

RETAIL

## Retail expected to reach \$4.86T in 2022: NRF

March 16, 2022



*Consumer confidence remains strong amid a slew of economic stressors. Image credit: NRF*

By NORA HOWE

Despite the global and cross-sector turmoil caused by the COVID-19 pandemic over the last two years, the retail industry has maintained resilience.

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

During the National Retail Federation's annual [State of Retail and the Consumer](#) virtual event, economists forecast retail sales will grow 6-8 percent this year, reaching more than \$4.86 trillion. While retail experts remain confident in this trajectory, economists are monitoring ongoing supply chain issues, inflation and the Russia-Ukraine conflict as considerable points of uncertainty.

"Before the Ukraine invasion, [we were seeing] strong employment growth and wage growth, income distribution outpacing inflation, accumulated savings and significant increases in household net worth, despite the recent swing in the stock market," said Joel Prakken, chief U.S. economist and cohead of U.S. economics at [IHS Markit](#), St. Louis.

"All of these things pointed towards strong consumer fundamentals and a transition from pandemic to endemic that was going to allow a continued revival of service spending and a gradual transition away from good spending," he said. "But, right now, we must contemplate what is happening in Eastern Europe."

2022 outlook

Although the NRF projects gross domestic product (GDP) growth will slow to around 3.5 percent due to inflation and financial policy, the organization anticipates job and wage growth and declining unemployment rates.

"While the consumer sector is considered very strong and balance sheets are solid, we expect spending on both goods and services to moderate a 3 percent range," said Jack Kleinhenz, chief economist at [National Retail Federation](#), Cleveland.

"Consumers want to spend and have the ability to spend, but we expect there will be a shift back to services from goods," he said. "However, retail spending will stay strong as the economy opens further in the coming months."



*Gas prices are approaching record levels as Russia's war on Ukraine escalates and inflation rates continue. Image credit: Unsplash*

This forecast excludes automotive dealers, gas stations and restaurants. Non-store and online sales are expected to grow 11-13 percent to \$1.17-\$1.19 trillion as consumers increasingly turn to ecommerce.

Despite uncertainty and shifts in consumer spending, such as from goods to services, the industry is focused on remaining consumer-centric adapting to changing demands and new trends and behaviors.

"Our brand pillars don't change, but how we deliver those will continue to evolve as the consumer goes back to their normal shopping behaviors," said Sharon Leite, CEO of [The Vitamin Shoppe](#), New York. "It is about quality and making sure that you innovative your product offerings and deliver them in the way that consumers want."

While consumer confidence is generally high, and interest in spending remains, the difference in disposable income among households across the nation has only grown larger since the start of the pandemic and continues to do so as inflation rates remain high, which hit a new high last month for the first time in 40 years ([see story](#)).

To keep customer retention high, and serve varying demands, retailers must approach all customers with an equal set of values.



*Some consumers align their money with their values, including environmental and social concerns. Image credit: Stella McCartney*

"We are doing everything we can to get smarter in terms of the way we do our business to save for the consumer so that we are not having to take the prices up," Ms. Leite said. "I think we all do our part to continue to do everything we can to manage these inflationary pressures."

"I think the consumer will still be out there."

#### Politics of retail

When it comes to new kinds of consumers, NRF discovered a unique cohort referred to as aspirational independents that make up 15 percent of the U.S. voting population.

These consumers have a complex set of attitudes towards shopping and policy issues, making them highly valuable to retailers.

NRF partnered with consulting firm SKDK on a study to help retailers and politicians better understand this segment and the key values that drive their decision-making in regards to shopping and voting.

"This group is not tethered to a particular political party, but when it comes to shopping, they like new, variety, they shop in every conceivable way," said Bill Knapp, partner at [SKDK](#), Washington. "They want shopping to be fun."

"Interestingly, they like the notion of shopping from retailers in their community, which I think has some political implications," he said. "For this group, hypocrisy is kryptonite, and they look to both retailers and politicians to be real and authentic."

As this cohort grows in influence and strengthens its purchase power, retailers must tap into consumers' desire to try new things and vote with their wallets.

"This demographic of aspirational independents is increasingly spending more of their share with smaller and newer brands, many of whom have gotten out there by espousing values, such as environmental and social messaging," said Sucharita Kodali, vice president and principal analyst of retail at [Forrester](#), Charlotte.

For instance, U.S. beauty group Estée Lauder Companies recently asked group president John Demsey to resign effective immediately following a post on his personal Instagram account depicting racial slurs and jokes about COVID-19.

According to a statement shared with Estée Lauder global employees on Feb. 28, the remarks damage the company's efforts to drive inclusivity and do not reflect their values ([see story](#)).

"While they are politically independent, they still have things that they believe in, and the more that these merchants and brands overlap with those values, the more dollars they will earn," Ms. Kodali said.

---

© 2022 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.