

Walmart and Costco CEOs identify a shift in consumers' shopping patterns

Article

The trend: Although consumers [keep spending](#), two prominent retail CEOs have recently noted that their purchases are changing as consumables squeeze out discretionary items.

- **Costco customers are growing increasingly “value-conscious,”** which has meant sales of expensive items such as jewelry and high-end TVs have slowed down, CEO **Craig Jelinek** [told](#) Yahoo Finance.
- **Walmart customers are being more selective about what they purchase,** CEO **Doug McMillon** [told](#) CNBC. That dovetails with an interview that **John David Rainey**, the retailer’s chief financial officer, gave to CNBC last month in which he noted customers were holding out for sales when shopping for big-ticket items like TVs and buying less clothing and home goods.

Zooming out: The comments by Jelinek and McMillon reflect the fact that **the current economic climate is unusual given that both consumer confidence and the unemployment rate are near all-time lows.**

- **On the one hand, US consumers continue to have money to spend.** US households have roughly \$1.7 trillion in excess savings from pandemic stimulus programs, [per](#) the US Federal Reserve. And people’s paychecks rose 0.7% month-over-month (MoM) in October, or 0.4% when adjusted for inflation.
- **On the other hand, their consumption patterns are unsustainable.** The personal saving rate, the portion of after-tax income that consumers don’t spend, fell to 2.3% in October, [per](#) the US Commerce Department. July 2005 is the only other time the rate was that low since records started 60 years ago.

Costco and Walmart customers (and others) may be starting to recognize that they need to adapt their consumption patterns.

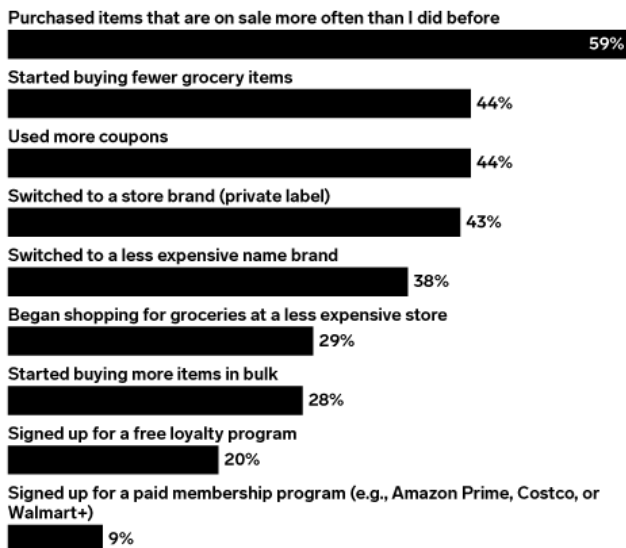
The opportunity: Costco and Walmart stand to benefit from the current moment given that they offer value-conscious customers a one-stop-shop where they can buy low-cost groceries, household essentials, and other products.

- Grocery prices continue to hit new highs, in October rising 12.4% year-over-year, [per](#) the US Labor Department.
- Those high prices put the retailers in a strong position to seize market share from traditional groceries. Costco and Walmart also have strong private label brands, which consumers are increasingly interested in buying as they trade down to save money. For example, Walmart’s private label penetration in the food category grew by roughly 130 basis points during Q3.

- Already the largest grocer in the US, Walmart has benefited from higher-income shoppers looking to save on groceries. Roughly 75% of its market share gain in grocery came from households making more than \$100,000 in the past two quarters, the company [said](#) last month.

Actions US Grocery Buyers Have Taken to Save Money at the Grocery Store, Sep 2022

% of respondents



Note: in the past two months
Source: "The Insider Intelligence Grocery Survey" conducted in Sep 2022 by Bizrate Insights, Sep 27, 2022

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The big takeaway: Retailers that can effectively convey their ability to save consumers money stand to benefit from the current moment given that consumers are growing increasingly cost-conscious.

Go further: Read our [The Power of Walmart](#) report for more insights into the big box retailer's growth strategies.

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