

# The retailer's Q3 2022 checkup: Amazon, Walmart, The Home Depot, and more

Article

The third quarter was a hard one for many US retailers, as inflation, supply chain strain, and more normalized post-pandemic consumer behaviors set in. We checked up on five major

retailers on our “**Behind the Numbers: Reimagining Retail**” podcast to get a nuanced take on who took a hit in the short term and what our experts expect looking further out.

**Amazonian giant:** “We are seeing that the fears of inflation, and economic pressures in general, are really starting to hammer in on the consumer,” said our analyst Suzy Davidkhanian. “Even Amazon, where people go buy all kinds of things, is starting to feel that effect.”

- Consumers are making far more targeted purchases, but they’re still buying. **Online store sales** were up 7% in Q3, marking the retailer’s first positive growth in four quarters.

Our analyst Blake Droesch predicts that headwinds across Amazon’s business, specifically within its voice assistant and Amazon Web Service endeavors, will drive efficiency in retail.

- Droesch noted how Amazon’s affordability sets the retailer up for success. “Just because situations are gonna get tough economically, [that] doesn’t mean consumers aren’t gonna shop online,” he noted. And when consumers look for affordable goods, “Amazon is the place.”

**Walmart’s grocery smarts:** “This is really a time where Walmart can show basically how resilient it can be based on how diverse and generally applicable [its] business model is to any consumer,” said Droesch.

- Walmart’s advantage is its **inexpensive grocery offerings**, which bolstered its third-quarter earnings. Sales were up nearly 9% due to grocery sales across income levels.
- When it comes to groceries, “it’s really easy for someone who might be looking to save to switch down to Walmart,” said Droesch. The question is if Walmart can use the same logic to buoy other retail categories.
- The retail giant excels as a fulfillment hub as well. “Walmart always touts that 90% of Americans live within 10 miles of a Walmart location,” said Droesch. That sets the company up to deliver goods directly from stores to most Americans.

**The Home Depot improvement:** Despite a tanking housing market, **The Home Depot** was able to pivot to home-improvement and do-it-yourself marketing to boost sales, according to Davidkhanian. The retailer also leveraged mobile, both in-store and online, and positioned itself for success with its pro program, which serves contractors directly.

- Using those approaches, The Home Depot grew sales 6% year over year in the third quarter.

**Target missed the mark:** Target had a weak third quarter, but Droesch is optimistic for the long term. “I’m really interested in what Target can do. I think there’s a lot of potential.”

- Target **stocks plunged** 15.0% after posting unimpressive earnings in mid-November. According to Target chairman and CEO Brian Cornell, consumers reined in their spending, and the retailer took a hit.
- “It’s really interesting to look at Walmart and compare it to Target,” noted Droesch. “It doesn’t seem like [Target was] able to compensate for the misses [the company] had on things like electronics.”
- But Target is investing in expanding stores and servicing online shoppers. Its focus on ecommerce means an underwhelming third quarter may just be the symptom of an increased focus on ecommerce going forward.

**Macy’s in the bag:** Macy’s revenues fell, but not as much as investors feared, leading to a **spike in stocks** last week.

- Davidkhanian was optimistic, saying, “times have changed. [It has] changed the course a little bit, but the foundation of [its] strategy has not changed, and I think that will help [the company] win over time, versus constantly reacting and changing [its] base strategy.”
- According to Davidkhanian, Macy’s performed better than anticipated by controlling its inventory and leveraging brands under its umbrella like Bloomingdale’s and Bluemercury.

**Final thoughts:** The third quarter was challenging for pretty much everyone. But consumers made and will continue to make targeted purchases from retailers that can save them money. For Amazon and Walmart, value and deals will drive sales. At The Home Depot and Macy’s, loyalty and an understanding of their customers are helping revenues. And at Target, it’s all about the long game in ecommerce.

But these strategies don’t exist in a vacuum. Combining savings, loyalty, brand strength, and ecommerce planning will result in the strongest retailers as we enter 2023.

**Listen to the full podcast.**

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