

Which retailers won (or lost) in 2022?

Article

The trend: 2022 has been a wild ride for many retailers. While many expressed optimism in the beginning of the year as pandemic restrictions eased and consumers showed their willingness to spend, the tide turned rapidly as war in Ukraine and rampant inflation forced retailers to recalibrate their expectations.

Retail winners: Consumer behavior this year has been characterized by contradictions. For example, **95% of shoppers say they will consider or purchase private brands this holiday season**, per a survey by Daymon, but many consumers continue to shell out for premium products as an “affordable luxury.” Our winners this year reflect this apparent paradox.

Discount stores and club retailers: Unsurprisingly, as gas and grocery prices rose, more shoppers began turning to discount and club retailers for some relief at the pump and at the cash register.

- Foot traffic to discount grocers like **Aldi** and **Grocery Outlet** rose in Q3, in contrast to the wider grocery category's drop in visits, per Placer.ai.
- **Sam's Club**, **Costco**, and **BJ's Wholesale Club** all reported strong—and in some cases, record—membership growth throughout the year as shoppers took advantage of lower gas prices and bulk-buying discounts.
- Despite not being strictly a discount retailer, **Walmart's** ability to keep grocery prices low helped it win market share and attract more affluent shoppers.

Luxury brands: Luxury brands have had a stellar year as consumers displayed virtually insatiable demand for designer goods.

- **LVMH Moët Hennessy Louis Vuitton's revenues rose 28% year-over-year (YoY) for the first nine months of 2022.** A host of other luxury companies including **Kering**, **Richemont**, and **Hermès** also saw strong growth throughout the year.
- Luxury beauty companies have seen an uptick in sales as the lipstick effect drives more consumers to indulge in small luxuries. For example, **Coty** CEO **Sue Nabi** said on the company's Q3 earnings call that more shoppers are trading up to premium fragrances.

CPG brands: Even with more shoppers trading down to private labels, many CPG companies reported growth this year thanks to one key tactic: raising prices.

- Higher prices helped drive up revenues for **PepsiCo**, **Unilever**, and **Procter & Gamble** even as sales volume declined.
- A handful of CPGs—including **Mondelēz**, **Hostess**, and **Hershey's**—have managed to raise prices and sales volumes as they position their products as “affordable treats” for families to indulge in.

Retail losers: Unsurprisingly, the retailers that struggled the most this year largely operate in discretionary categories like apparel, home furnishings, and consumer electronics.

- **Best Buy** dealt with soft demand all year after consumers stocked up on electronics during lockdowns and inflation dampened demand for big-ticket items.

- **Target** grappled with elevated inventory levels all year as shoppers devoted more of their budgets to necessities like groceries and experiences like travel, and less to the discretionary categories that the retailer generates most of its revenues from.
- **Kohl's** sales fell as the retailer's lack of brand identity hurt its ability to attract shoppers, and inflation causes its core consumer base to purchase fewer items and trade down to cheaper brands.
- **Gap, Inc.**, like plenty of other apparel retailers, had to severely mark down inventory to get it off shelves, which ate into margins. But unlike other retailers, the company had to eat \$53 million in charges in Q3 related to its failed **Yeezy** collaboration, and is struggling to revitalize sales for its **Old Navy**, **Gap**, and **Athleta** brands.

Shopping Habit Changes Among Adults in Select Countries due to Rising Prices, Sep 2022

% of respondents

	UK	Spain	Italy	Germany	France	US	Total
Shopping for deals	47%	46%	46%	57%	46%	40%	47%
Staying within a budget	45%	32%	40%	43%	43%	42%	41%
Buying less overall	36%	29%	25%	35%	34%	29%	31%
Buying items out of season to save	20%	28%	26%	33%	27%	22%	26%
Shopping online more	25%	20%	27%	21%	22%	24%	23%
Using more coupons	19%	22%	13%	35%	23%	24%	23%
Utilizing cash-back perks more	20%	20%	12%	34%	24%	21%	22%
Shopping more at outlet stores	10%	44%	26%	14%	11%	18%	21%
Purchasing more store brands/private label	23%	9%	10%	30%	12%	23%	18%

Source: First Insight, "The State of Consumer Spending: Inflation's International Impact," Sep 22, 2022

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eMarketer | InsiderIntelligence.com

The big takeaway: While consumer spending has remained relatively strong despite inflation, it's clear that shoppers are becoming more considered when it comes to what, where, and when they buy. Value has become one of the most important deciding factors for the majority of consumers, although there are significant opportunities for retailers to take advantage of the lipstick effect to drive growth.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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