

# Walmart Economic and Customer Insights Report – Q2 2012



## Trends based on sales and survey data – May-July 2012

**Walmart Shoppers Still Under Pressure:** Despite economic reports that show the stabilization in the unemployment rate and slowing growth of food prices, our customers tell us that their concerns about their personal economy are not improving. This is especially true for lower income moms.

Top Economic Issues Among Walmart Moms

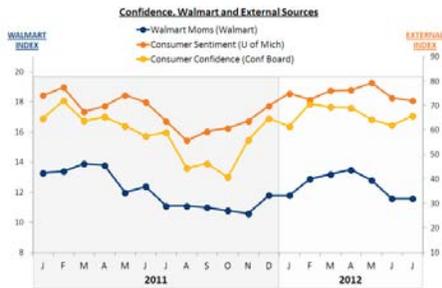


Concern about jobs is growing. Gas prices are perceived as being expensive. Many are worried about how much food will cost in the coming months. Shoppers rely on Walmart more than ever for low prices and to find creative ways to save.



### Shoppers Waiting For Evidence of Recovery:

Early on in the year, consumers appeared poised for good economic news and carried their optimism through most of the first half of the year. However, a lack of evidence pointing to a sustained recovery over the past quarter caused **downward pressure to confidence**, despite apparently starting to stabilize in July.



Shoppers continue to be concerned about next months' budget and jobs.

- **Walmart moms less confident than the rest of the country:** Moms' confidence continues to be significantly lower compared to the average American, but is slightly higher than July of last year.

- **Lower income moms are particularly uneasy about their personal economy:** Lower income moms are more likely to agree with statements like: "I think my overall finances were worse than the previous month," and "Necessary upcoming purchases make me concerned about next month's budget."



### Walmart Shoppers Struggle in the Job Market:

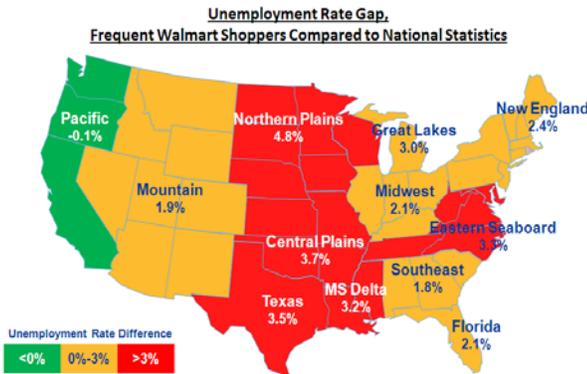
Since the unemployment report (BLS) showed no improvement in July (8.3%), it's not a surprise that the percent of shoppers saying that jobs are their top economic concern increased 2.6pts to 28.5% compared to April.

We found that some Walmart shoppers are **disproportionately impacted** by unemployment compared to the average American.

Shoppers who spend a majority of their grocery dollars at Walmart (frequent shoppers) have an unemployment rate about 1.5pts higher than the national average, based on data from the Bureau of Labor Statistics, the Current Population Survey, and SymphonyIRI's panel data.



- Walmart shoppers in the middle of the country face toughest job situation:** From a geographical standpoint, Walmart frequent shoppers who live in the Northern Plains, Central Plains, Texas, the Eastern Seaboard, and Great Lakes divisions have even higher than average unemployment rates compared to national statistics.



**Gas Price Declines Don't Necessarily Ease**

**Shoppers' Minds:** Gas prices second highest economic concern of shoppers.

- Moms feel pain at the pumps the most:** Moms report they are spending more on gas per month (up 7% in July versus a year ago), which explains why they rate gasoline as one of their largest household expenses excluding housing and car payments (especially among lower income moms). Overall, moms claim to spend considerably more on gas each month—\$35 to \$55 more compared to the average shopper.
- Gas price perceptions outweigh reality:** While some shoppers (33%) recognize gas prices have recently declined, more *feel* that gas prices have been going up (41%)—which points to an **emotional inelasticity** to declining prices. The top-of-mind words they used to



describe current gas prices illustrate their perception.

**The Cost of Food Still a Shopper Concern:** Despite



slower grocery inflation growth (CPI-U, food at home +2.6% in June), rising food costs is still a top concern among moms.

Walmart shoppers are savvy—they **do notice** when food costs increase at the shelf because they tell us that they “know their food prices.” This is especially true among shoppers aged 35+.

**Percent Who “Know Their Food Prices”**



Overall, shoppers in general continue to be **wary** about the outlook on food prices; more than half **expect** food to cost more in the next three months.

- Customers cope by clipping coupons and switching brands:** The most mentioned cost-saving measures people take when grocery prices increase include using coupons (69%), buying less expensive brands (57%), and buying more private label/store brands (51%).

Walmart shoppers are slightly more likely to say they are buying private brand goods (54%). We see customers buying more private brands in some key essential categories, such as bottled water, frozen juices, canned tuna, baby food, diapers and wipes, bath tissue, paper towels, and over-the-counter allergy medicine.



- What Walmart is doing to help:** Customers count on Walmart to offer low prices every day, for everyone, no matter if they shop us once a week or once a year. And, we support their savings strategies by accepting manufacturer coupons, which some families rely on to help lower their grocery spending.

- Manufacturers offer fewer, less valuable coupons:** In the first half of this year, manufacturers have distributed fewer coupons at lower face values and shorter expiration periods. We also see fewer transactions using coupons in our stores—a headwind we expect will continue for coupon users through the remainder of the year.

Manufacturer Coupon Distribution



Source: Kantar Media



**Back-to-School is Moms' New Year:**

A majority of moms with school-aged kids believe their 'new year' really begins when their kids go back to school—more so than on January 1<sup>st</sup>.



- Many use lists to save on back-to-school purchases:** Three-quarters of the moms surveyed anticipate that trying to save more money will be among their top resolutions for back-to-school this year. Many use shopping lists to help them stay on budget. Among those who do, 53% use a list recommended by the school, 48% make a list by herself, 45% make a list together with her children, 25% use online search engines to come up with ideas, and 18% use a list on a retailer's website.
- What Walmart is doing to help:** Walmart.com launched a new tool online called Classrooms by Walmart, where moms and dads can find the school supply list from their kids' teachers and easily purchase items on the site or in our stores.



In the first two weeks following the launch of the site:

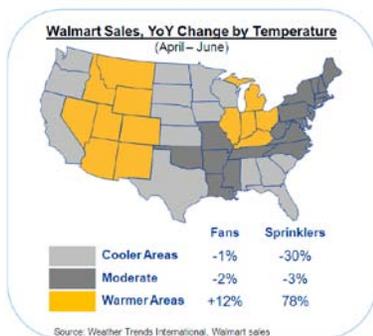
- More than 40,000 supply lists have been uploaded
- Visitors are more likely to be from TX or FL, but shoppers in OH spend 8x more time on the site.
- The top 3 listed items are pencils, tissues, and folders.

Teachers can also create a Class Wish List to get donations for classroom supplies to help reduce their out-of-pocket spending.



**Summer Swelter Affects Spending:** With the record heat of the summer, many stayed cool by running fans and sprinklers or turning up the air conditioning.

- Utility bills higher for lower-income moms:** In July, 38.3% of lower income moms said utilities bills were their largest household expense (excluding housing and car payments) compared to 34.1% a year ago.
- Sprinklers and fans fly off the shelves in some areas:** Not surprisingly, in the three months ending June, we saw a significant increase in sales of fans and sprinklers in areas of the country that experienced the most unseasonably warm weather (this was determined by looking at the greatest increase in the number of cooling degree days, which is a unit of measure that relates the day's temperature to the energy demands of air conditioning), which means shoppers in those areas likely saw higher electricity and water bills.

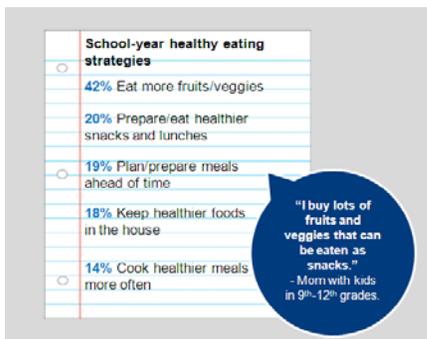


- **Moms strategize for back-to-school savings:**

Moms use *resourceful* ways to pay for back to school needs. Some of their most-mentioned strategies include: looking for the best deals (including promotions and waiting for tax-free weekends) and delaying major purchases for herself and her husband.

Some also try to work more (overtime or on the weekends) and to re-use supplies from the previous year when possible.

- **Back-to-school is also about eating healthy, if they can afford it:** For moms, the start of the school year is about more than just buying pencils and back packs. More than 3 in 5 moms said that another resolution is to get their families to *eat healthier*.



However, nearly half said the biggest challenge to achieve that goal is the cost of fresh produce and other healthy foods. So, even though grocery inflation has been declining, the rising cost of food prices will likely be a continued concern among moms with school-aged kids.



**Patriotism—Proud To Be American:** More than two-thirds of shoppers are just as proud to be American compared to a year ago, while one in five says they are *more proud*. Compared to 20 years ago, shoppers are divided on whether Americans are more or less patriotic (29% say more, 29% less, 42% about the same).

Moms tell us that the most important part of patriotic holidays is spending time with family.

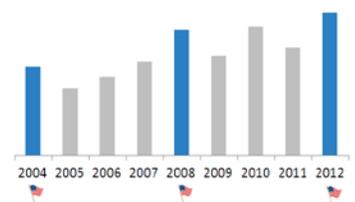


Talk to us about how you celebrate, and how important it is to you to celebrate these patriotic holidays... and what, if anything, you would change about how Americans as a whole celebrate them.

- **Flying the flag – particularly in an election year:** Some of the most often mentioned ways that shoppers indicate they show their patriotism is by buying & flying the American flag, participating in politics, supporting the troops, and buying American-made/local products.

Sales of American flags in our stores historically have peaked during election years.

Sales of American Flags, Q2 Sales as % of Annual Sales



Other products shoppers consider patriotic are food items (hot dogs, watermelon, and other grilling products) and fireworks which are mainly associated with Independence Day.

### Did You Know...?

- Walmart sells enough American flags for everyone in the states of Arkansas and Alaska to own one.
- If you laid them side by side, the flags would stretch down the east coast from Connecticut to Florida.
- All of the flags sold in our stores are made in Coshocton, OH.

