

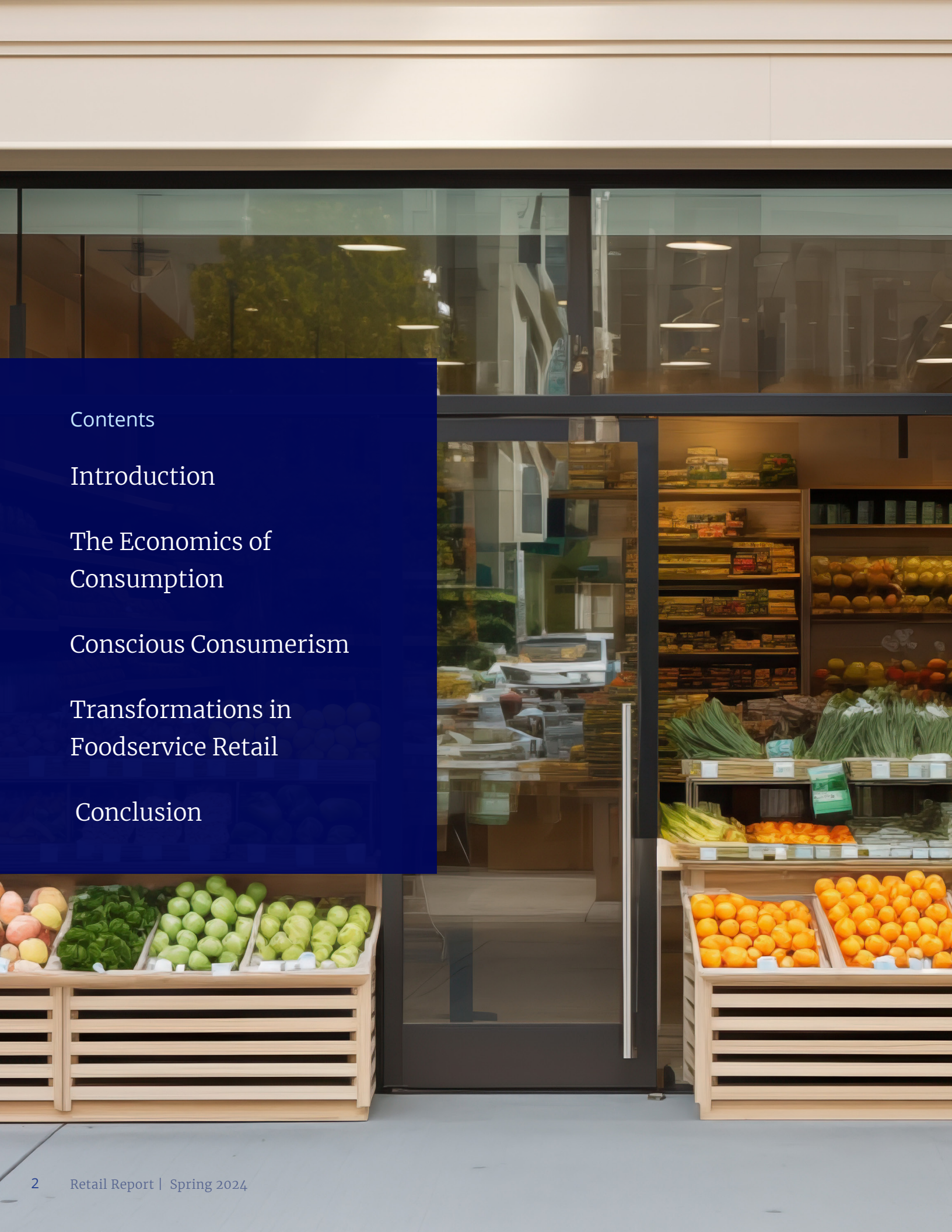


Colliers

Spring 2024 Retail Report

Retail Outperforms, But for How Long? 2024 Forecast

Accelerating success.



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Introduction

Our latest report delves into the dynamic interplay between consumer behavior and how retailers' evaluate their growth strategy in the rapidly evolving retail landscape.

We predict a slowdown in consumer spending in 2024, with overall growth slower than in 2023. This could have a profound impact on retailer strategies, as consumers are likely to form resiliency by being judicious with their spending dollars. Other factors may come into play as household incomes fluctuate and the aging population—baby boomers and retirees—maintain their spending habits despite higher interest rates.

Retailers respond to economic apprehension by adopting various strategies to meet consumer demands for essential items like food and healthcare. Non-essential retailers may need to work harder to attract customers. As consumers retreat from eating out in favor of cheaper options, restaurant owners are worried about profits in 2024, and some are exploring AI technologies to manage employee costs and potentially improve efficiency.

In the context of ongoing economic uncertainty and market-specific wage increases that are exerting pressure on retailers and altering market dynamics, we examine the resilience and flexibility of retail brands as they chart their course into the future.

The Economics of Consumption

GDP growth and household final consumption expenditure analysis

Consumer spending is expected to decelerate as job gains dwindle and lending standards remain tight in 2024. The macroeconomic landscape in 2024 is anticipated to be challenging and uncertain. Key impediments to growth include subdued employment expansion, restrictive credit conditions, and fiscal consolidation. Real household consumption expenditures are expected to grow by 1.7% in 2024, compared to 2.0% in 2023.

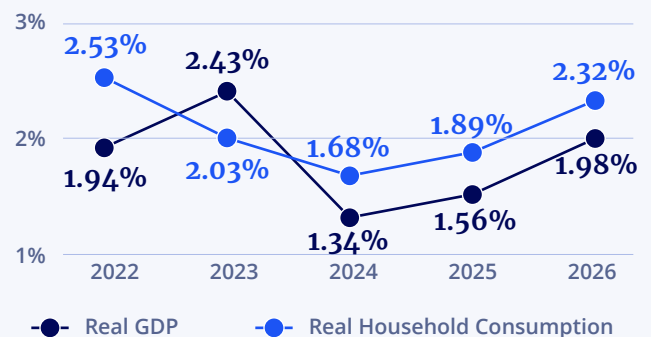
U.S. cities in the Pacific, South, Southwest and Mountain states will see the fastest growth.

Driven by a favorable industry mix and strong demographics, we forecast metropolitan areas such as San Jose, Orlando, Austin, and Boulder to achieve the most heightened disposable incomes and consumer spending.

Demographic changes will shape long-term consumer spending. Although population growth may be slowing in some regions, we anticipate vigorous growth in most cities to come from the

“New York, Dallas, Los Angeles, Houston, and Phoenix will account for 20% of the expansion for the number of high-income households. Meanwhile, the largest increases in the share of total households classified as high-income will occur in smaller regions within Arizona, California, Texas, and New Mexico.”

GDP Growth & Household Final Consumption Expenditure



Source: GlobalData analysis

65+ age group. Baby Boomers represent a vibrant demographic—often referred to as the “young, old”—who, despite higher interest rates, have increased their spending, now accounting for 40% of all consumer spending. However, we expect one in four U.S. metropolises will face de-population by 2050, [impacted by economic and climate changes](#).

Economic and demographic trends will boost discretionary spending. Given the rise in average incomes and aging populations, we forecast that urban communities will experience the fastest growth in spending on (mostly) discretionary items, including communications, recreation, and health. Non-discretionary categories, such as food and drink and housing, will see some of the slowest growth.

Significant changes in household income distribution are imminent. New York, Dallas, Los Angeles, Houston, and Phoenix will account for 20% of the expansion for the number of high-income households. Meanwhile, the largest increases in the share of total households classified as high-income will occur in smaller regions within Arizona, California, Texas, and New Mexico.

Consumer Spending Outlook

2.3%
GROWTH, 2024

SHORT-TERM TREND

Consumer spending growth will remain robust this year. Supported by rising real incomes, consumer spending growth is forecast to average 2.3% across all metros in 2024, replicating the outturn from 2023.

1.7%
GROWTH, '24-'28

FIVE-YEAR PROSPECTS

We expect spending to decelerate in the medium term. Despite inflation moderating and interest rates falling through 2027, a weaker labor market, a rise in the personal saving rate, and a fading boost from wealth effects will mean a deceleration in spending growth from 2025-28.

1.7%
GROWTH, '24-'50

LONG-TERM OUTLOOK

Demographics impact the long-term outlook. Slowing population growth across major metros will result in consumer spending growth also moderating, though spending per head will continue to rise to 2050.

Source: Oxford Economics



Retailers’ responses to changing consumer behaviors

A strong, differentiated brand and must-have products mitigate the risks posed by a slowdown in consumption. The slowing in expenditure is due mainly to pressures on consumer finances, but there are also psychological fears over the state of the economy. As such, many consumers will budget for the products they want. Brands that effectively embody and promote lifestyle values resonating with consumers are poised for success.

Prioritize consumer engagement at every step of the shopping funnel. The days when retailers could shelve products and expect them to sell are long gone. Retailers that create exciting and stimulating store environments, forging emotional connections and inspiring visits, will attract the highest number of in-store customers.

Retailers must adapt their business models to a slower growth environment. Some may need to curtail expansion plans, concentrating on quality over quantity, while others may need to rationalize their product offerings. Retailers who need to assess and change their brand and business propositions will be at the most risk of failure.

“Retailers that create exciting and stimulating store environments, forging emotional connections and inspiring visits, will attract the highest number of in-store customers.”

Watchwords for retailers in a slower growth environment	
Differentiation	Personal service
Niche	Experience/ environment
Fashionability	Brand marketing
Retailer as brand	Emotial connection

Conscious Consumerism

The Consumer Shopping Journey



PREVIOUSLY

- Heavy Reliance on In-Store Experiences
- Limited Online Presence
- Traditional Media Influence



TODAY

- Seamless Shopping Experiences Across Multiple Channels
- Leveraging Data to Deliver Personalized Promotions and Recommendations
- Adoption of Social Commerce
- Prioritization of Sustainability and Ethical Practices

The state of the consumer

Prioritize the essentials. Amid high inflation, spending on essential items such as food and groceries, health and beauty, and clothing has increasingly become a high priority. Not surprisingly, many are frugal with discretionary sectors such as entertainment, furniture and floor coverings, electronics, and homewares. Consumer spending trends, consistent across consumer demographics, show maintained or increased spending on essentials while discretionary spending on leisure and non-essentials wanes. Retailers, in response, must adjust their strategies to focus on products offerings that provide value-added services, such as loyalty programs, to enhance consumer retention and ensure affordability.

Food retailers should focus on promoting cost-effective dining alternatives, encouraging consumers to switch from restaurant dining and takeout toward their in-store dining experiences or ready-to-eat meals, or alternatively, to home-cooked options.

Adapt to rising prices. Consumers adapt to rising prices in several ways, from researching products to ensuring their purchases are more considered. For example, 46.7% of consumers indicated that they are checking and comparing prices online, suggesting that retailers are encountering heightened competition online.

Furthermore, 42.1% of consumers reported switching to less expensive brand alternatives, with 39.2% opting for private label products as a strategy to manage the financial burden of rising prices. For retailers, implementing broad pricing strategies is crucial. Introducing basic ranges across various sectors and expanding store-brand offerings are essential to accommodate the more price-sensitive consumer.

Enticed spending for big-ticket items. U.S. consumers harbor a generally pessimistic view of the economy, with 46.6% anticipating a deteriorating economic landscape amid monetary pressures. Nonetheless, 77.2% expect their finances to remain stable or improve modestly.

Despite this optimism regarding personal finances, it does not translate into heightened spending intentions for big-ticket items like new vehicles, home renovations, televisions, or furniture.

Retailers must adopt multifaceted strategies to drive spending on these high-value categories. Options include offering pre-owned products to appeal to budget-conscious consumers and enhancing guarantees and warranties to affirm quality, durability, and value for money,

particularly as consumers are hesitant to spend beyond necessary replacement cycles.

A growing trend, the U.S. secondhand apparel market grew seven times faster than the broader retail clothing market last year, reaching \$43 billion. These cutbacks are being felt across categories, [as 57% of shoppers have reduced clothing purchases, while 40% have switched to less expensive clothing retailers, and 26% have started buying lower-quality clothing.](#)

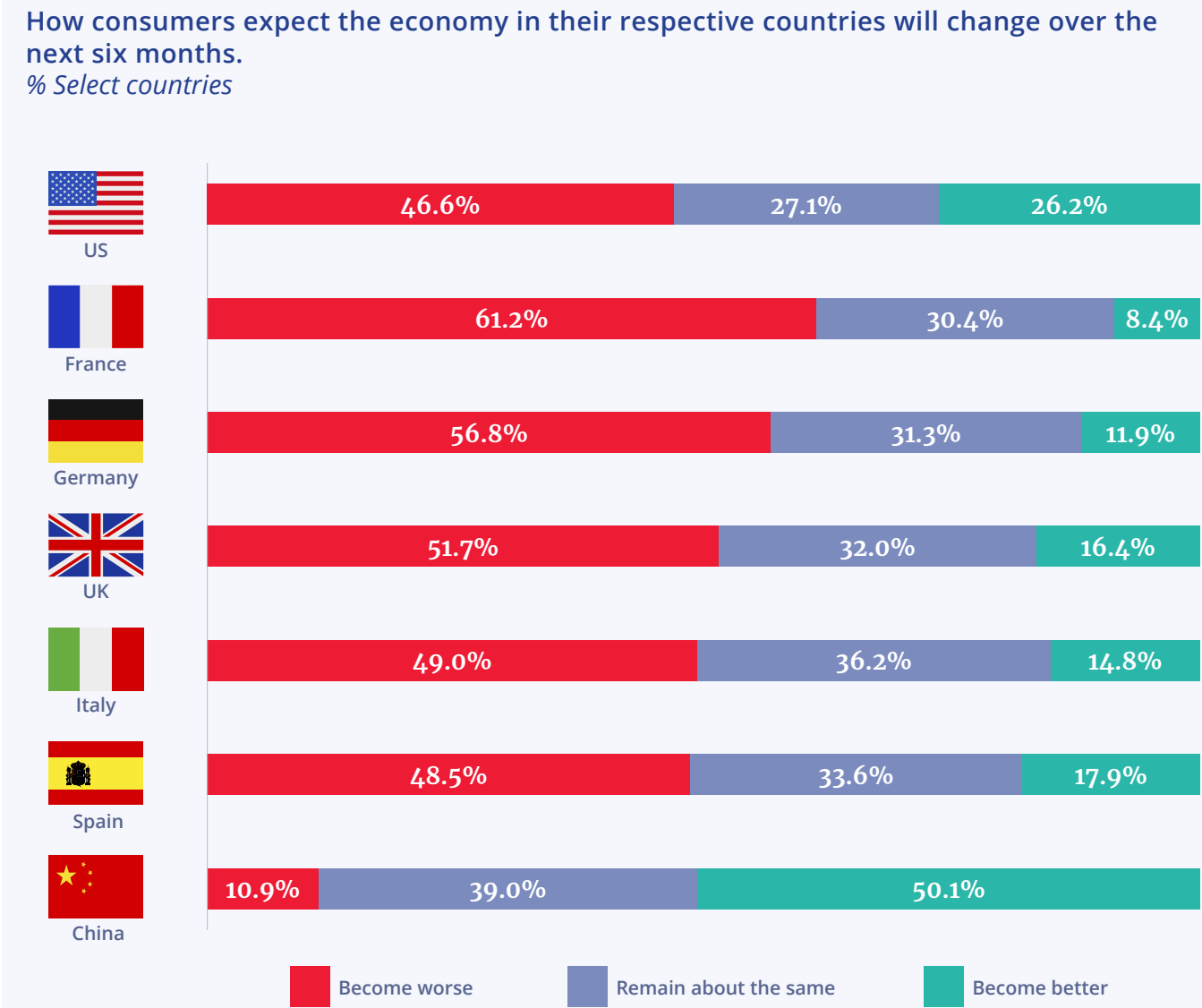
“American Express and Visa both reported strong first quarter results, surpassing expectations due to resilient consumer spending on travel, dining, and big-ticket purchases. Despite higher interest rates, affluent customers and international markets drove revenue growth, with AmEx focusing on small business strategies and Visa benefiting from robust e-commerce and cross-border transaction volumes.”



Views on the economic outlook

While U.S. consumers are less pessimistic than most other countries, there is still uncertainty over the economy. Considering this wavering confidence, retailers must exercise caution regarding the potential impact on retail spending in the first half of 2024, repositioning and offering competitive prices and value through discounts and promotions to entice shoppers to spend.

In the face of fluctuating consumer confidence, value-oriented retailers, including Primark, Aldi, Ulta Beauty, Target, and Dollar Tree, remain steadfast in their commitment to growth. They are actively pursuing their expansion strategies, with plans to inaugurate additional retail locations, underscoring their belief in the resilience and potential of their business models even amidst uncertain market conditions.



Source: GlobalData analysis (GlobalData consumer panel)

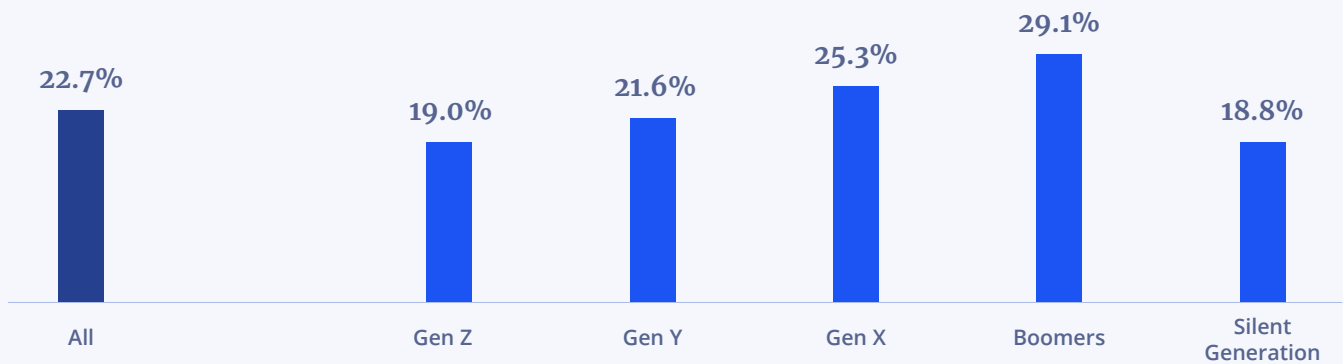
Views on personal finances

A sizable 22.7% of the population thinks their finances will worsen over the next six months; with the addition of Baby Boomers, that figure rises to 29.1%.

On the flip side, Gen-Z, which are less likely in believing their finances will worsen, have channeled their non-discretionary spending into malls, sparking a much-needed resurgence after the pandemic. Despite being the first digitally

native generation, nearly all Gen-Z shoppers still prefer physical retailers, possibly to satisfy their need for instant gratification, at rates similar to those of previous generations. [Nearly 50% of Gen-Z respondents say they prefer shopping in-store over online](#) – more than any other generation. As Gen-Z increasingly frequents brick-and-mortar stores, will their spending habits reflect genuine purchases or merely window shopping?

Percentage of consumers who think their personal finances will worsen over the next six months
% USA

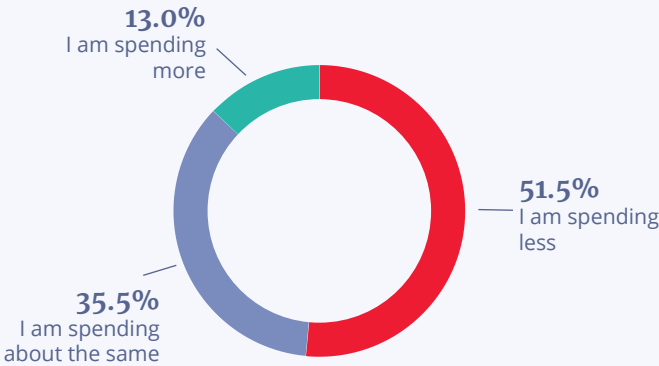


Source: GlobalData analysis (GlobalData consumer panel)

Views on retail spending

Most consumers (51.5%) are poised to curtail their spending on retail goods and services over the next two quarters. While this is a slim majority, it will take the edge off retail growth in early 2024. As consumer debt has increased by 48% over the past ten years, the personal savings rate has dropped from 4.5% in 2013 to 3.7% at the end of 2023.

When it comes to spending on retail goods and services, what will your spend behavior be in the second half of 2024?
% USA



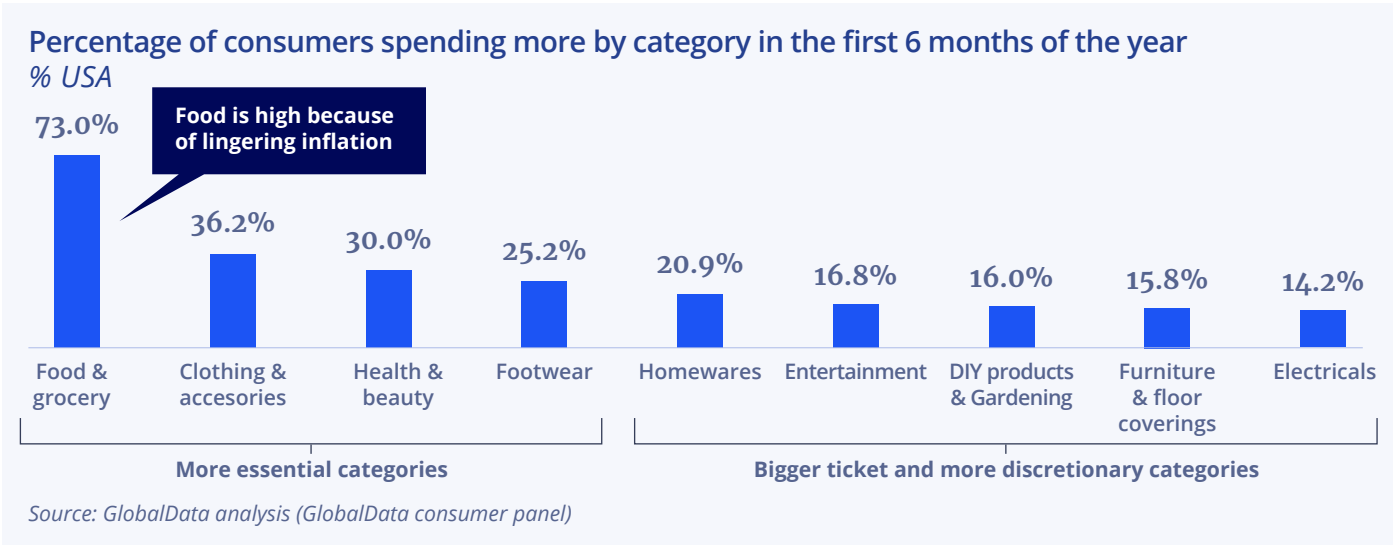
Source: GlobalData analysis (GlobalData consumer panel)

Views on retail spending by category

High demand for essential categories like food, health and beauty, clothing, and footwear shows a positive trend, indicating consumers are increasingly prioritizing well-being, health, and basic needs. Although foot traffic declined in most retail segments in the U.S. in 2023, some sectors, including auto part stores and cosmetics, saw a jump. This uptick in cosmetics sales may also reflect the lipstick economy, where even amidst economic uncertainties,

consumers still find room in their budgets for small luxuries.

Retailers focusing on non-food items may need help in enticing shoppers to spend. [Analysts no longer predict a solid recession for the second half of 2024](#). However, there is an expectation for consumer spending growth to cool down with the hope that interest rates will normalize as we head into 2025.



2023 Foot Traffic by Segment			
	Average Visits	2022 % Change	Average Frequency
Apparel	353.7K	▼ -1.89%	9.21
Automotive & Auto Parts	88.3K	▲ 0.50%	8.3
Discounters & Dollar Stores	189.9K	▼ -2.57%	10.48
Department Stores	564.7K	▼ -2.76%	8.74
Drug Retailers & Healthcare Clinics	235.1K	▼ -7.79%	10.52
Experiential	448.1K	▼ -11.80%	8.66
Grocery	943.0K	▼ -3.52%	14.3
Health & Fitness	185.1K	▼ -3.76%	17.65
Housewares & Furnishings	351.8K	▼ -2.21%	9.68
Mass Merchandisers	568.5K	▼ -3.54%	12.26
Personal Care & Cosmetics	165.6K	▲ 2.10%	9.07
Pet Care	206.8K	▼ -3.16%	8.59
Restaurants	278.6K	▼ -1.50%	9.17
Sporting Goods	866.3K	▼ -2.79%	10.27

Source: RetailStat Real Estate Intelligence

Transformations in Foodservice Retail

Views on eating out

Retailers will have to work harder to contain price rises in 2024 as consumers become more resistant and less loyal to brands with expensive products. Many retailers were forced to raise prices in 2022 due to a high inflationary environment, and they have gone into 2024 with the expectation of keeping prices the same even as U.S. costs have stabilized.

Consumers, attuned to the higher dining out costs, have increasingly scaled back their spending. A large majority perceive eating out as lacking value for money spent. Negative perceptions are not limited to high-end restaurant experiences, as more consumers think fast food is no longer a cheap treat.





Sipping Success: Swig's Strategic Expansion on Building a Beverage Empire.

Q&A Interview with Matt Rossi, Senior Real Estate Manager, Swig

Over the last six months, the beverage chain Swig has 440 franchise units committed to, with plans to expand into seven new markets including Florida, Tennessee, North Carolina, South Carolina, Arkansas, Nevada, and Missouri.

On the genesis of the brand:

Founder Nicole Tanner founded Swig in 2010 after being frustrated by long lines at fast-food restaurants and the desire for a quick drink option. Swig began with a single booth in Utah and has grown to over 70 franchised and corporate stores since then. Swig's distinct offering, as the Original Dirty Soda, has fostered impressive customer loyalty, as we experience growth in multiple markets.

On competition in the real estate market:

There is stiff competition, and you have to be strategic in each market and each sub-market that goes into identifying the best strategy for getting into the trade areas you want to be in.

Everybody likes soda, and people want to come in and try this fun concept. The excitement around Swig, its newness, its success, the lines, and how to generate sales have impressed developers. We bring in families and a broad demographic mix, and developers are excited to bring this into their developments and REITs.

On choosing locations:

Swig's real estate strategy concentrates on each market individually to see what's happening and explore new developments in a proven or more developed market, building upon relationships with landlords.

Drive-thru locations have become part of our DNA, the idea of grabbing something quick. We've adapted that into our strategy, and we've been lucky enough to get drive-throughs in the areas

and markets we've identified. We're also launching concepts in alternate settings such as stadiums. For example, we're the official drink sponsor of the NBA's Utah Jazz. It's about the right setting for us, but we want to ensure we can get foot traffic and have people access the store.

On how to prepare for expansion:

Our growth plan is coupled with the sustainability of the business. We want to grow at a manageable rate, allowing for both quality of location and quality of service. As a company, we're heading in the right direction with plans to expand our stores in 14 states in the next few years. When you have an infrastructure in place—from staffing to operations to development, the ability to sustain this growth level is more palatable.

On working with brokers:

We work with great brokers in the markets where we're expanding. They advise us on site selection and prioritize a subset of markets with favorable demographics that correlate to paths toward success. We then collaborate on the best method to enter those trade areas, seeking an existing building or new development that fits those parameters. What it comes down to are the relationships we're able to build with developers and REITs as they help us find those end caps and build suit options that we love.

On progressive technologies:

Technology helps drive our business in several ways. At Swig, we use AI and tech tools in our omnichannel strategies, social media marketing, and real estate, and in the Swig app to collect customer feedback. We incorporate AI tools into our training programs to train our associates to provide the best customer experience, ensuring our staff offers the same friendly service at every store.

Percentage of **retailers** agreeing with each statement
% USA

RETAILERS	Consumers are becoming more resistant to price rises	88.1%
	Consumers are becoming less loyal	75.4%
	High consumer debt will suppress growth in 2024	60.2%
	Servicing the customer is becoming more expensive	57.6%
	We will be able to reduce prices in the year ahead	20.3%

Source: GlobalData analysis (GlobalData consumer panel)

Percentage of **consumers** agreeing with each statement
% USA

CONSUMERS	Dining out is becoming increasingly bad value for money	76.5%
	Fast food is now too expensive to be a 'cheap' treat	72.4%
	Fine dining is now out of my price range	62.7%
	I have cut back on dining at mid-priced restaurants because of the cost	56.8%
	I am visiting fast food outlets less because prices have gone up	52.6%

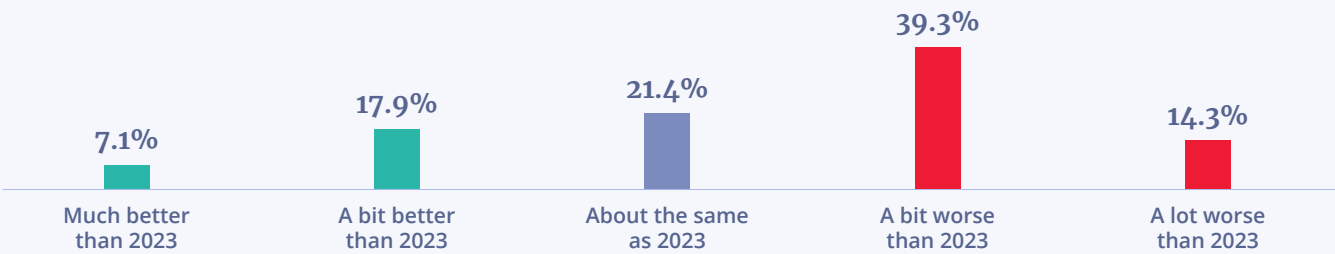
Source: GlobalData analysis (GlobalData consumer panel)

The foodservice retailer view

There is a generally pessimistic view among foodservice retailers who feel that trading in 2024 will be worse than in 2023. The good news is that most who think trading will worsen also think the change will be slight. The majority (64.2%)

of foodservice retailers believe their costs will continue to rise in 2024, an expectation attributed to inflationary pressures and other factors, such as wage hikes, which challenge maintaining profit margins and operational efficiency.

In terms of trading do you feel 2024 will be... % US foodservice players



Source: GlobalData analysis (GlobalData consumer panel)

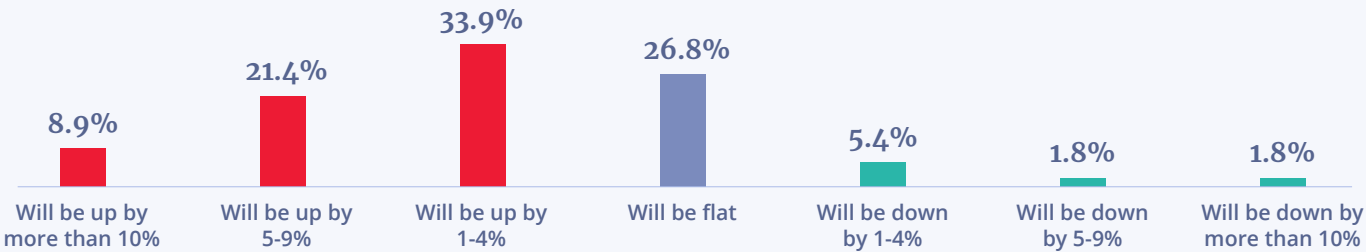
The state of foodservice: costs

A notable trend is emerging as the restaurant industry grapples with the dual pressures of rising wages and a shifting labor market. [The global restaurant digitalization market size is forecasted to reach \\$29.6 billion by 2032, up from \\$7.9 billion in 2023.](#) While pay rates for restaurant workers are increasing, there is a concurrent decrease in hours and a reduction in staff numbers, particularly evident on the

delivery side. However, this shift only sometimes leads to higher costs for consumers.

The key to this equilibrium lies in adopting operational efficiencies and digital innovations. Restaurants that have already implemented new technology [reported increased efficiency \(77%\), less pressure on staff \(61%\), reduced costs \(35%\), and more revenue \(33%\).](#)

How do you think your costs will change in 2024 compared to 2023? % US foodservice players

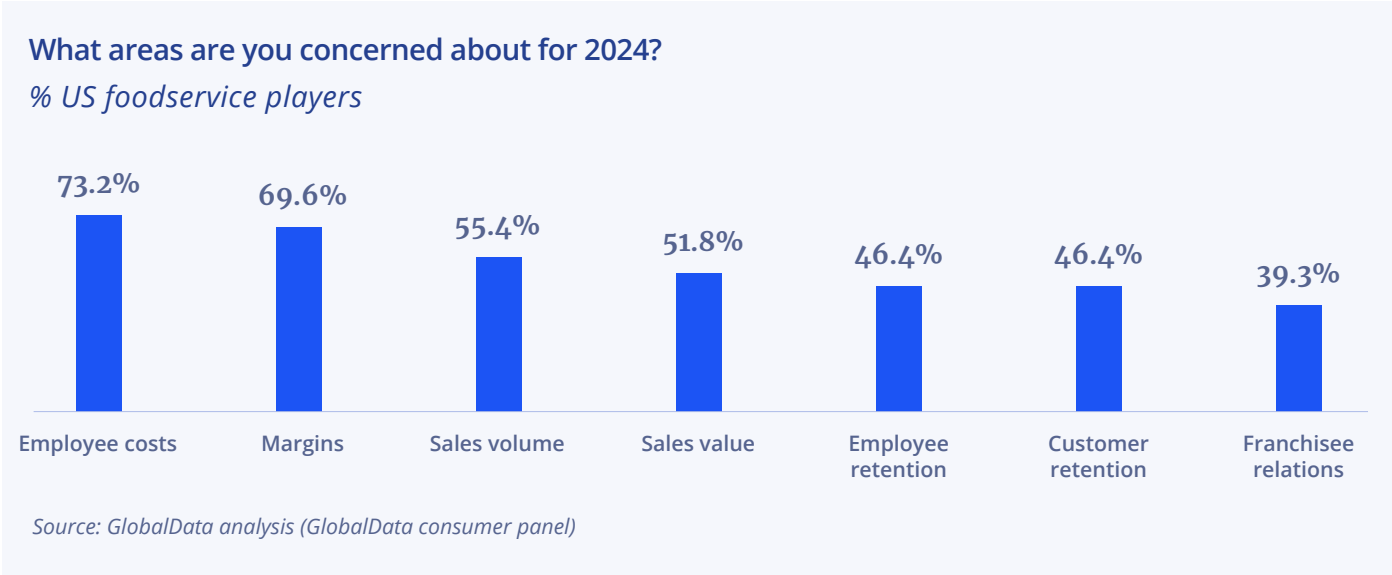


Source: GlobalData analysis (GlobalData consumer panel)

The state of foodservice: concerns and solutions in 2024

Employee costs are among the biggest concerns of foodservice retailers. The foodservice industry landscape has witnessed a significant shift as AI-powered technologies pervade various facets of operation. Among the notable impacts, the management of employee costs emerged as one of the primary concerns for foodservice

retailers. [As AI continues its proliferation across industries, its integration within the food sector has accelerated](#), with restaurants and food companies leveraging AI tools for enhanced customer communication, product innovation, and workforce optimization.





“By embracing innovation, harnessing data-driven insights, and prioritizing customer experience, retail brands can cultivate resilience and forge a path forward ...”



Nicole Larson
Manager,
National Retail
Research | U.S.

Conclusion

The retail industry's future hinges on a brand's ability to adapt and remain elastic in response to evolving consumer preferences, technological advancements, and external disruptions. Brands that can effectively navigate the complexities of an increasingly digital marketplace while maintaining flexibility in their strategies will succeed in the dynamic retail landscape. By embracing innovation, harnessing data-driven insights, and prioritizing customer experience, retail brands can cultivate resilience and forge a path forward, ensuring their relevance and sustainability in the future marketplace of tomorrow.

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