

Retailers face significant inventory challenges heading into the holiday season

Article

The challenge: Fickle consumers are making it difficult for retailers to find the right inventory mix for the fall and winter as the latter attempt to avoid getting stuck with even more excess

inventory.

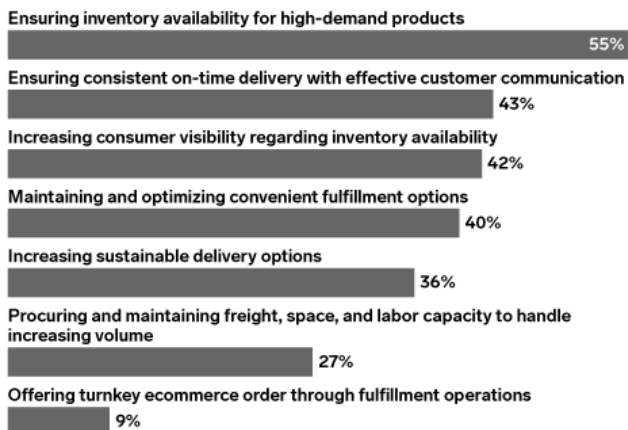
- **Target, Walmart, and Kohl's** have each said they are canceling or cutting down on orders to stay ahead of their [higher-than-usual inventories](#).
- **Macy's**, which said its inventory was up 7% year-over-year (YoY) in Q2, will not return to “inventory levels per unit of sales that we had in the past,” said CFO **Adrian Mitchell** at the Goldman Sachs 29th Annual Global Retailing Conference.
- Several retailers are reducing their orders for fall and winter far more than expected, according to consumer goods supplier **Newell Brands**—which owns a range of brands that include **Calphalon** cookware, **Yankee Candle**, and **Marmot** outdoor goods, per The Wall Street Journal.
- One sign of that trend is **import volumes into major US ports fell 0.4% in July YoY**, [per](#) the National Retail Federation and Hackett Associates' Global Port Tracker. The report expects imports at major container ports to fall below last year's levels for the remainder of 2022.

How we got here: The abrupt shift in spending toward travel and services earlier this year left retailers such as Macy's, Kohl's, Target, and Walmart with a glut of excess merchandise that they then had to discount or slough off to off-price retailers.

- Yet despite those changes, consumer spending remains strong and **the share of consumption that's directed toward goods remains above pre-pandemic norms**, [per](#) the US Commerce Department. As long as that's the case, retailers need adequate inventories to ensure they have enough goods in stock.
- That's driven retailers such as Macy's and **Joann** to pull forward inventory to avoid supply chain disruptions. As a result, **inventories actually increased in August**, [according](#) to the Logistics Managers' Index.

**Priorities for Enhancing the Consumer Experiences
During Ongoing Supply Chain Disruptions
According to US Supply Chain Executives,
April 2022**

% of respondents



Source: Blue Yonder, "Supply Chain & Logistics Executive Survey," May 23, 2022

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The big takeaway: It is always a challenge for retailers to have the right mix of products on hand in the critical final months of the year. But it is all the more difficult this year due to the ever-evolving shifts in consumer behavior, and inflation's lingering impact on consumers' discretionary spending. After getting caught flat-footed earlier this year when spending patterns abruptly changed, many are rightly taking a conservative approach this fall and winter.

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