Blueocean Releases Study Identifying Factors Contributing to Walmart’s...

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Second Quarter U.S. Sales Slump

Programs aimed at reinforcing price leadership not translating into improved perceptions or sales, study finds

Research and consulting firm Blueocean Market Intelligence announced in late September the results of a second quarter study examining how changes in shopper attitudes and habits are impacting sales at the worldâ€™s largest retailer.

In August, Blueocean continued its investigation into why shoppersâ€™ attitudes and habits related to Walmart havenâ€™t improved. Blueocean conducted the study to discover the drivers behind the lackluster second quarter performance, key department spending trends and shoppersâ€™ overall outlook for the upcomingÂ holiday season.

Blueocean surveyed 1,500 Walmart shoppers in August. Consumers reported whether their shopping behavior changed in the second quarter of 2011 compared to the first quarter . Shoppers also predicted how they are likely to shop in the next six months. Survey participants, ages 18 to 75, were a representative sample of the U.S. population.

Summary findings:

Reductions in Walmart trips and spending continued
â€¢ Across all channels, few shoppers increased spending or trips, with the majority maintaining their Q1 shopping habits in Q2

Â â€” The number of people who havenâ€™t shopped at Walmart in the past 6 months doubled. This could be an emerging concern, or it may mean that Walmart didnâ€™t convert new holiday shoppers into regular customers

Â â€” Low engagement shoppers (visit less frequently and shop fewer departments) made larger cuts to Walmart spending and trip frequency; these customers hold the lowest opinions of Walmart and are at risk of becoming lapsed shoppers

â€¢ Walmart is faring better than some retailers in capturing share of wallet, but little spending growth will require stealing share

Â â€” Across departments, Walmart spending cuts were smaller than average

Â â€” Baby and Pet were the only Walmart departments with a net gain (increasers outweighed decreasers), but significantly more Health & Beauty spenders made cuts than in Q1

Â â€” Discretionary departments continued to face the largest cuts in spending and trips

Overall economy continued to negatively impact Walmart
â€¢ Walmart shoppers remained pessimistic about the overall economy

Â â€” Personal circumstances also declined compared to Q1

Â â€” Economic concerns increased most dramatically among Walmartâ€™s more affluent shoppers compared to the previous study; many more say they think both the overall economy and their personal circumstances declined in Q2

Â â€” Middle to low income shoppers remained very negative about the economy; 6 in 10 think it declined in Q2 and nearly 1 in 2 say their personal financial situation deteriorated as well

â€¢ As a result, â€œspending less overallâ€• continued to be the most commonly cited reason for reduced Walmart spending

Walmart not improving customer perceptions
â€¢ Despite efforts to promote everyday low prices and reinforce their price leadership, there was no positive momentum in perceptions of Walmartâ€™s value for money

Â â€” The majority of Walmart shoppers surveyed continued to agree that Walmart is the low price leader, but there has been no improvement in price leadership perceptions compared to Q1

Â â€” Lapsed shoppers (havenâ€™t shopped Walmart in the past 6 months) and low engagement shoppers are the most negative about Walmartâ€™s price leadership

Â â€” A third of lapsed shoppers are shopping less at Walmart because they say they can find similar prices at other stores

â€¢Perceptions of selection and Walmartâ€™s shopping experience remained stalled at low levels

Â â€” Compared to other retailers, only 4 in 10 current shoppers believe Walmart offers a better selection, more convenience, or an easy/fun shopping experience

Â â€” Slow check-out and the lack of employee assistance are other negative factors impeding a Walmart turnaroundÂ Â

Other retailersâ€™ promotional programs also impacting sales
â€¢Across channels, retailers are effectively luring trips away from Walmart with promotional programs

Â â€” Nearly 1 in 5 current shoppers continue to say that attractive competitor ads are causing them to spend less at Walmart

Â â€” In all departments, a majority of Walmart shoppers said they chose to shop another store â€œfrequentlyâ€• or â€œsomet
because of a sale item in the storeâ€™s ad circular

Â â€” Shoppers who decreased spending at Walmart or have not shopped in the past 6 months were significantly more likely to chose another store based on a competitorâ€™s promotional offer

Â â€” Pros and cons to Walmartâ€™s response

â€¢Walmartâ€™s â€œAd Match Guaranteeâ€• has had mixed results

Â â€” The program has high awareness â€“ 8 in 10 have heard of it, but far fewer (21%)

Â â€” have used the guarantee to save

Â â€” For the majority of current shoppers, the ad match program boosts confidence that they will get the lowest prices at Walmart

Â â€” However, it also raises some concerns:

Â o Nearly half of current shoppers worry that the program will slow downÂ Â Â Â checkout lanes even further

Â o A third think the program makes shoppers do too much work and/or is a
Â Â Â â€œhassleâ€•

Â o The guarantee also makes some think that Walmart doesnâ€™t really have theÂ Â Â Â best prices â€“ if they did, they wou
need the guarantee

Spending unlikely to increase soon, holiday outlook poor
â€¢Very few current Walmart shoppers expect any gains in the economy in the next six months

Â â€” More than 40% expect a decline, while a similar number expect no change

Â â€” Pessimism about the future economy grew most significantly compared to Q1 among Walmartâ€™s more affluent shoppe

â€¢Two-thirds of shoppers plan to maintain current Walmart spending levels into the upcoming holiday season

Â â€” While 15% expect to increase Walmart spending, 19% are planning aÂ Â Â Â reduction

Â â€” Compared to Q1, fewer high engagement shoppers plan to increase WalmartÂ Â Â Â spending in the next six months

Â â€” On average, cuts at other retailers are predicted to be greater,Â Â Â Â suggesting Walmart may capture a higher share o
wallet than theÂ Â Â Â all-channel average
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