Journal of Economics, Finance and Accounting Studies (JEFAS)
ISSN: 2709-0809
DOI: 10.32996/jefas
Journal Homepage: www.al-kindipublisher.com/index.php/jefas

JEFAS
AL-KINDI CENTER FOR RESEARCH AND DEVELOPMENT

| RESEARCH ARTICLE

Investment & Market Growth Analysis: Insights into U.S. Retail Stock Performance, Emerging Players, M&A Trends

Kazi Obaidur Rahman, MBA (Business Analytics), Gannon University, Erie, Pennsylvania, USA.
Mehedi Hasan, MBA, American International University, Dhaka, Bangladesh.
Achhia Khanam, MBA in Accounting & Business Analytics, Maharishi International University, Fairfield, Iowa.
Farhan Nasrullah, MBA (Business Analytics), Gannon University, Erie, Pennsylvania, USA.
Mohammad Musa Mia, MBA (Business Analytics), International American University, Los Angeles, California.
Shamina Sharmin Jishan, MBS (Accounting), National University, Dhaka, Bangladesh.
Rezwanul I Rezvi, MBA, Devry University, Columbus, Ohio, USA.
Correspondent author: Kazi Obaidur Rahman, e-mail: sohagfinance@gmail.com

| ABSTRACT
The U.S. retail industry has become the cornerstone of the U.S. economic landscape. Retail investors always look for insights into market growth, prospects, retail stock performances, M&A trends, emerging players, future landscapes of retail domain. This research article provides a comprehensive analysis of the U.S. retail sector from an investment perspective, focusing on stock performance, emerging players, and trends in mergers and acquisitions (M&A). In this article, we tried to examine the retail domain's macroeconomic context, key drivers for industry growth, as well as the effects of digital transformation in traditional business models. The study outlines and explains the performance differences and discrepancies between subsectors in the retail industry, including e-commerce platforms, big-box retailers, traditional departmental stores, while identifying high-growth disruptors and the role of strategic M&A in reshaping the competitive landscape. The article also focuses on future investment opportunities, especially on omnichannel retailing, sustainability, and AI-driven innovation. The article concludes with actionable insights for investors, offering strategies to navigate the complexities of the retail sector while capitalizing on emerging growth areas.

| KEYWORDS

Investment & Market Growth, U.S. Retail, Retail Stock performance, Merger & Acquisition, Retail Emerging Players

| ARTICLE INFORMATION

ACCEPTED: 15 May 2025 **PUBLISHED:** 18 June 2025 **DOI:** 10.32996/jefas.2025.7.10

1. Introduction

The U.S. retail industry plays the key role for the nation's economy, continues to evolve in technological disruption, dynamic market forces, and shifting consumer's choice, preferences. The U.S. retail sector contributed sales revenue of over $7.2 trillion in the U.S. economy during the period ended 2024. During the last five years, we experienced sector-specific volatility in retail equities: while big-box and discount retailers outperformed with average annual returns of 12–15%, traditional department stores and mid-tier chains struggled, facing flat or negative growth trajectories. In recent years, the industry has faced several issues like significant stock market volatility, threats of emerging new players leveraging digital innovation to gain competitive ground. Therefore, traditional retailers now like to adapt through mergers & acquisitions, strategic realignment, and investors are closely monitoring growth trajectories, risk profiles, and future potential.

This article explores the multifaceted landscape of U.S. retail investment & market growth, analyzing stock performance trends, spotlighting emerging disruptors, and evaluating key M&A movements reshaping the industry. The article aims to equip investors, analysts, and decision-makers with actionable insights to navigate the evolving dynamics and capitalize on value-creation opportunities in a transforming retail environment.

2. U.S. Retail Sector:

The retail sector has become one of the most eminent parts of the U.S. economy. In the year 2024, total sales revenue was reported at $7.2 trillion, and the number of employees working in this sector was over 32 million. We have seen steady growth in this sector after the Covid-19 pandemic situation. Though there is a growing trend, the sector is still suffering from market volatility due to macroeconomic factors such as high interest rates, shifting consumer choice and preference, as well as political factors, for instance, tariff and counter tariffs, and effects of on-going wars etc. (Rahman, et al., 2025).

The US retail sector is highly diversified. If we look at the grocery and essentials market, it is relatively more stable but yields a low margin. Here, the major players including Walmart, Costco and Kroger etc. On the other hand, apparel and footwear products are more sensitive and cyclical to the consumer trends. Companies like Lululemon and Nike have seen resilience through direct-to-consumer (DTC) models.

The demand for Electronics and home goods softened after Covid-19 boom. Target and Best Buy are adapting via digital transformation. E-commerce business continues its popularity and outpaces brick-and-mortar sales growth. Companies like Amazone, Walmart remain the major player here in e-commerce platforms, whereas Etsy and Shopify represent agile platforms.

Post-COVID Pandemic Transformation

We have seen some structural changes in the U.S. retail sector after Covid-19 periods, which redefined the retail sector. After the Covid-19 pandemic, business entities are focusing more on omnichannel expansion, i.e., integration of physical and digital channels to attract more consumers by offering personalized customer experience. Retailers are now more concerned about their supply chains to avoid any possible disruptions in the process; therefore, they prefer reshoring their logistic supplies and diversifying their supplier bases. Retailers also like to reshape their inventory strategy and marketing policy following the consumer's demand for product personalization, its sustainability, and the value-based purchasing choice. Business entities tend to adopt advanced technologies like Artificial Intelligence, Machine Learning, Business Intelligence tools for performing predictive analysis of their product's demand, optimizing supply chains, product pricing, and personalizing consumer experience. Retailers also like to adopt robotics, blockchain technologies in their inventory management system, and fulfillment centers for experiencing better efficiency and accuracy (Rahman, et al., 2025).

3. Stock Performance Analysis:

The U.S. retail equity market shown a nuanced landscape in 2024, because of its significant performance variations across retail segments. While certain sectors capitalized on evolving consumer behaviors and economic conditions, others faced challenges that impacted their market valuations.

Broad Market Trends

The SPDR S&P Retail ETF (XRT) reported the rate of return of 11.78% in the year 2024, which is lower than that of broader consumer discretionary category,15.65% return in the same period. Probably, this disparity is caused by the uneven recovery, and growth trajectories in the retail domain.

Segmented Performance

Big-Box Retailers: We have seen Costco and Walmart both took advantage from the rise of value-conscious customers despite persistent inflation. The stock price of Walmart was appreciated by approx.18% over the last year, indicating a strong position in the discount retail space. We have also seen robust growth of Costco by leveraging their membership model as well as bulk quantity sales strategy.

Departmental Stores: After the Covid pandemic, U.S. retail has been experiencing a shifting in consumer preference towards e-commerce platforms. Changing consumer choice and rising e-commerce competition pose a threat to traditional departmental stores. If we look at Macy's Inc., they are struggling with declining foot traffic and revenue leading to subdued stock performance despite their high-divide yield.

E-Commerce Platforms: Online digital platform has become the popular POS in the post-covid period, where Amazon continues its dominance in this platform. The U.S. e-commerce sales revenue was reported at $352.9 billion in the fourth quarter in Y2024, which is 22.1% higher than that of previous quarter. This trend clearly indicates that the market is shifting towards online digital platforms (Rezvi, et al., 2025).

Valuation Metrics

Price-to-Earnings (P/E) Ratios: The U.S. retail industry expose a broad range of Price/Earnings ratios, indicating variations in investor sentiments. Walmart, as a discount retailer, traded with a higher P/E ratio because of their resilience in product sales, whereas the departmental stores like Macy's operated with lower P/E multiples.

Dividend Yields: Companies with high yield dividend attract income-focused investors, therefore, Macy's dividend yield exceeding 5% was appealing investors seeking stable income flows despite market volatility.

Volatility: The U.S. retail sector is going through an increased volatility due to macroeconomic factors like interest rates, tariff and counter tariff tensions among the nations, consumer spending patterns, customer preference and so on (Rahman, et al., 2025). Retailers with strong online presences and diversified product offerings managed to mitigate some of this volatility.

Investor Implications

The disparity in the stock performance within the U.S. retail industry focuses on the essence of a nuanced investment approach. Investors can prioritize business entities performing robust omnichannel strategies to the changing consumer behaviors. Also, they should consider macroeconomic trends that can impact consumer spending and retail performance. A risk-averse investor may prefer a mix of retail stocks across different segments to balance potential risks and rewards.

4. Emerging Retail Players:

DTC (Direct-to-Consumer) brands are becoming increasingly popular over the traditional retail business by introducing consumer friendly online shopping platforms, engaging customers directly via digital channels. (Rezvi, et al., 2025). Warby Parker, Allbirds, and Glossier have become successful DTC brands in developing their loyal consumer bases by offering diversified value proposition focusing on sustainability, design, and customer personalized experience. In the case of investment activities, several DTC brands issued IPOs, private equity and venture capital continue to view the DTC model as a scalable path.

Startup retail entrepreneurs are making the differences with their innovative approaches and cutting-edge technologies. Innovative enterprises like Rent the Runway, ThredUP designed and developed models in combining e-commerce with AI (Artificial Intelligence) tools for attracting potential consumers, better customer experience following their preferences. AI tools may include personalization engines, such as Stitch Fix. They also use AI tools in optimizing inventory, supply chains for minimizing costs, maximizing process improvement, product search and recommendations followed by the consumer choice (Rahman, et al., 2025).

In line with retailers, enabling platforms such as BigCommerce, Shopify, and Faire are empowering small-to-medium enterprises (SMEs) to launch, scale, and manage omnichannel storefronts efficiently. Shopify has become a bellwether for e-commerce enablement, generated revenues exceeding $8 billion in FY2024, driven by expanding fintech and logistics services. Faire (wholesale platform) connects independent brands to global retailers. Though emerging players have become successful in the market, still they're facing some issues like CAC (Customer acquisition costs) rising across digital channels, logistics and fulfillment remain capital-intensive, post-IPO performance for several DTC brands has been mixed, raising concerns about long-term profitability.

5. Mergers & Acquisitions (M&A) Landscape:

In the U.S. retail market competition landscape, many established companies use M&A tools to become competitive by accelerating digital transformation, extending market reach, and optimizing operational efficiency. In the FY2023, U.S. retail sector recorded over $140 billion transaction value, with an increase of 18% in M&A transaction value growth, which was driven by mainly tech-focused acquisitions, vertical integration for controlling supply chains, and market consolidation for eliminating competitions and expansion. Private equity (PE) and venture capital (VC) firms played a significant role, accounting for nearly 40% of all retail M&A activity, particularly in e-commerce, logistics, and health-wellness verticals.

Strategic Drivers for M&A:

1) *Digital Capability Acquisition:*

Digital Capability Acquisition aims to accelerate innovation in personalization, data analytics, and user experience. For instance, Walmart's acquisition of Zeekit, a virtual fitting room platform, reflects a broader push to blend physical and digital shopping experiences.

2) *Category Expansion and Portfolio Diversification:*

It aims to unlock new revenue streams and build long-term consumer ecosystems. Amazon's acquisition of One Medical highlights its entry into hybrid healthcare-retail services.

3) *Supply Chain Control and Fulfillment Optimization:*

It ensures delivery speed, cost control, and customer satisfaction. Target's investment in Shipt and last-mile delivery firms.

4) *Sustainability and Ethical Sourcing*

Acquisitions aimed at bolstering ESG credentials, especially in the apparel and grocery sectors.

6. Investment Outlook & Market Opportunities:

The U.S. retail industry presents a diverse but promising investment landscape. While macroeconomic volatility and shifting consumer behavior pose short-term risks, long-term opportunities are emerging through structural transformation, digital acceleration, and technological innovation.

Macroeconomic Factors (need to be considered)**:**

- √ *Inflation* and *interest rate* hike continues to suppress discretionary consumer spending and increase the costs of borrowing for both businesses and consumers. Retailers with higher debt exposure to interest-sensitive categories (especially luxury goods) are particularly vulnerable.

- √ High *Labor costs* and *supply chain* pressures continue to impact profit margin. Retailers that have successfully localized supply chains or automated fulfillment processes are better positioned to sustain profitability.

- √ Resilient *consumer spending* and high *household debt* may temper future spending, especially in non-essential categories (luxury, fashionable goods). In Q1 Y2024, household debt levels reached record highs, with credit card delinquencies rising by 8.4%.

High-Potential Growth Areas:

- √ *Omnichannel* and *tech-integrated* business platforms are capturing higher customer lifetime value. Investments in tools such as buy-online-pick-up-in-store (BOPIS), mobile POS, and real-time inventory visibility are becoming key differentiators.

- √ Consumer's demand for *sustainability* and *environment friendly* products encourages retailers to focus on ethical sourcing, carbon footprint reduction, which attracts both consumers and ESG-aligned (Environmental, Social, and Governance) investors.

- √ *Artificial Intelligence (AI), Business Intelligence (BI), Machine Learning (ML)* tools may empower the retailers in optimizing their supply chains, predictive analysis, demand forecasting following the consumers preference, choices on social media flatforms, instore buying habits etc.

- √ The Wellness and Healthcare retail area (for instance, CVS + Oak Street Health, Amazon + One Medical) shows long-term growth potential. Investors should monitor verticals that combine convenience with lifestyle services.

- √ DTC businesses with creator-led marketing, niche positioning, and data-rich engagement models are potential for early-stage investors, especially those with omnichannel focus.

Insights and Strategic Recommendations:

- √ Companies may diversify exposure by blending traditional defensives (such as Walmart, Costco) with high-growth disruptors (Shopify, niche DTC IPOs etc.).
- √ Business entities that can maintain profit margins while scaling technologies and logistics will outperform peers.
- √ Merger & acquisition continues to offer insights into sector consolidation as well as long-term strategies.
- √ Retail-focused ETF (Exchange Traded Fund) provides diversified access while tracking key sub-sector performance trends.

7. Conclusion:

The U.S. retail industry is undergoing a significant transformation, driven by both the traditional forces and the transformative disruptions. While the sector faces notable challenges like inflationary pressures, rapidly changing consumers' habits, preferences, however, there are still substantial opportunities to grow with innovation. Retailers who adapt successfully through digital integration, sustainability initiatives, and strategic consolidation—are in a better position to gain long-term value. Emerging technologies, for instance, Artificial Intelligence, Business Intelligence, Machine Learning tools, omnichannel retailing, and personalized consumer experiences are redefining how consumers interact with brands. Besides, the rise of direct-to-consumer brands, platform-based retail ecosystems, and health-focused retail models highlights the importance of agility and forward-thinking strategies.

Retail investors should remain vigilant to closely monitor macroeconomic factors and their effects, M&A dealing activities, and emerging new players. Investors may follow a diversified approach for risk-adjusted returns in this dynamic environment. As the retail industry continues to evolve, investors may align with transformative trends while mitigating risks to get strategic advantages by navigating the complexities of the market.

Funding: This research received no external funding.
Conflicts of Interest: The authors declare no conflict of interest.
Publisher's Note: All claims expressed in this article are solely those of the authors and do not necessarily represent those of their affiliated organizations, or those of the publisher, the editors and the reviewers.

References:

[1] Rahman, K. O., Rezvi, R. I., Nasrullah, F., Islam, M. S., Hasan, M., Khanam, A., & Akash, A. H. (2025). Business Model Canvas: Business Analytics on Gas stations with C-stores in United States. *Journal of Business and Management Studies*, *7*(1), 180-185. https://doi.org/10.32996/jbms.2025.7.1.13

[2] 2025 US Retail Industry Outlook: https://www2.deloitte.com/us/en/insights/industry/retail-distribution/retail-distribution-industry-outlook.html

[3] Rezvi, R. I., Rahman, K. O., Nasrullah, F., Islam, M. S., Hasan, M., Nusrat, N., ... & Ahmed, S. (2025). The integration of artificial intelligence in human resource management in the US retail sector. Journal of Business and Management Studies, 7(1), 273-278. https://doi.org/10.32996/jbms.2025.7.1.22

[4] Retail Trends 2025: The Top 10 Trends Retailers Should Know https://www.lightspeedhq.com/blog/retail-trends/

[5] BARRON'S, https://www.barrons.com/articles/retail-stocks-consumer-spending-inflation-8ab245e2

[6] Rezvi, R. I., Rahman, K. O., Hasan, M. A., Nasrullah, F., Nusrat, N., Jishan, S. S., & Ahmed, S. (2025). How Digital Marketing Affiliates the Digital Stores: A Deep Dive into Shopify, Amazon, Walmart, and Other E-Commerce Giants. Journal of Computer Science and Technology Studies, 7(2), 95-101. https://doi.org/10.32996/jcsts.2025.7.2.8

[7] Forbes, https://www.forbes.com/sites/pamdanziger/2025/01/28/2025-began-in-a-surge-of-retail-mergers-and-acquisitions-jcpenney-into-catalyst-brands-the-biggest/

[8] Rahman, K. O., Khanam, A., Hasan, M., Akash, A. H., Rezvi, R. I., Nasrullah, F., ... & Nusrat, N. (2025). Decoding US Retail Dynamics: A Holistic Strategic Analysis Using PESTEL and Porter's Five Forces Frameworks. *Journal of Business and Management Studies*, *7*(2), 176-183. https://doi.org/10.32996/jbms.2025.7.2.12

[9] BAIN & COMPANY, https://www.bain.com/insights/retail-m-and-a-report-2025/

[10] Rahman, K. O., Islam, M. S., Rezvi, R. I., Hasan, M., Khanam, A., Nasrullah, F., ... & Akash, A. H. (2025). AI-Driven Next-Gen US Retail: An Empirical Study on Optimizing Supply Chains by leveraging Artificial Intelligence, Business Intelligence, and Machine Learning. *Journal of Computer Science and Technology Studies*, *7*(1), 258-264. https://doi.org/10.32996/jcsts.2025.7.1.19x

[11] The Future of Commerce, https://www.the-future-of-commerce.com/2024/12/10/retail-trends-2025/

[12] https://www.spglobal.com/spdji/en/documents/performance-reports/dashboard-us-sector.pdf

[13] https://www.suredividend.com/undervalued-high-dividend-stocks/

[14] https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

[15] https://www.jll.com/en-us/insights/market-dynamics/us-retail

[16] https://blog.amplifyetfs.com/ibuy/ibuy-commentary-4th-quarter-2024

[17] *https://russellinvestments.com/content/ri/us/en/individual-investor/insights/russell-research/2025/01/quarterly-trading-report--q4-2024-volatility-returns.html*

[18] *https://clearingcustody.fidelity.com/insights/topics/market-commentary/whats-ahead-for-stocks-in-2025*

[19] *https://finance.yahoo.com/news/5-u-retailers-made-most-194500909.html*

[20] *https://www.forbes.com/sites/michaelfoster/2024/12/01/dividend-investors-love-pe-ratios-but-theyre-reading-them-all-wrong/*