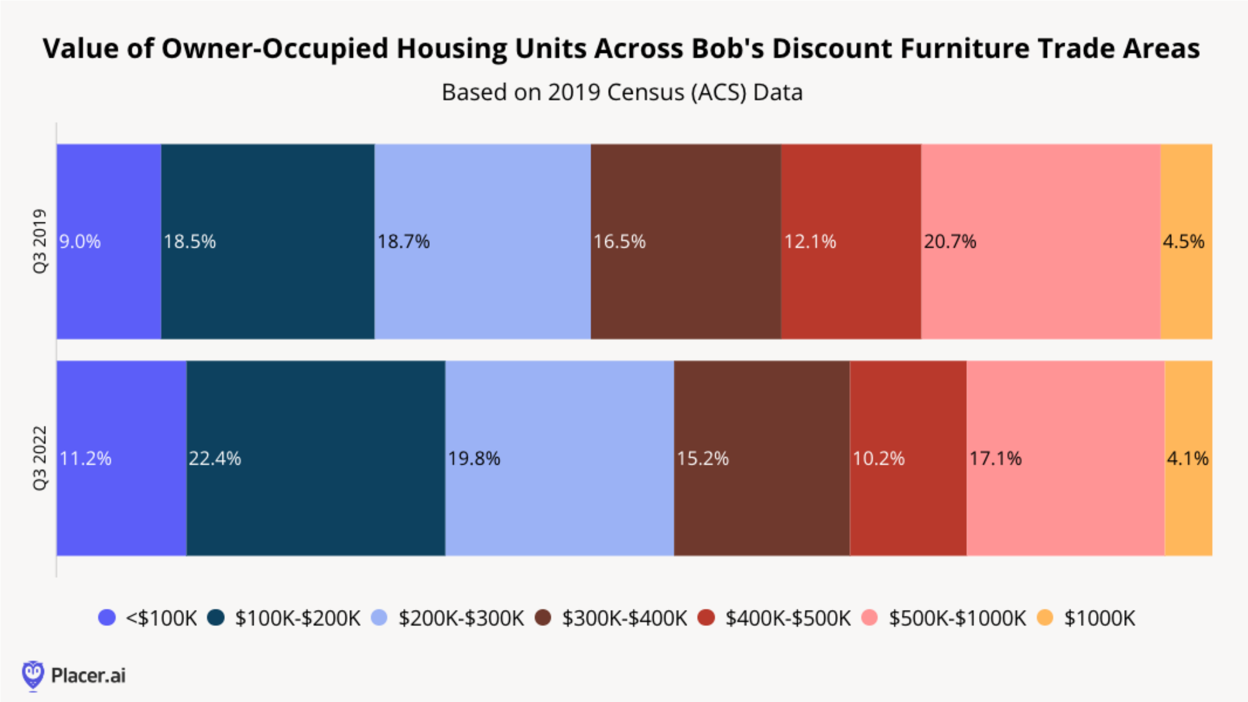
But some retailers – such as Bob's Discount Furniture – appear to be holding onto pandemic gains. The brand offers both value-priced home goods and decor as well as complimentary coffee in all of its stores. October and November 2022's Yo3Y monthly foot traffic grew 27.6% and 13.4%, respectively, while overall home decor and furnishings visits fell 16.1% and 22.2% in the same period.



Bobbing For Discounts

Bob's Discount Furniture is also seeing a significant demographic shift within its trade areas. The retailer saw an increase in the share of lower-value, owner-occupied housing (homes that are owned by the residents living in them) between Q3 2019 and Q3 2022. According to 2019 U.S. Census data, the share of homes priced between $100,000 and $200,000 in Bob's trade areas increased from 18.5% in Q3 2019 to 22.4% in Q3 2022, and the share of homes valued at under $100,000 increased from 9.0% to 11.2% in the same time period. It is important to note that housing prices across the United States have increased significantly since 2019 when this data was collected – but since the increase was across the board, the relative proportion of low-cost homes within the trade areas analyzed likely remained steady, even if the actual value of the homes has grown.

Embedding stores in areas with lower home values isn't holding the chain back – instead, it may even be helping the company grow more effectively. As home costs continue to increase, would-be buyers in lower home-value areas may be opting to redecorate their homes instead of moving – at least until the market cools down a bit.



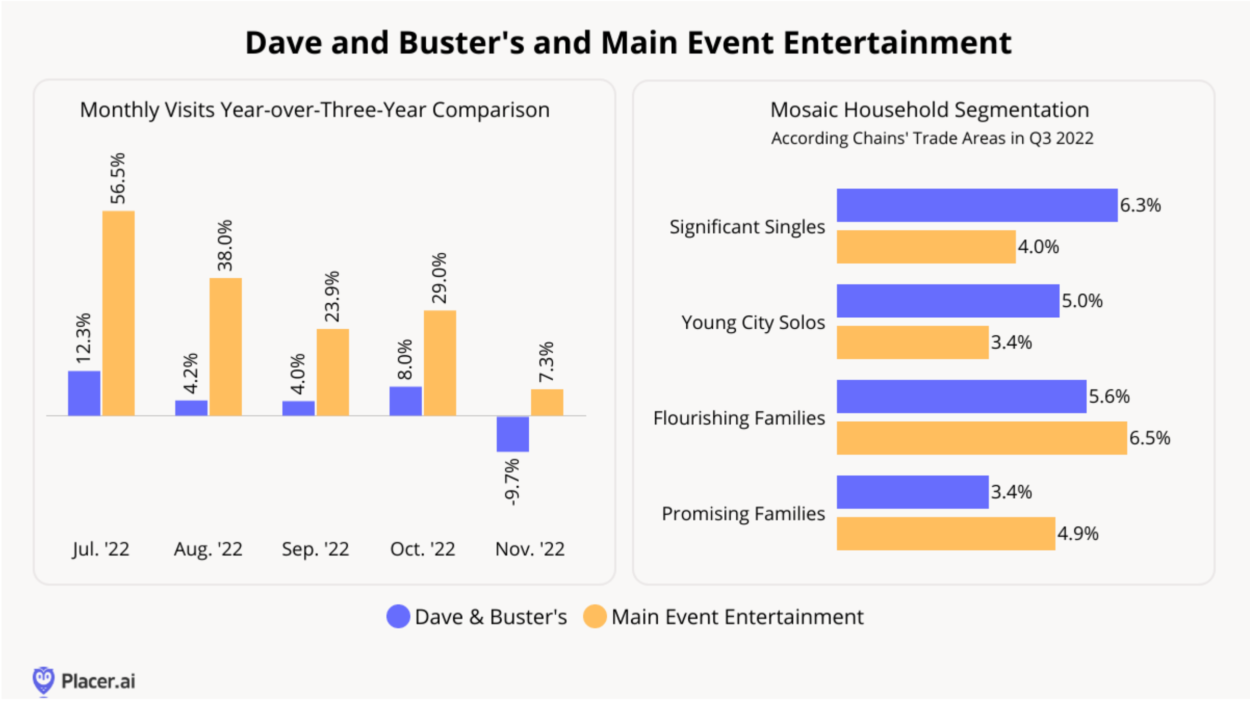
Dave & Buster's and Main Event Entertainment: Targeting the Right Audience

The young-at-heart are making their mark on the retail world. Adults drive a quarter of toy sales, and Happy Meals for grown-ups have fueled foot traffic to McDonald's. Now, "eatertainment" – the combination of dining and a fun activity – is on the rise. And few are better positioned to benefit from this trend than Dave & Busters. The chain offers a mix of arcade games, a full-service restaurant, and a bar, making it a natural choice for "kidults" looking for a combination of dining and experience.

In June 2022, Dave & Busters finalized the acquisition of rival Main Event Entertainment, which tends to cater to families – complementing Dave & Buster's young adult focus. And like Bob's Discount Furniture, the trade areas for Dave & Busters and Main Event Entertainment show alignment with each chain's target audience.

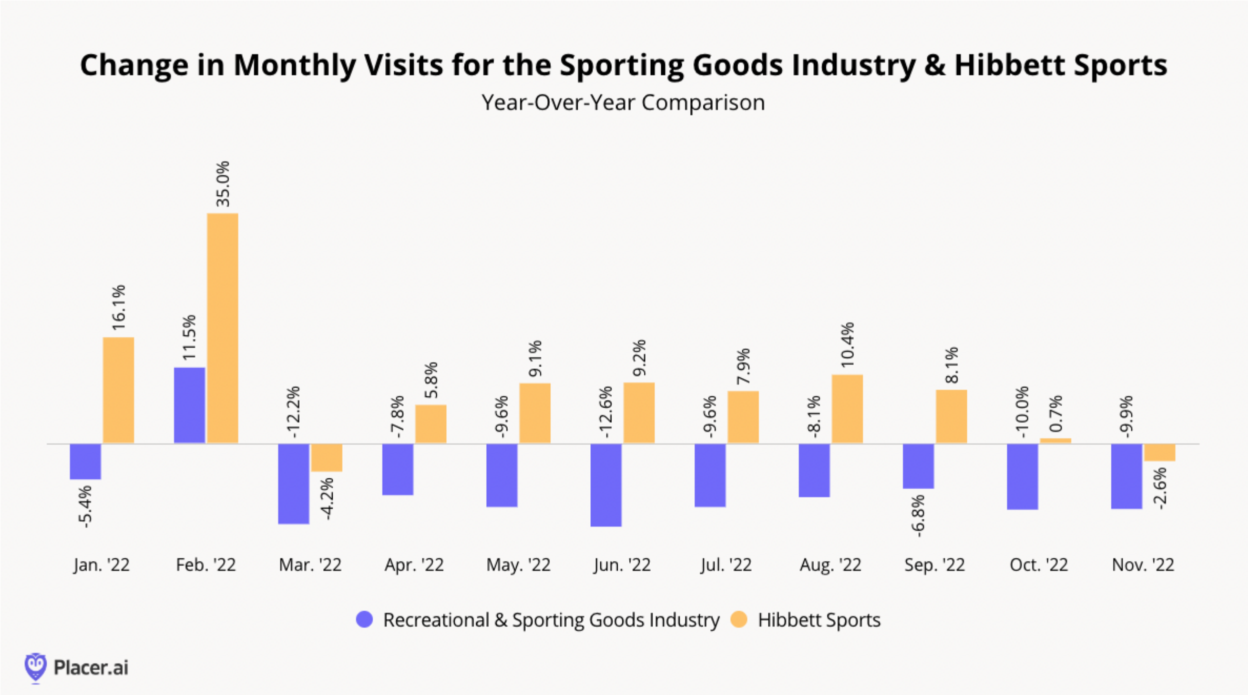
According to consumer lifestyle segmentation tool Experian: Mosaic, which provides in-depth insights into psychographic attributes for various target markets, Dave & Busters and Main Event are located in trade areas best suited to reach each brand's intended audience. Dave & Buster's trade areas have a higher percentages of "Significant Singles" and "Young City Solos," at 6.3% and 5.0% compared to Main Event's 4.0% and 3.4%. Meanwhile, Main Event saw higher rates of "Flourishing Families" and "Promising Families" – 6.5% and 4.9% to Dave and Buster's 5.6% and 3.4%, respectively.

The pointed differences in trade area consumer profiles for both Dave & Busters and Main Event indicates that the brands are choosing their venues strategically in a way that will help them effectively reach their target audiences. As more people seek out unique activities, the company's ability to reach both families and singles through the two brands should continue to serve it well in the new year.



Hibbett Sports: Rural Region Reach

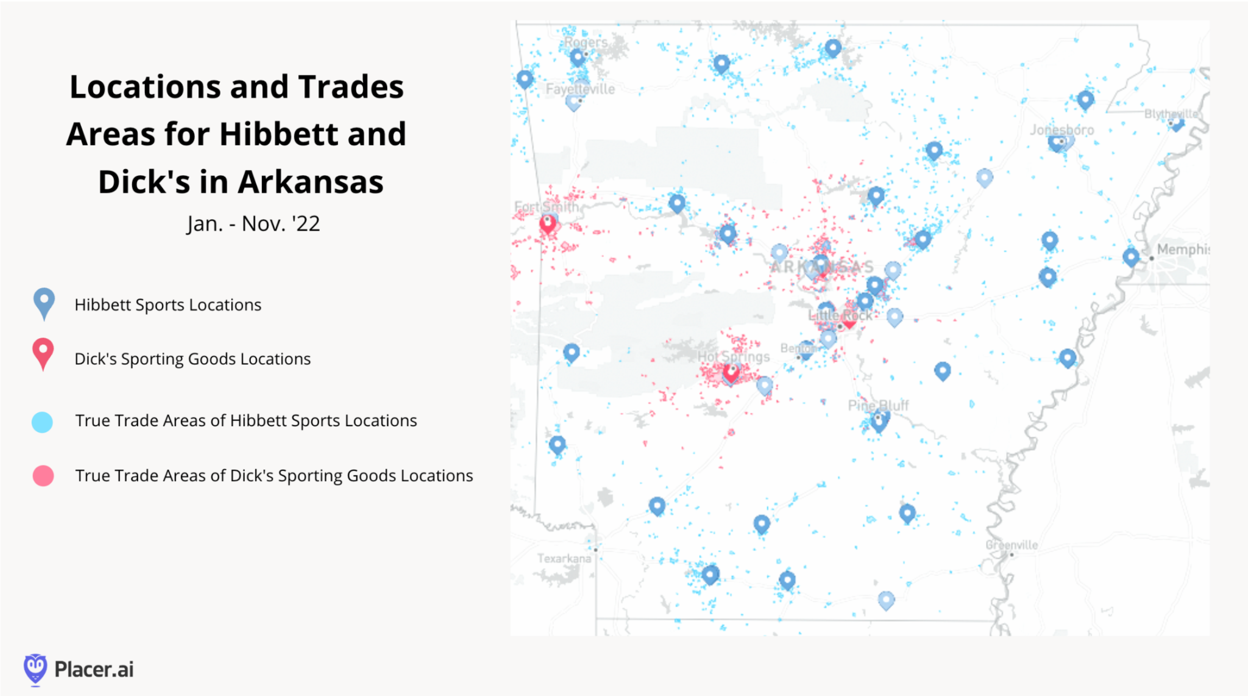
The sporting goods space faced a challenging year as multiple headwinds – commodity cost inflation, supply-chain challenges and a rising consumer price index – all came together to increase costs and reduce retail foot traffic. But one chain – Hibbett Sports – has been thriving despite these challenges. The Alabama-based retailer sells athletic wear, footwear, and sports apparel and has seen year-over-year (YoY) growth nearly all months in 2022.



Limited Local Competition Driving Visits

Multiple factors contribute to the chain's elevated foot traffic (a winning omnichannel strategy helped) but it's Hibbett's ability to target the right audience through its brick-and-mortar strategy that is helping to drive visit growth. The company focuses on opening stores in small and mid-sized markets that capitalize on the growth potential of underserved areas with little to no competition. For example, Hibbett and Dick's Sporting Goods both have locations in Alabama – but the trade areas of most Dick's stores tend to overlap with the trade area of Hibbett stores, while the trade area of most of Hibbett's venues do not overlap with Dick's. Hibbett has successfully placed its stores in locations with limited direct competition – a practice that helps it capture all local market share.

And the chain is likely to continue to benefit from its unique offline reach, especially as sports footwear giant Nike shifts away from wholesale in favor of its own DTC channels, while continuing to collaborate with Hibbett. This strong partnership and Hibbett's small-market strategy should bode well for the brand into 2023.

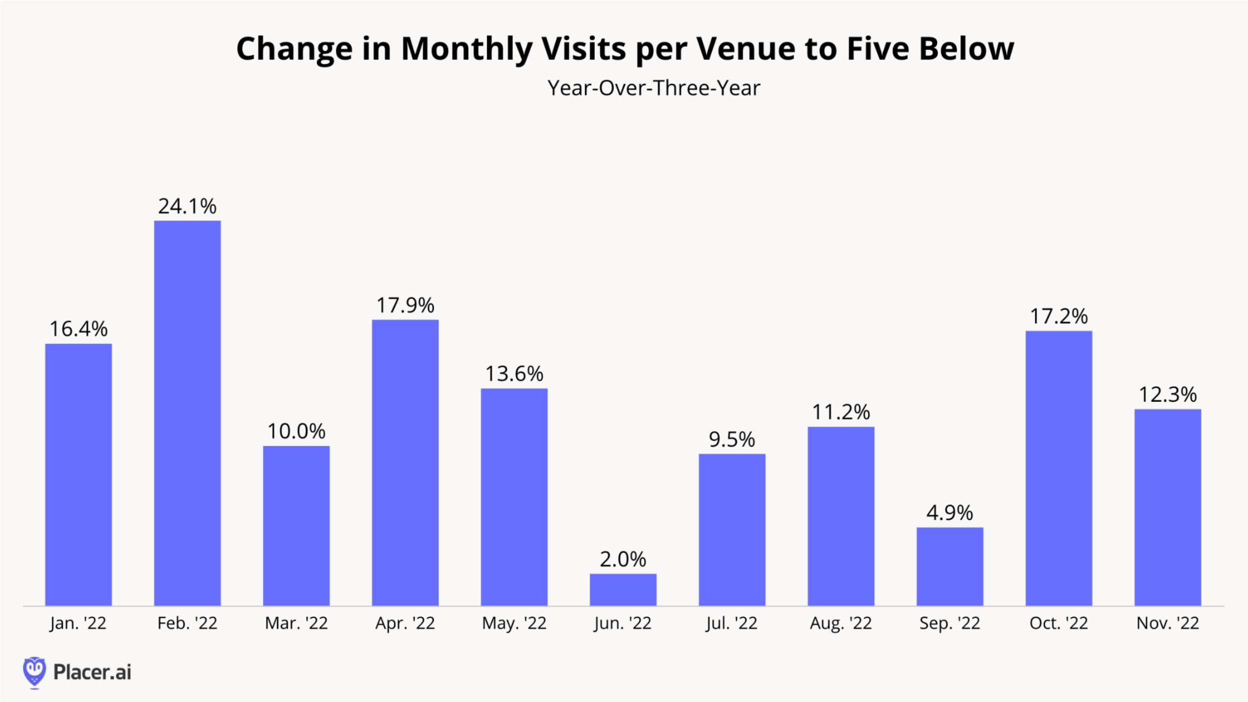


Five Below: Lightning-Pace Growth

While the sporting goods segment may have been held back in many ways by cost increases, the discount and dollar store segment is [thriving](). One that looks poised for a highly successful 2023 is Five Below, a discounter that sells a majority of items for $5 and under, as well as a range of higher-priced products – up to $25. Much of the chain's appeal lies in its position as the go-to discounter for tweens and teens who find that their pocket money can get them a treat from the chain.

Five Below has been on a major growth streak recently, with monthly Yo3Y foot traffic up by double-digits for most of 2022. Some of this elevated foot traffic can be attributed to the chain's impressive expansion, going from 900 stores at the end of fiscal 2019 to 1,190 at the end of fiscal 2021.

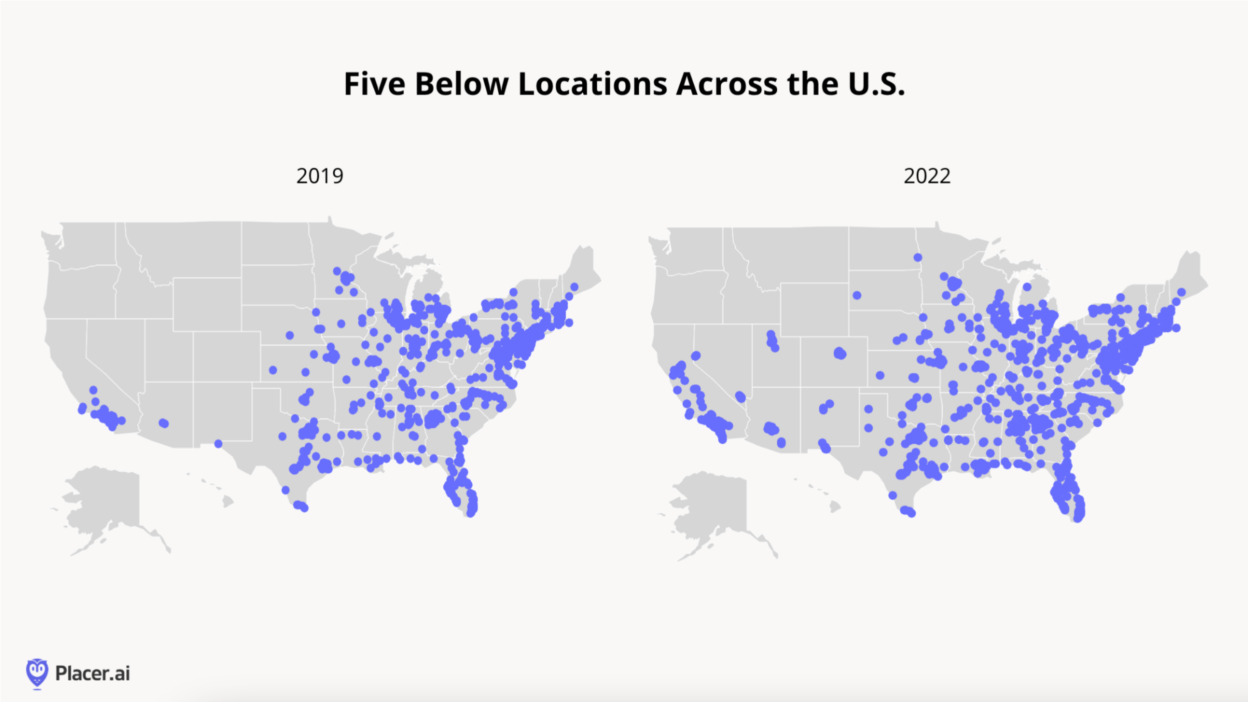
And while it took the chain 18 years to open its first 1,000 stores, Five Below is setting its sights on tripling its footprint by 2030. To that end, the company has set an ambitious target of opening another 1,000 stores by 2025.



Five Below's Cross-Country Expansion

Five Below opened its first store and remains headquartered in Philadelphia, PA and much of its expansion occurred on the East Coast. Since 2019, store openings have begun to make their way west, with the company setting its sights on opening stores in 48 states by 2025. Comparing a map of Five Below locations from 2019 to 2022 shows just how many inroads are being made in the Midwest and West, and the chain plans on continuing that trend in the coming years.

As the company expands both its retail footprint and technological capabilities, its momentum should continue to increase into the new year.

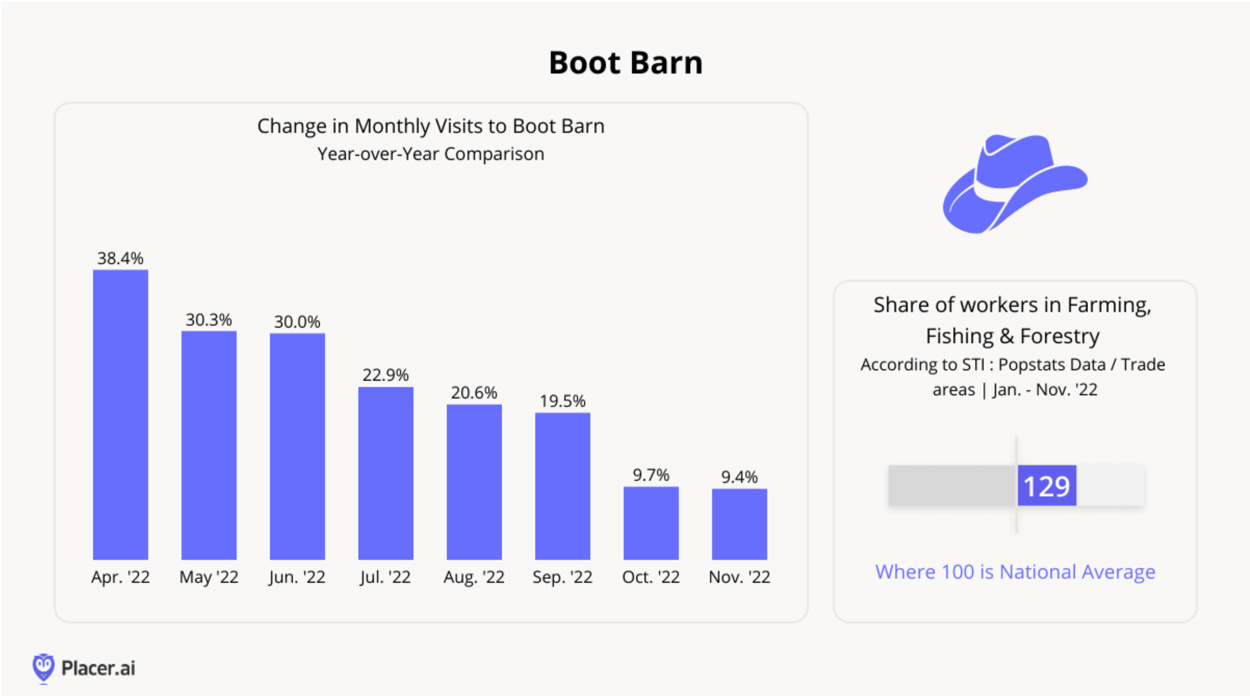


Boot Barn: Flyover State Fashion

Like several other companies on this list, Boot Barn – a Western-focused shoe and apparel retailer – has also been successful by expanding to underserved markets. The company was established in Huntington Beach, CA in 1978 and has since grown to 321 stores with a focus on opening units in areas previously considered to be "flyover states" by retail executives.

Tapping into this market has turned out to be a winning strategy for Boot Barn, which has seen impressive YoY foot traffic growth in recent months. The company found a large, diverse, and receptive audience in both its workwear and everyday options. According to data pulled from STI: Popstats, the share of workers in farming, fishing, and forestry in Boot Barn's trade area exceeds the national average by 29 points, indicating that the company is successfully reaching a consumer segment often overlooked by other apparel retailers. And Boot Barn's appeal to niche audiences isn't stopping the company from catering to the fashion-forward shopper – especially as Western wear increases in popularity.

Boot Barn has deftly managed to reach a wide market segment, from farm workers to fashionistas alike. As the chain continues to grow into new markets, it seems poised for a successful 2023.

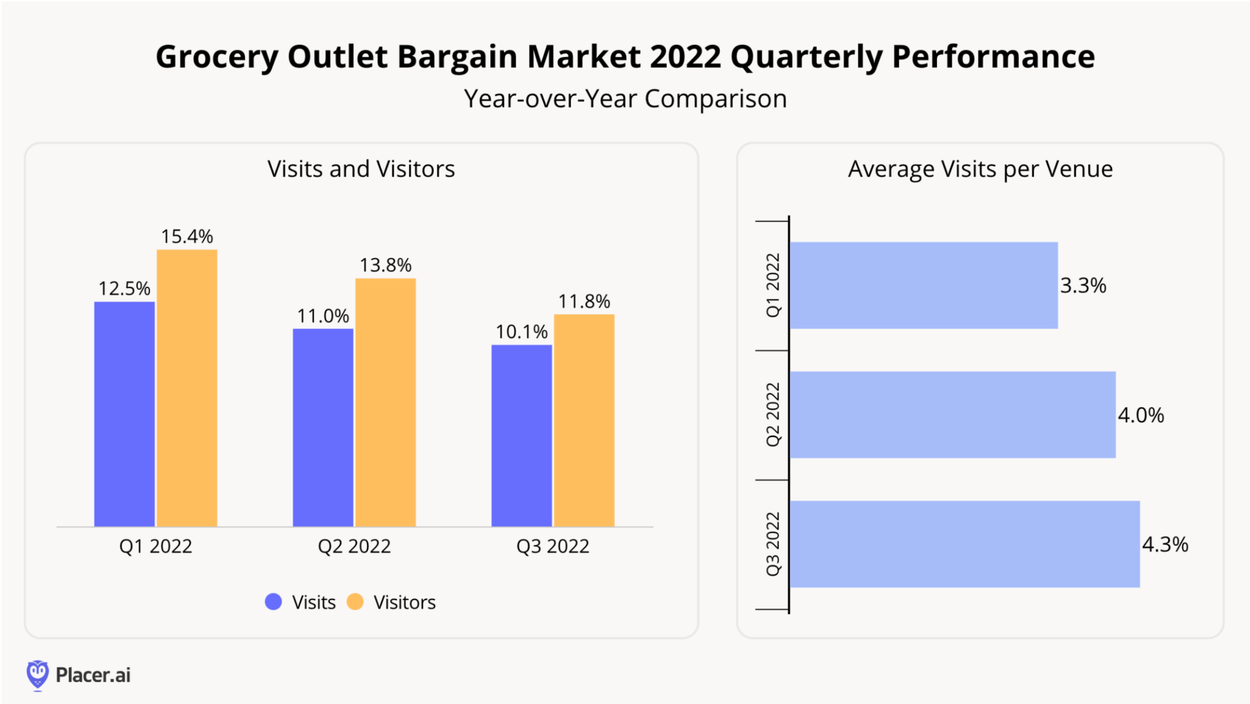


Grocery Outlet Bargain Market: Surplus Savings at the Till

Grocery Outlet Bargain Market (GOBM) launched in the 1940s as a San Francisco-based military surplus store, selling leftover shelf-stable canned rations. Today, the chain gets most of its products via "opportunistic buying," working with brands with excess inventories or whose packaging changes force them to offload items at bargain-basement prices. Grocery Outlet Bargain Market then passes those savings to its customers, who find both pantry staples and off-brand, experimental products at lower prices.

And in a period marked by rapidly rising food prices – a Christmas dinner today costs around 16.4% more than last year – any savings are welcomed. Foot traffic to GOBM indicates just how receptive shoppers are to well-priced groceries – in Q3 2022, the chain saw 10.1% more visits and 11.8% more visitors than in Q3 2021. Visits per venue were also elevated, with 4.3% more visits per venue in Q3 2022 than the same period in 2021.

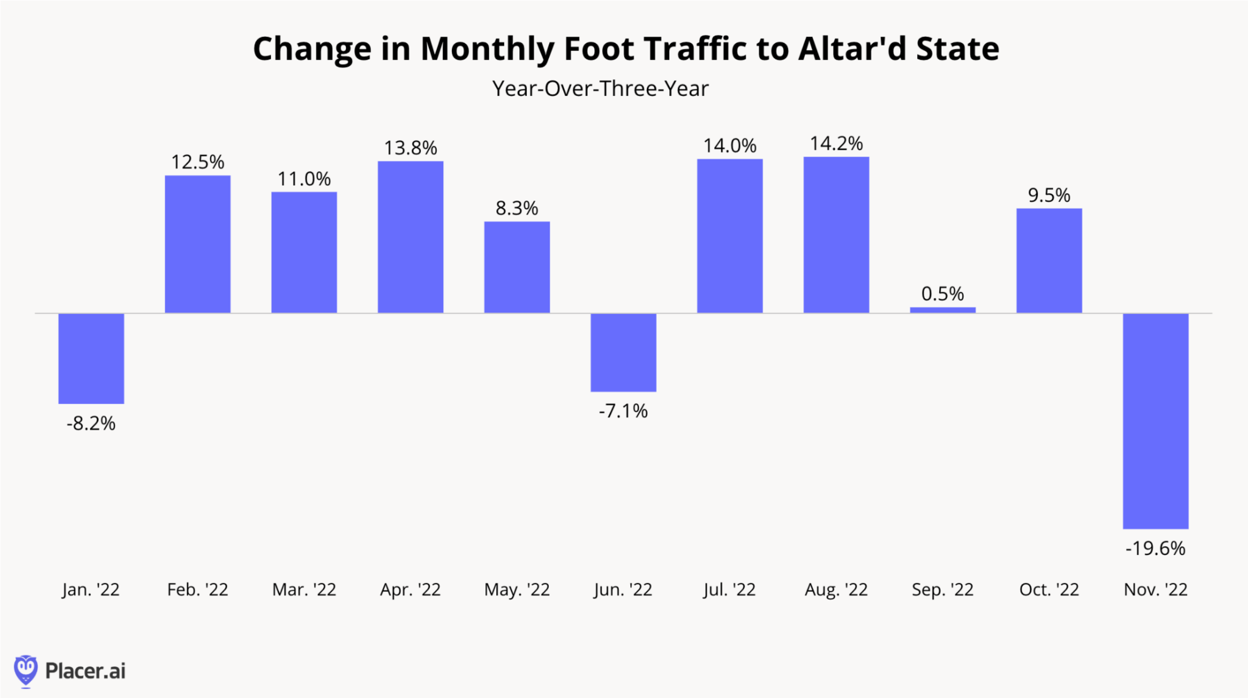
The chain has also been expanding – GOBM has grown from 316 stores nationwide in 2019 to 425 in 2022 and entered the East Coast in 2021. The company's successful cross-country growth proves that customers are willing to look beyond a popular brand when it comes to savings at the till. And with the brand continuing to post impressive earnings and lean into on-demand ordering, 2023 is looking bright.



Altar'd State: Standout Fashion Options

Altar'd State is a Maryville, TN-based clothing retailer that is on the rise. The chain has grown to 128 locations across 39 states since it launched in 2009. While originally positioned as a "modern Christian retail store," the company has since evolved to a retail powerhouse, with four sister brands under its umbrella – a plus-size option, bridal store, children's clothing store and an activewear brand.

Monthly foot traffic growth to Altar'd State stores nationwide shows how receptive consumers are to the brand, with Yo3Y monthly visits elevated for most of 2022. Foot traffic did drop in November, but it was a challenging month for most retailers – and crucially, foot traffic does not capture online sales, which may have helped boost the brand.



Cozy, Cheap, and Chic

Altar'd State sees most of its success in the Southern and Midwestern states, with its cozy-chic fashions popular among young, career-focused women. According to Spatial.ai's PersonaLive Data, the share of young professionals shopping at Altar'd State is 13.6%, significantly higher than the nationwide average of 6.1%.

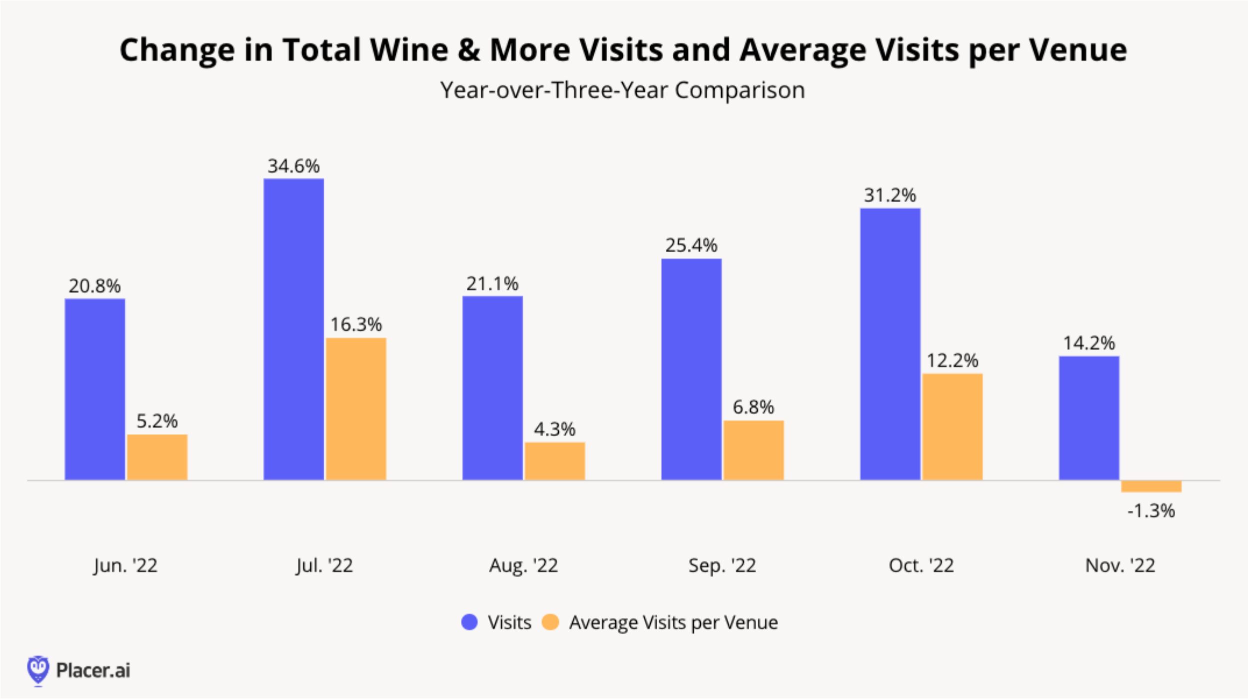
Altar'd State also sees a significant portion of its customers coming from higher-income households, despite its affordable price point – few clothing items on its website retail for more than $150. Residents of the trade areas of the top 10 Altar'd State locations have median household incomes (HHI) 15% higher than the national average.And this number is even higher in the South and Midwest, where the median HHI is slightly lower than the national average.

The combination of strong visit trends and high-income clientele suggests the chain has identified a winning formula that is sure to carry over into the new year.

Total Wine & More: Cornering the Midwest Market

Total Wine & More is the country's largest independently owned wine, beer, and spirits retailer, with 235 stores across 27 states. The pandemic provided a boost to the chain as bars shuttered and home bars and ready-to-drink cocktails rose in popularity, and the company is continuing with expansion plans already set in 2019.

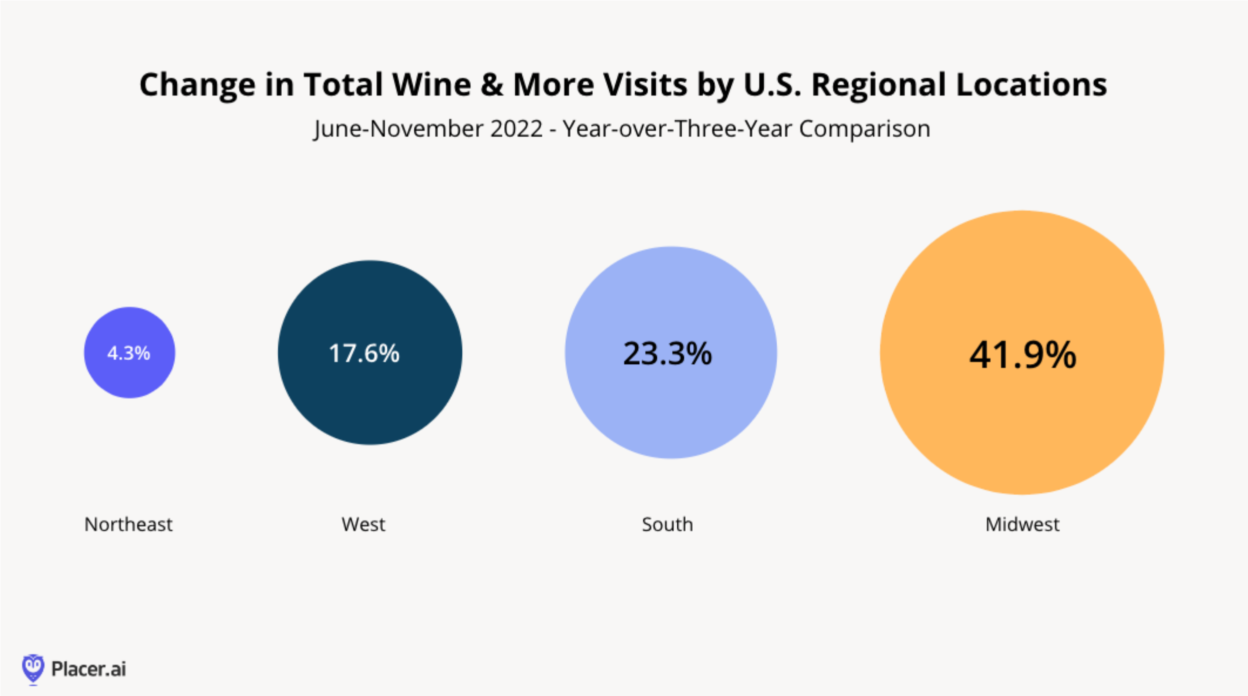
Foot traffic trends indicate that the Total Wine & More is well positioned for future growth. The company has seen its nationwide visits skyrocket, with Yo3Y foot traffic up by double-digits for much of 2022, and average visits per venue have been elevated or on par with 2019 levels – indicating that the expansion is meeting with a ready demand.



Total Midwest Expansion

But the real story emerges when looking at performance by region. Though all areas experienced Yo3Y foot traffic growth between June and November 2022, one region outperformed the others by significant margins. Visits to Total Wine & More in the Midwest grew by a whopping 41.9%, driven partly by its expansion into states such as Michigan and Indianapolis.

One reason the Midwest growth numbers are so high is that the region had the fewest Total Wine & More stores to begin with – so every new location is likely to cause a significant jump in visits. But the visit increases also indicate the strong demand for this type of chain in an underserved market. Total Wine & More's successful Midwestern expansion indicates that the chain has successfully identified and is serving a receptive region.



Promising Signs For The Year Ahead

Brick-and-mortar retailers faced a wide range of challenges in 2022 as a looming recession and record inflation shook consumer confidence. Still, there are plenty of promising signs ahead of the new year. These 10 brands prove that there are many untapped retail opportunities and creative ways to reach new and returning customers. And as consumers begin to feel more optimistic about the economy, these brands seem poised to win in 2023.