

# While retailers pulled holiday sales into October, challenges may lie ahead

Article

**The big picture:** Retail sales jumped 1.3% month-over-month (MoM) in October, a notable increase after spending in September was flat MoM, [per](#) the US Commerce Department.

- The results suggest that retailers such as **Amazon** and **Walmart** were largely successful in their efforts to pull the start of holiday season into mid-October.
- While those events may not have delivered blockbuster results, they allowed retailers to clear inventory and capture a share of holiday sales earlier than usual.

**Zooming in:** Despite the better-than-expected retail sales numbers, there are some clear warning signs as inventory markdowns and economic uncertainty strain some retailers' ability to deliver profits.

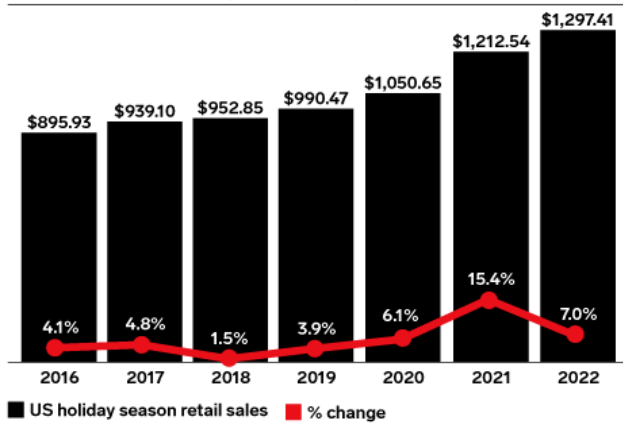
- **Target's** top-line Q3 revenues of \$26.52 billion exceeded the Refinitiv consensus estimate of \$26.38 billion. But its **bottom-line earnings per share of \$1.54 were down 49.3% year-over-year**, and well short of the \$2.13 that analysts expected.
- Target customers' price sensitivity intensified during the last two weeks of October, said **Christina Hennington**, chief growth officer. "It was a precipitous decline and, frankly, we've seen those trends in the early part of November as well," she told CNBC.
- Target customers are increasingly impacted by inflation, rising interest rates, and a challenging economic climate, which is driving them to wait for deals, buy smaller package sizes, and prioritize needs rather than wants.

**Looking ahead:** Given its challenges, Target lowered its guidance for the critical fourth quarter and said it will offer steep discounts to clear out unwanted inventory.

- That marks a stark contrast with **Walmart**, which **reported better-than-expected revenues in Q3 and raised its full-year outlook**.
- The sharp disparity between the two companies stems from their product mix. Walmart, which generates over half of its US revenues from groceries, has grown its grocery market share thanks to its ability to attract more affluent shoppers. Target, on the other hand, generates a larger share of revenues from discretionary purchases such as home goods and electronics, which are categories where consumers have pulled back.
- Yet even **Walmart remains bearish about the holiday season** as it expects comparable sales to rise just 3% in Q4.
- While we **expect total retail holiday sales to rise 7.0%** to \$1.297 trillion, that growth will primarily be attributable to inflation. While our forecast factors in a shaky stock market, we acknowledge that a deepening sell-off that dramatically accelerates layoffs and rattles consumer confidence could put that growth rate in jeopardy.

## US Holiday Season Retail Sales, 2016-2022

billions and % change vs. prior year



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling and other vice goods sales; sales are for Nov and Dec of each year  
Source: eMarketer, Sep 2022

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**The big takeaway:** While the October retail sales look promising at first glance, some of that growth may have come at the expense of November and December sales.

- Consumers are clearly focused on value, which can represent an opportunity for retailers to push their private label products, as well other lower-priced products.

**Go further:** Read our full [US Holiday Shopping 2022](#) report.

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