

Footwear

Key Takeaways

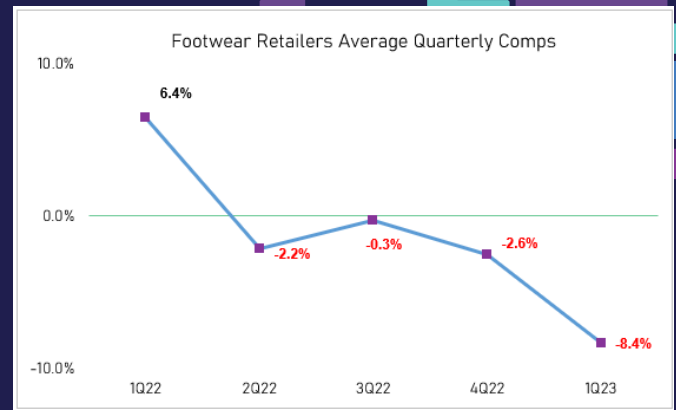
- Weak demand environment persists into 1Q, pushing retail sales down across the industry
- Wholesale volumes fall in comparison to prior year period when retailers built up inventory
- E-commerce mix continues to step back from pandemic highs, as customers favor in-store shopping

	Comps	Sales (millions)	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
Boot Barn	-5.5%	\$425.7	11.0%	-18.0%	11.0%	4/1/2023
Caleres (Famous Footwear)	-8.5%	\$662.7	-9.8%	-6.0%	27.0%	4/29/2023
Designer Brands (DSW)	-10.4%	\$742.1	-10.7%	N/A	N/A	4/29/2023
Foot Locker	-9.1%	\$1,931.0	-11.2%	-21.3%	16.3%	4/29/2023
Genesco (Journeys)	-5.0%	\$483.3	-7.2%	7.0%	19.0%	4/29/2023
Shoe Carnival	-11.9%	\$281.2	-11.4%	N/A	8.0%	4/29/2023
Skechers	N/A	\$2,001.9	10.0%	N/A	N/A	3/31/2023
Average	-8.4%		-4.2%	-9.6%	16.3%	

Across the board, footwear retailers reported comparable store sales declines in 1Q23 largely due to weak demand as customers continued to limit their discretionary spending amid a challenging macroeconomic environment. Retail inflation remains the driving factor behind this trend, and several companies also pointed to lower tax refunds this year, rising interest rates, and colder weather in certain areas that negatively impacted traffic and sales of seasonal products. In this more competitive market, footwear companies have become increasingly promotional, to the extent that YOY monthly footwear inflation was under 1% through the entire quarter, compared to about 5% or higher for all items (according to BLS data). These trends are weighing on margins and appear likely to continue through the rest of FY23 as several retailers continue to work through heightened inventories; as a result, most companies have revised their full-year sales and comp guidance downwards.

Once again, Shoe Carnival reported the steepest comp decline during the quarter at 11.9%, driving an 11.4% drop in sales that included a 20% decrease in seasonal sales. The Company still plans to open 10 to 20 new stores this year, mostly backloaded in 2H23. During 1Q the Company launched a new e-commerce platform for its Shoe Station banner, which has seen relatively lower sales declines due to its more resilient, relatively higher-income consumer base. Designer Brands' 1Q comps fell 10.4% (after a 5.5% drop in 4Q22), though the clearance segment was a bright spot that saw 5% growth from a rise in value-seeking customers. Wholesale volumes were down due to the lapping of widespread inventory build-ups in the prior year period. Although store count continues to shrink at a slow, under 2% rate, Designer Brands is taking further strides to expand its Owned Brands portfolio, most recently by acquiring Keds in February. Caleres is similarly trimming its Famous Footwear store count with net seven closures in 1Q (1.1% unit decline YOY), but plans to make up for it with openings under its Brand Portfolio banners, namely Sam Edelman in China and Allen Edmonds in the U.S. 1Q sales fell 9.8% and the Company now expects FY23 sales will be down 3% to 5%, compared to flat to up 2% previously. Foot Locker's comps and sales declined 9.1% and 11.2%, respectively, including decreases at all banners. Champs saw the steepest comp decline in N.A. at 25% as the Company shifted its assortment to more athletic apparel, while Sidestep in Europe saw a 38% drop as the banner is liquidating inventory before a full exit later this year. FY23 is a reset year for Foot Locker as it expects to close about 9% of its stores by year-end (about net 240 units) to shift to larger, off-mall formats in following years. Genesco's overall 1Q comps fell 5% as a 14% drop at Journeys was partly mitigated by double-digit growth at Schuh and J&M. Journeys struggled in the weak demand environment and ended up relying on heavy promotions and markdowns to keep inventory moving through a slow March and April. With the market expected to stay weak through at least FY23, the Company now plans to close over 100 Journeys locations this year, compared to about 60 previously.

Boot Barn's 1Q comps stayed in the red with a 5.5% drop, but overall sales still improved 11% due to its 15% unit expansion. The Company expects further mid-single-digit comp declines this year but also plans to maintain that aggressive expansion rate, which would represent about 50 new stores this year, split evenly by quarter. Skechers was the only other footwear company in our coverage to report sales growth in 1Q, similarly due to 9% store expansion as well as recovering volumes in several international markets. N.A. wholesale revenue fell 13%, whereas EMEA and Asia-Pacific wholesale revenue improved 20% and 24%, respectively.



2023 Seasonally Adjusted Retail Sales (Monthly % Change Year-Over-Year) Source: U.S. Census				Upcoming Comparative Periods		
	Apr'23	May'23	Jun'23	Jul'22	Aug'22	Sep'22
Total Retail Sales	1.3%	2.0%	1.5%	10.3%	10.2%	9.4%
Retail Sales Ex Auto	1.6%	1.2%	0.6%	12.6%	11.0%	10.3%
Retail Sales Ex Auto and Gas	3.8%	4.2%	3.9%	9.6%	9.1%	9.4%
By Category:						
Furniture & home furnishings	-9.1%	-7.4%	-4.6%	0.1%	0.9%	-0.2%
Electronics & appliance	-8.6%	-3.0%	0.9%	-4.0%	-1.1%	0.3%
Building materials, garden equip. & supplies	-4.6%	-2.0%	-3.2%	9.9%	11.3%	10.1%
Food & beverage stores	3.8%	2.9%	1.3%	8.8%	7.0%	7.3%
Grocery stores	4.0%	2.7%	1.1%	9.7%	7.6%	7.9%
Health & personal care	7.8%	8.3%	6.3%	2.7%	2.1%	3.9%
Gasoline stations	-14.7%	-20.0%	-22.7%	41.1%	28.3%	18.9%
Clothing & clothing accessories	-2.0%	0.0%	0.7%	1.6%	4.9%	4.2%
Sporting goods, hobby, musical instrument & book stores	0.5%	0.5%	-1.3%	2.9%	2.7%	3.1%
Footwear	-1.6%	-3.2%	TBD	-2.6%	6.0%	5.5%
General merchandise	2.2%	1.9%	0.5%	7.5%	7.4%	8.2%
Department stores	-3.7%	-3.7%	-5.2%	0.4%	1.8%	2.6%
Nonstore retailers	7.4%	7.2%	9.4%	19.2%	14.4%	14.9%
Food services & drinking places	9.1%	9.5%	8.4%	9.3%	12.0%	12.4%

*Sporting goods figures are not seasonally adjusted

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