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# Home Improvement & Decor Deep Dive

Our latest white paper explores how home improvement and decor brands are holding onto their pandemic gains during continued economic challenges.

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The Home Improvement sector experienced a [meteoric rise in foot traffic](#) during the pandemic, as homebound consumers decided to finally tackle a DIY project or upgrade their home furnishings. And while home improvement and decor store visits have now come down from their pandemic high, as was expected, there are many reasons for optimism based on the data.



While home improvement and decor store visits have now come down from their pandemic high, as was expected, there are still many reasons for optimism based on the data.

This white paper looks at two major categories within the home improvement space: (1) home improvement stores that carry tools and equipment for hands-on repairs and construction, and (2) home decor chains that serve customers looking for furnishings, fixtures, textiles, and home accessories.

We looked at some of the leading brands to see how they performed over the pandemic and understand where the sector is going. Using location analytics data, we analyzed current foot traffic trends to evaluate which home improvement and decor sub-categories are overperforming the sector average and identify new opportunities.

Keep reading to find out where the sector stands today and how the ongoing economic uncertainty is affecting leading players in this space.

## Home Improvement Outperforming Home Furnishings

The height of the pandemic saw a significant home improvement boom. But since March 2022, foot traffic growth to home improvement and hardware stores has stalled. [Cooler than expected](#) spring weather and a partial [return to the office](#) coupled with pre-pandemic schedules kept would-be DIYers both inside and busy. Foot traffic

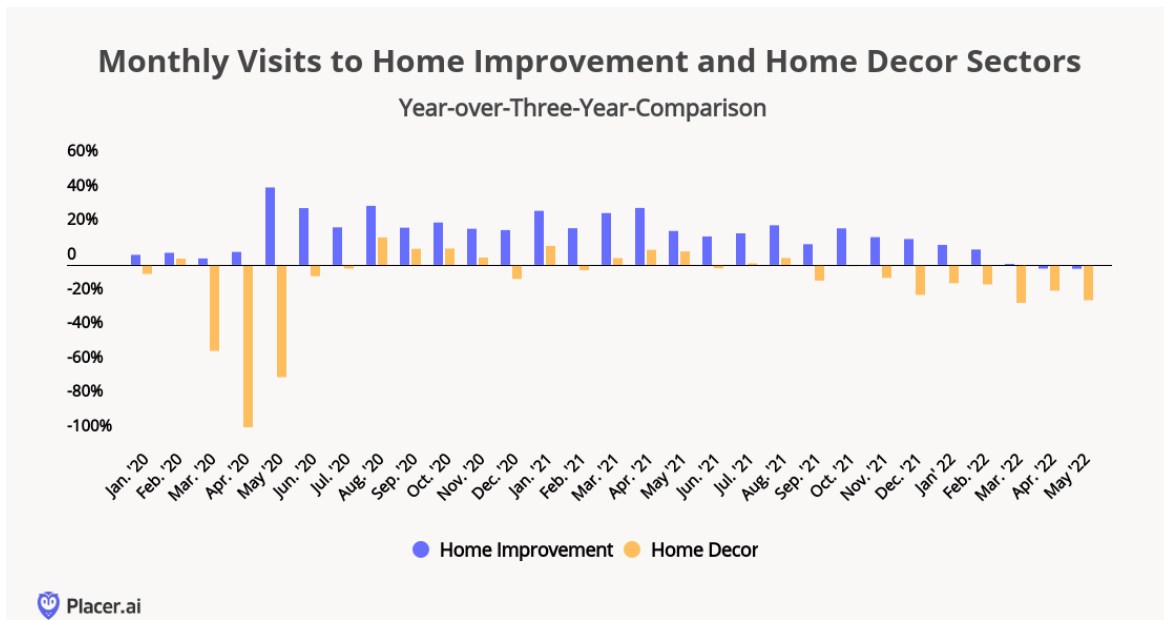
from professional contractors may also be unseasonably low, because Inflation and rising supply and gas prices may be pushing homeowners to put [larger renovation projects on hold](#).



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In contrast, foot traffic to leading home decor brands decreased in September 2021 and has since stayed below pre-pandemic levels. While inflation certainly didn't help, it also wasn't necessarily the catalyst for the downturn. Instead, consumers may be hitting the brakes on home redecorating projects now that they no longer need to spend so much time indoors. The rise of off-price home decor brands may also be impacting the home furnishings offline performance.



## Expansion is Key

### Smaller Companies Making Inroads

The Home Depot and Lowe's Home Improvement lead the home improvement and hardware category. But while these two companies still account for over 75% of the home improvement retail foot traffic of the top 10 brands analyzed, smaller hardware players have made impressive inroads over the past two years – largely through expansions.

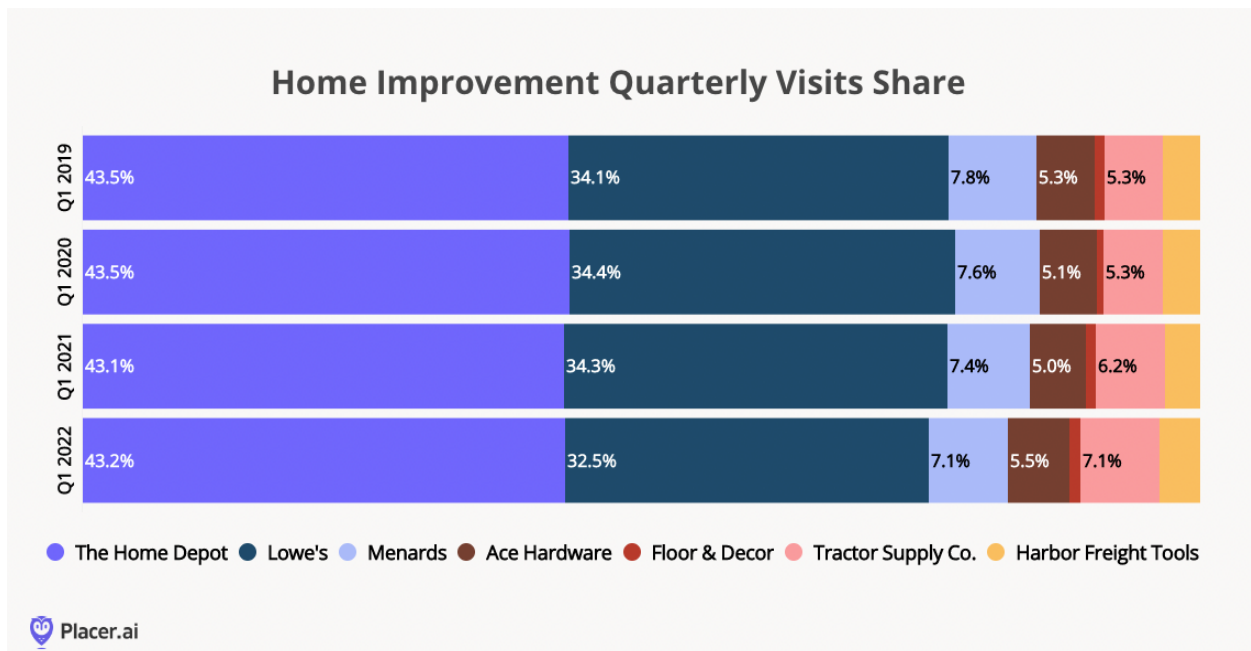


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From 2011 to 2021, Tractor Supply Co. increased its store fleet [from 1000 to 2000](#) – a massive jump for a brand that traditionally focused on farm equipment. The

expansion [shows no signs](#) of slowing down and has brought the Tennessee-based company [record](#) earnings and visits.

Tractor Supply jumped from 5.3% of the visit share in Q1 2019 to 7.1% visit share by Q1 2022. Harbor Freight Tools, which is also [expanding its store fleet](#), increased its visit share from 3.3% to 3.6% between Q1 2019 and Q2 2022. And Floor & Decor, which has [opened dozens of new stores](#) in recent years, grew its visit share from 0.8% in Q1 2019 to 1% in Q1 2022.

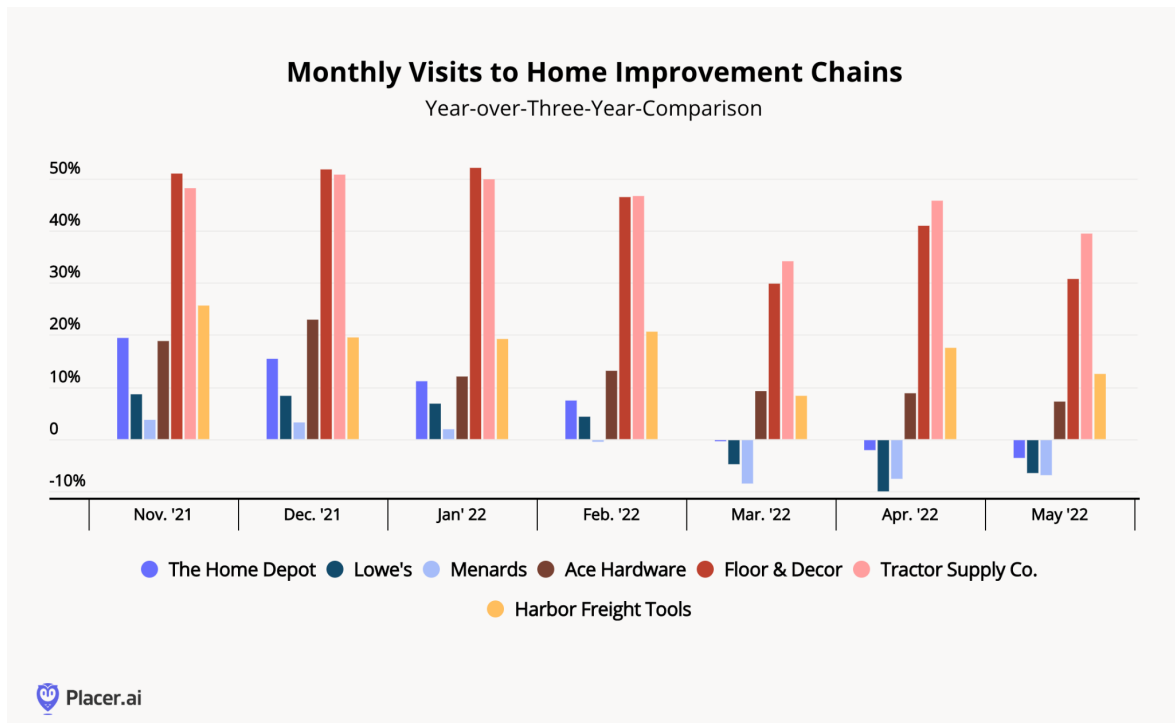


## How Store Fleet Expansion Impacts Foot Traffic

Zooming into the visit trends for Floor & Decor, an Atlanta-based flooring and tile products retailer, and Tractor Supply highlights the impact of new stores on foot traffic. Floor & Decor has [opened 40 new stores](#) since 2019 for a total of around [160 stores](#) in December 2021 and is planning for a [strong 2022](#).

Tractor Supply opened around 80 new stores each year in fiscal [2019](#), [2020](#), and [2021](#) for a total of over 2000 stores by the end of fiscal 2021. Both these brands are showing dramatic Yo3Y visit gains and outperforming other retailers in this space.

The graph below shows Floor & Decor and Tractor Supply's foot traffic performance relative to other leaders in the space. While many of these brands are doing well, Tractor Supply and Floor & Decor are growing much faster than their competitors. As these smaller brands continue their expansion, up-and-coming retailers may well continue to take increasingly larger slices of the home improvement visit pie.



## Diving into Home Decor - the Rise of Off-Price Furnishing

### Off-Price Home Decor Winning

The home decor category has seen uneven visit patterns in recent months. On average, Yo3Y foot traffic has fallen as rising inflation and gas prices cause consumers to re-examine their spending choices. Still, despite the category's overall performance, certain brands remain strong. We looked at 10 leading home decor and furnishing stores to understand where the home furnishings space is headed.



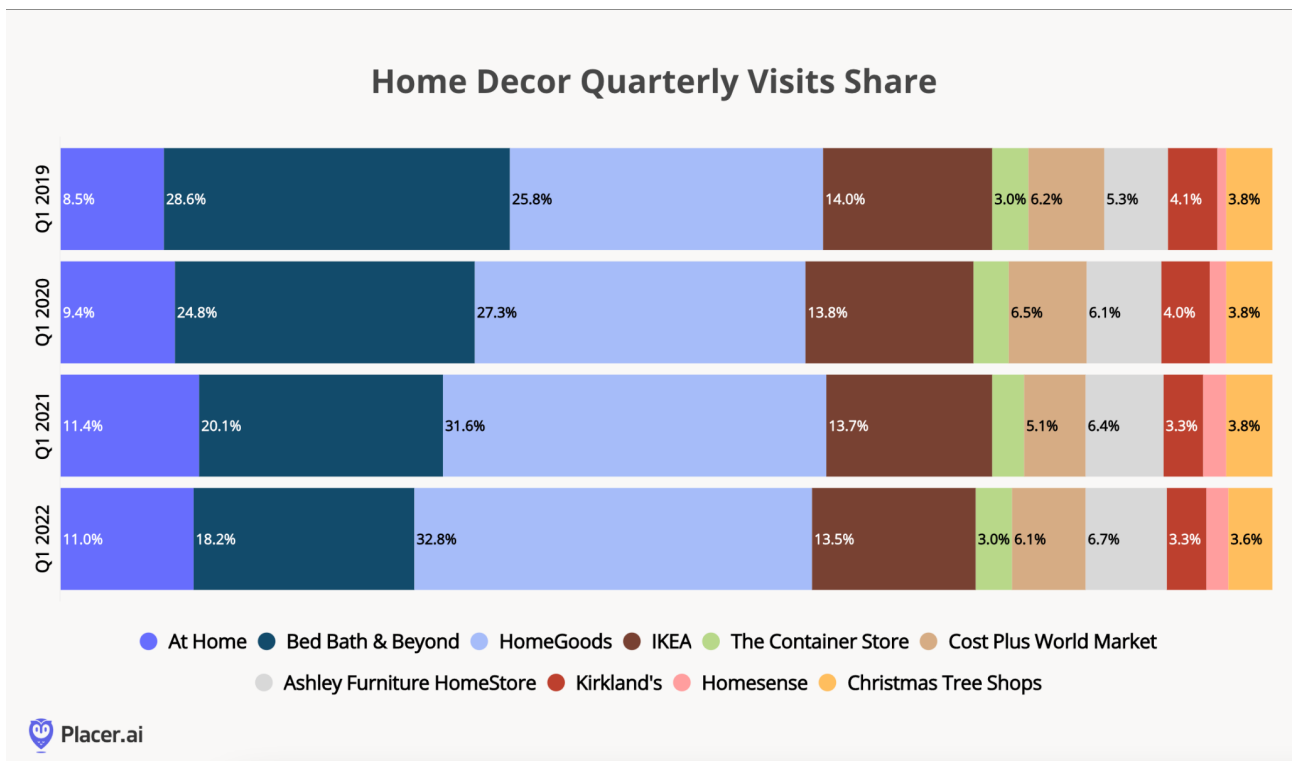
Off-price home furnishings brand HomeGoods, owned by TJX Companies, has made impressive foot traffic gains in recent years.

Off-price home furnishings brand HomeGoods, owned by TJX Companies, has made impressive foot traffic gains in recent years, with its visit share climbing from 25.8% in Q1 2019 to 32.8% in Q1 2022 – a 7% increase. HomeGoods has a [higher-end](#) sister company, Homesense, that carries a [wider selection](#) of furniture and utility fixtures such as chandeliers and bathtubs. Between Q1 2019 and Q1 2022 Homesense, more than doubled its visit share, going from 0.7% to 1.8% share of overall home furnishing visits.



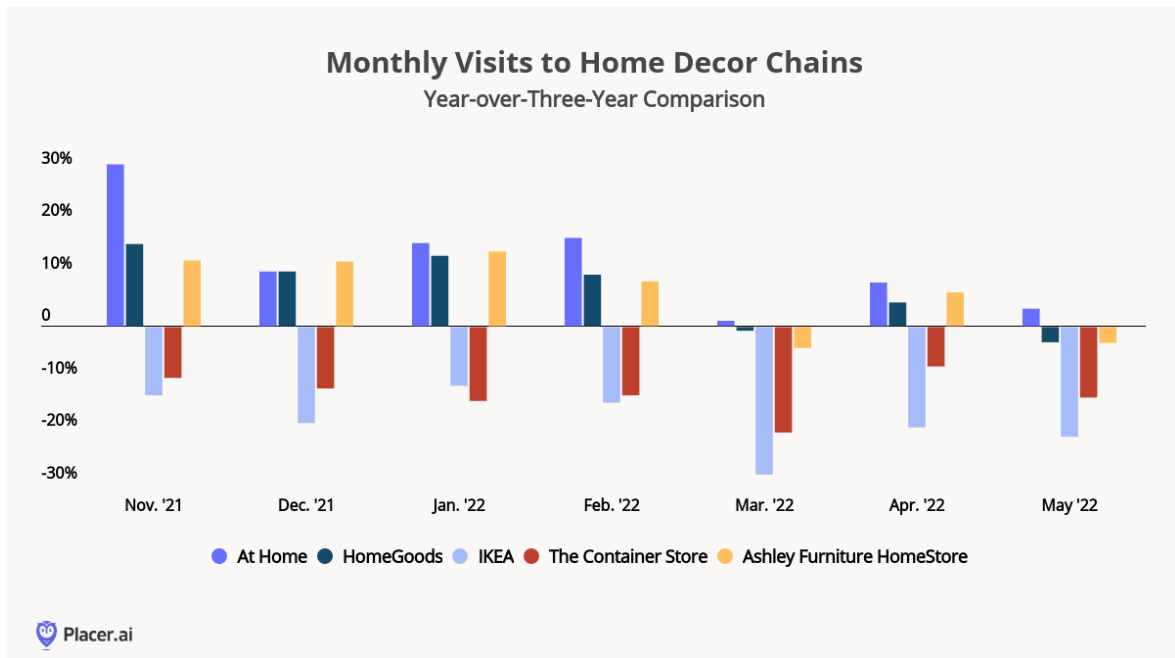
Consumers who are still investing in their living space are turning to retailers that will allow them to spruce up their homes without breaking the bank.

At Home, which carries several [value-priced lines](#), is also growing, with its foot traffic share at 11.0% in Q1 2022, up from 8.5% in Q1 2019. And the company is [growing](#) both online and off as the brand focuses on expansion following the launch of its ecommerce platform in September 2021. This may indicate that consumers who are still investing in their living space are turning to retailers that will allow them to spruce up their homes without breaking the bank.



## Ashley Furniture Staying on Top

Although several discount brands are thriving, there is still room for traditional brands to flourish. Ashley Furniture, which currently operates over [700 stores nationwide](#) – continues to be one of the most successful furniture stores in the US, bringing in over [\\$6 billion in annual revenue](#). The brand’s popularity is reflected in the foot traffic, as Yo3Y visits continued to remain strong throughout 2022, outperforming in April 2022 by 6.4%.



## Targeting the Right Audience Can Pay Off

Year-over-year home ownership rates in the United States [dropped in 2021](#) for the first time in five years. The downward trend may continue in 2022 due to [rising housing prices](#) and [increasing rental costs](#) which make it difficult for potential buyers to save for a down payment. And since homeowners are naturally more likely than renters to invest in their homes, shifts in home ownership can have a significant impact on the home improvement sector.

### Renters are buying more home improvement products

We looked at the trade area population for home improvement's leading retailers to understand the brand preferences of the different types of customer. Using census data, we segmented the housing in the trade area into homes occupied by homeowners, renters, or vacant housing residents. (Vacant units [are often defined](#) as units for rent, sale, for seasonal or occasional use, and units for migrant workers.)

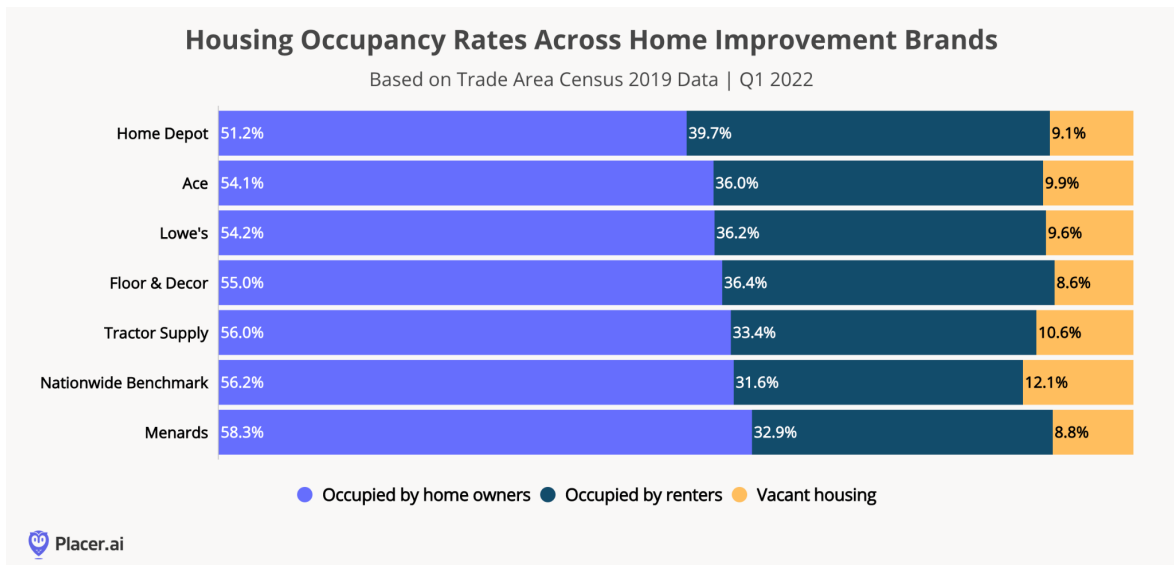
The trade areas of some of the biggest home improvement brands – chains such as Home Depot, Ace, and Lowe’s – had a smaller share of homeowner occupancy than the national average. In fact, of the six home improvement and hardware stores surveyed, only Menards’ trade area included more homeowners than the share of homeowner occupants in the wider population. This means that many of those regularly shopping at Home Depot, Ace, and Lowe’s are renters rather than homeowners.



**Brands that find a way to increase renters’ basket size may well see a significant improvement in their bottom line.**

While some of these renters are likely contractors who are visiting home improvement retailers to stock up on professional supplies, at least a portion of them are renters who are investing in their current housing. Even though renters often purchase home improvement supplies to take care of light maintenance work rather than larger structural changes, some long-term renters may see value in carrying out light renovations.

And as [rental prices continue to increase](#), more renters are likely to hold on to their current rental units and invest in their space instead of moving to a more expensive apartment or house. Given the large share of renters shopping at home improvement stores, brands that find a way to increase renters’ basket size may well see a significant improvement in their bottom line.



## No One Target Market Fits All



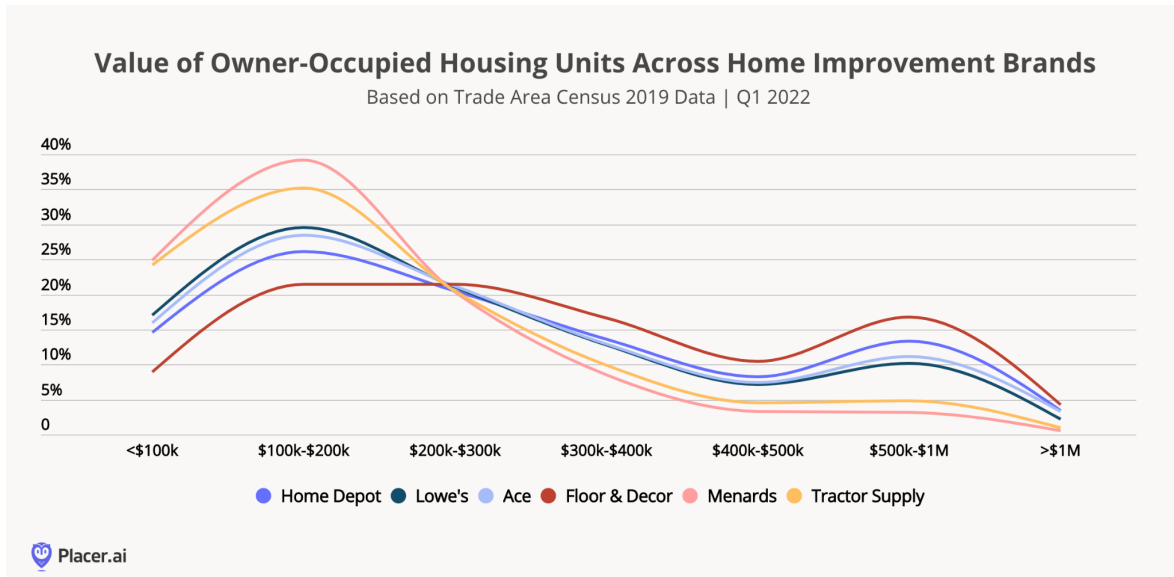
There is no magic formula or target demographic that can guarantee a retailer success.

Another insight that emerges from the home improvement and decor foot traffic data is that there is no magic formula or target demographic that can guarantee a retailer success. Tractor Supply and Home Decor, the two fastest growing home improvement retailers, lie at opposite ends of the spectrum in terms of trade area home value.

Tractor Supply's trade areas have a relatively high share of homes valued under \$100k, while Floor & Decor's trade areas have the largest share of homes valued at over \$300k. Yet, both brands have seen phenomenal foot traffic growth and store fleet expansion.

The strong performances posted by Tractor Supply and Floor & Decor despite the significant differences in their customer demographics shows that home improvement retail success does not depend on reaching a single ideal home

improvement customer persona. Instead, each brand needs to identify its specific appeal and carve out its unique niche within the increasingly crowded home improvement space.



## Identifying Regional Opportunities

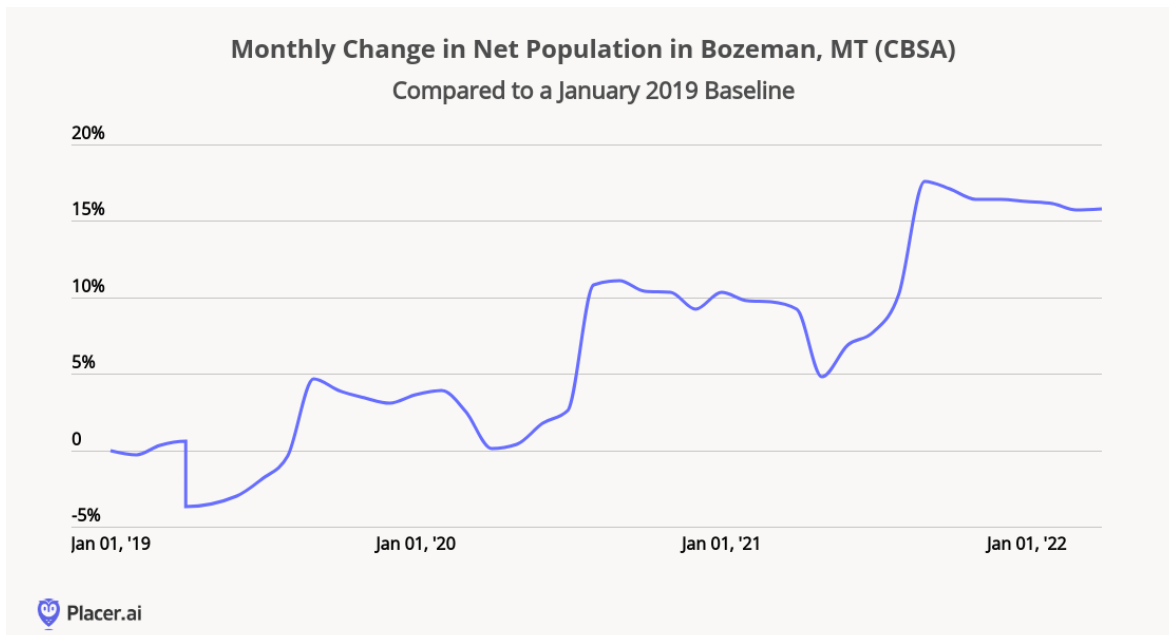


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While COVID did not upend domestic migration trends, a [small but significant](#) number of individuals and households have relocated over the past two years. An influx of population usually means an increase in demand for home improvement and home furnishing products, as new residents invest in turning their recently acquired or rented houses and apartments into homes.

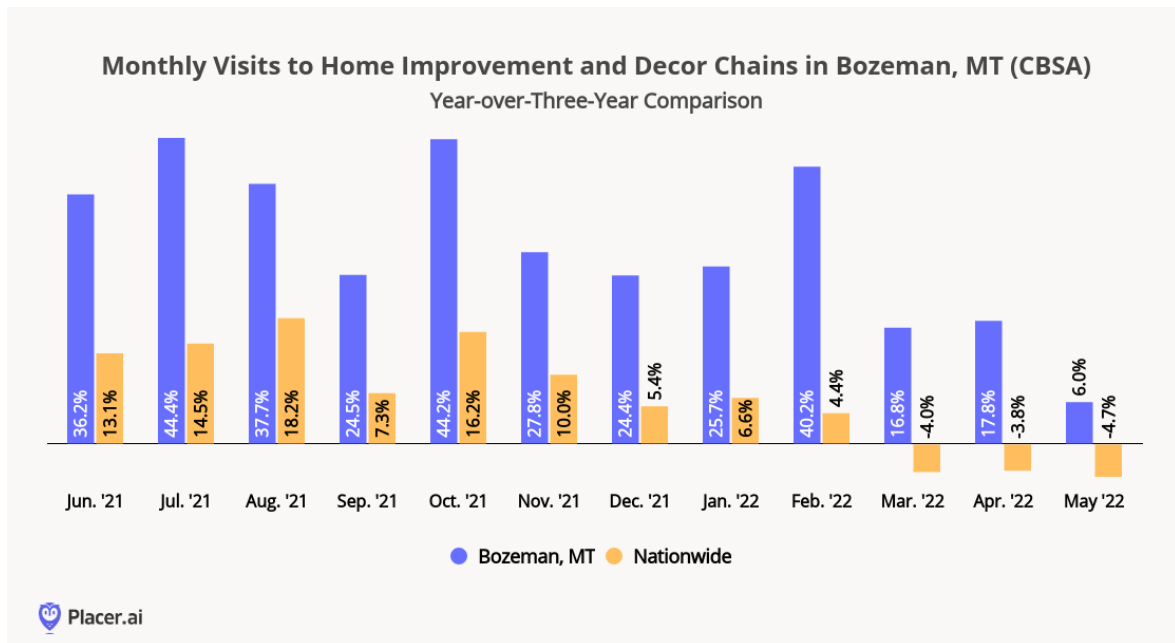
### Bozeman's Growth Reflected in Home Improvement Retail Performance

One standout example is the state of Montana, whose population [grew significantly](#) over the pandemic. In particular, the [CBSA](#) of Bozeman, MT has seen double-digit population growth over the past few years. Foot traffic data shows that Bozeman's population has been steadily increasing since September 2019, with April 2022 seeing a 15.8% growth in monthly visits compared to a January 2019 baseline.



Foot traffic to Bozeman's home improvement and home decor retailers has grown along with its population.

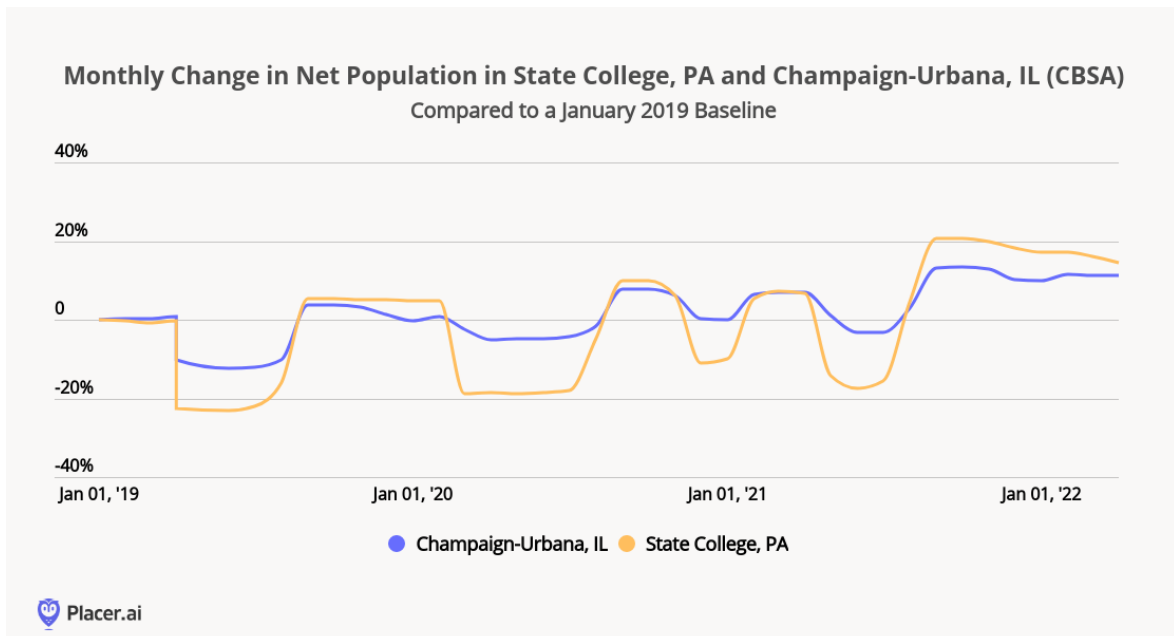
Foot traffic to Bozeman's home improvement and home decor retailers has grown along with its population. For the twelve months between June 2021 and May 2022, local home improvement and home decor foot traffic has significantly outperformed the national average.



## Finding the areas with constant movement

College towns may also prove attractive to home improvement and home furnishing retailers looking to expand. These cities generally see waves of students arriving at the beginning of the school year, followed by an exodus in May and June, which means that each fall brings a fresh batch of students looking to decorate their dorm rooms.

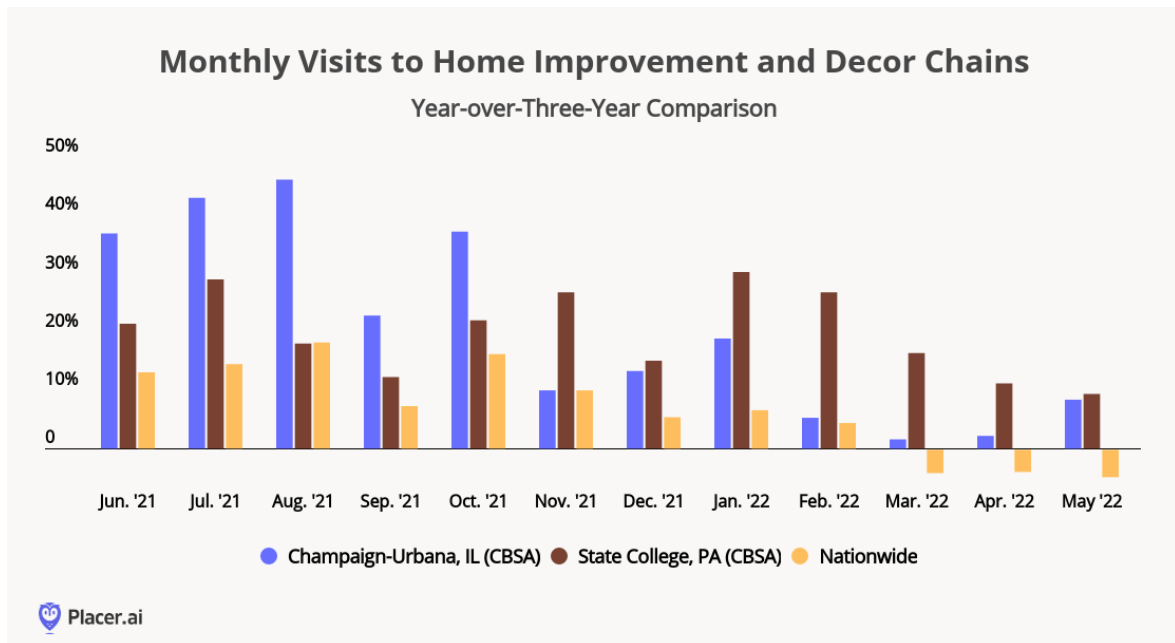
College towns can also be popular places to live, and several college towns have seen their populations increase recently. The population of State College, PA – home of Penn State University and recently [ranked](#) as one of the best places to live – increased by 14.6% between January 2019 and April 2022. The population of Champaign-Urbana, IL, home to the University of Illinois and a [popular area](#) for young homeowners, increased by 11.4% between January 2019 and April 2022.



The constant incoming flow of students along with the recent grads who choose to stay in town has given local home improvement and home decor retailers a boost.

The constant incoming flow of students along with the recent grads who choose to stay in town has given local home improvement and home decor retailers a boost. Yo3Y home improvement and decor visits in Champaign-Urbana, IL and State College, PA have been up every month for the past twelve months, and have consistently overperformed the national average.

In May 2022, home improvement and decor visits were up 8.4% and 9.4% to Champaign-Urbana, IL and State College, PA, respectively, while nationwide Yo3Y visits to the sector were down 4.7%.



## Conclusion

Americans spent [\\$538 billion](#) on home improvement in 2021. But today, a new set of challenges faces the industry, including inflation, a cooling housing market, and supply chain issues that continue to affect nearly every industry. But while foot traffic to the sector and home decor may be down, there are still many opportunities for growth. Home repairs will always be a necessity, and renovations are increasing in popularity.



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As the housing market shows no sign of cooling, many are [reconsidering moving house](#). The motto “improve, don’t move” is becoming increasingly relevant as home

prices continue to spiral out of control for many would-be buyers. And as vacancy rates [reach historic lows](#), renters may opt to stay put rather than slog through a hostile rental market.

These factors may push renters and homeowners alike to choose to invest in their current homes as opposed to trying to find a new place to live, especially as renovation and redecorating can provide a solution for renters who can't afford to move at the moment. Even experts predict that remodeling will continue to be a [popular option](#) through 2023 as Americans choose to invest in their current home instead of moving.

Home improvement and decor offers something for everyone, with a wide range of stores catering to different income levels, needs, and unique circumstances. By focusing on their strengths, chains can tap into unmet needs and continue to grow.

## Key Takeaways

### 1. **Home improvement and home decor have different visit patterns.**

Home decor Yo3Y visits have taken a hit but home improvement foot traffic remains steady. Consumers may be hitting the brakes on home redecorating projects given the economic uncertainty and now that they no longer need to spend so much time indoors, which could be impacting home decor visits. Meanwhile, home improvement foot traffic remains close to 2019 levels as people shift their spending toward essential expenditures such as fixing a leaky roof or keeping the yard in order. The success on the home improvement front is particularly noteworthy considering the comparisons are coming to the sector's peak season – even in the face of inflation and rising gas prices.

### 2. **Expansion is driving foot traffic.**

Expansion is helping smaller brands widen their reach and eat into some of the industry leaders' share of foot traffic. Tractor Supply Co. and Floor & Decor saw

their visits increase 39.4% and 30.7% over a three year period, respectively, following a dramatic and rapid store fleet expansion.

### 3. **Off-price decor is leading the pack.**

TJX Companies, one of the largest and most successful off-price retailers, has been expanding into off-price home decor and furnishings with their two chains, Homesense and Homegoods. Both of them offer off-price home decor and furnishings, with different focuses and both are continuing to chip away at their competitive landscape, expanding their overall visit share.

### 4. **Targeting the right demographic is crucial.**

Our data shows that, as homeownership rates decline, renters are now making up a key part of home improvement shoppers. If housing trends persist, this may re-shape the home improvement world, as renters are less likely to focus on big-ticket renovations.

### 5. **Keeping an eye on moving trends can help expand effectively.**

Understanding where people are moving can help home improvement brands expand efficiently. College towns, cities where many young families are settling, or cities that have seen strong population growth are excellent choices for an expanding home improvement or decor chain to set up shop.