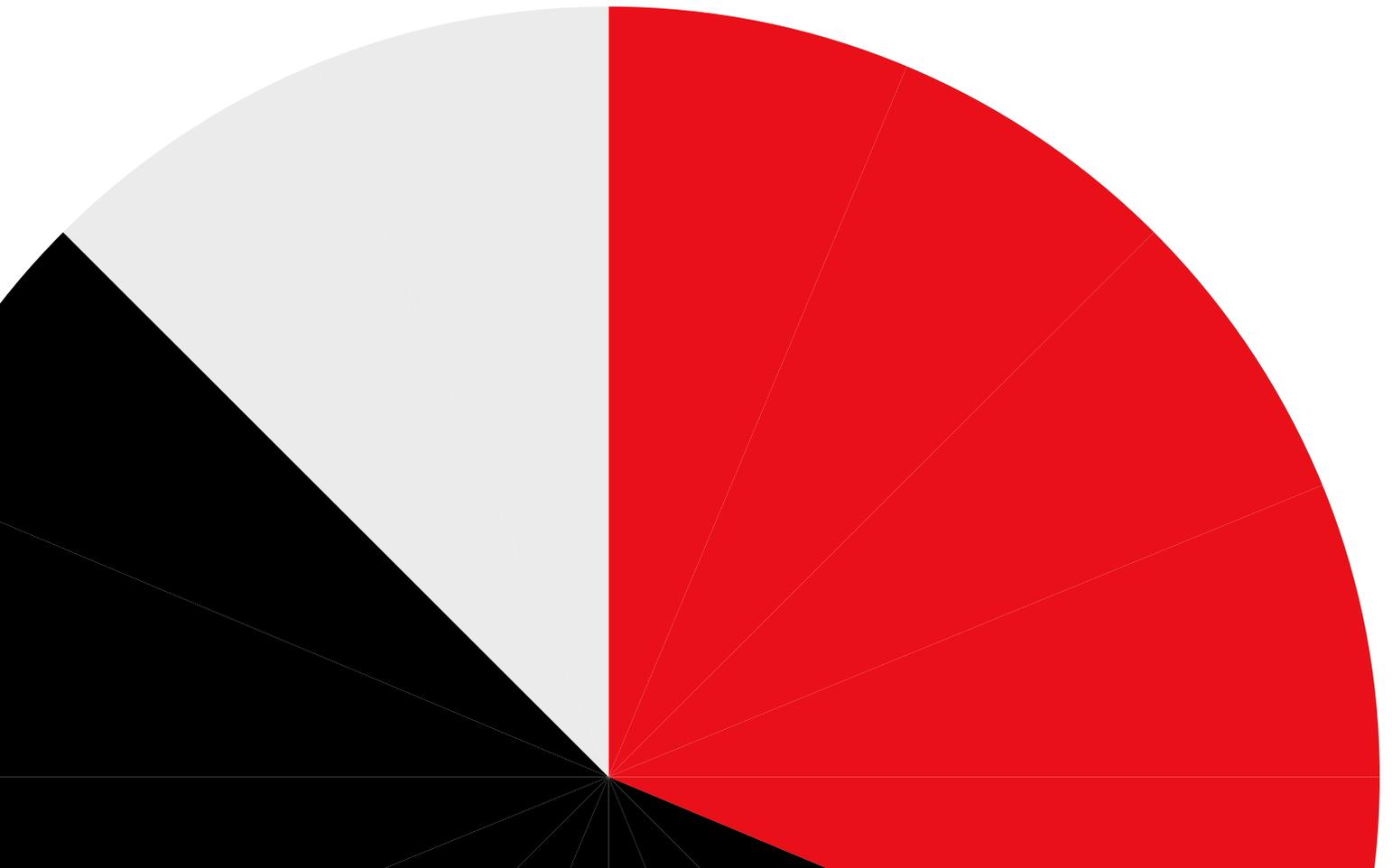


# The Power of Walmart

How 12 Walmart Businesses Drive the Big-Box Retailer's Growth

**Contributors:** Patty Soltis, Debra Aho Williamson



# The Power of Walmart: How 12 Walmart Businesses Drive the Big-Box Retailer's Growth

Amid economic uncertainty, Walmart looks to maintain its standing as the nation's largest retailer in terms of sales. To do so, the company is launching new adjacent businesses and investing heavily in tech.

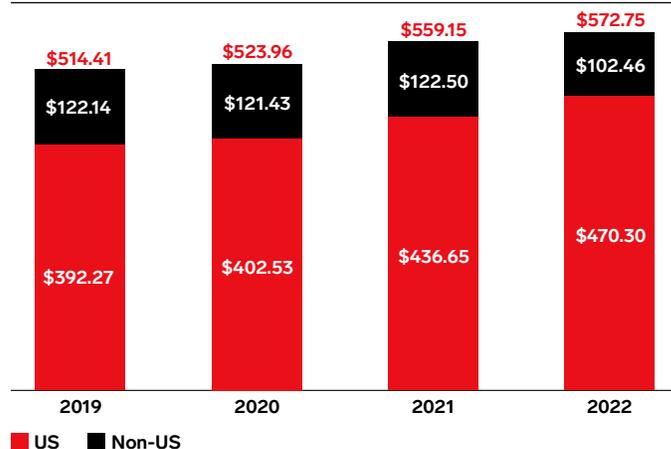
## 3 KEY QUESTIONS THIS REPORT WILL ANSWER

- 1 How important are stores to Walmart's other key businesses?
- 2 Is Walmart+ gaining traction and helping fuel retail sales?
- 3 What's the five-year outlook for the retailer's key businesses?

**WHAT'S IN THIS REPORT?** Analysis of Walmart's 12 most important business areas, looking at their maturity, disruption of the market, leverage over partners, integration with other products, and five-year outlook.

**KEY STAT:** Walmart's fiscal 2022 revenues were up 2.4% from the previous year, reaching \$572.75 billion. US revenues, bolstered by strong ecommerce sales and exploding Walmart Connect business, offset softness in the international markets.

## Walmart Annual Revenues, US and Non-US Operations, 2019-2022 billions



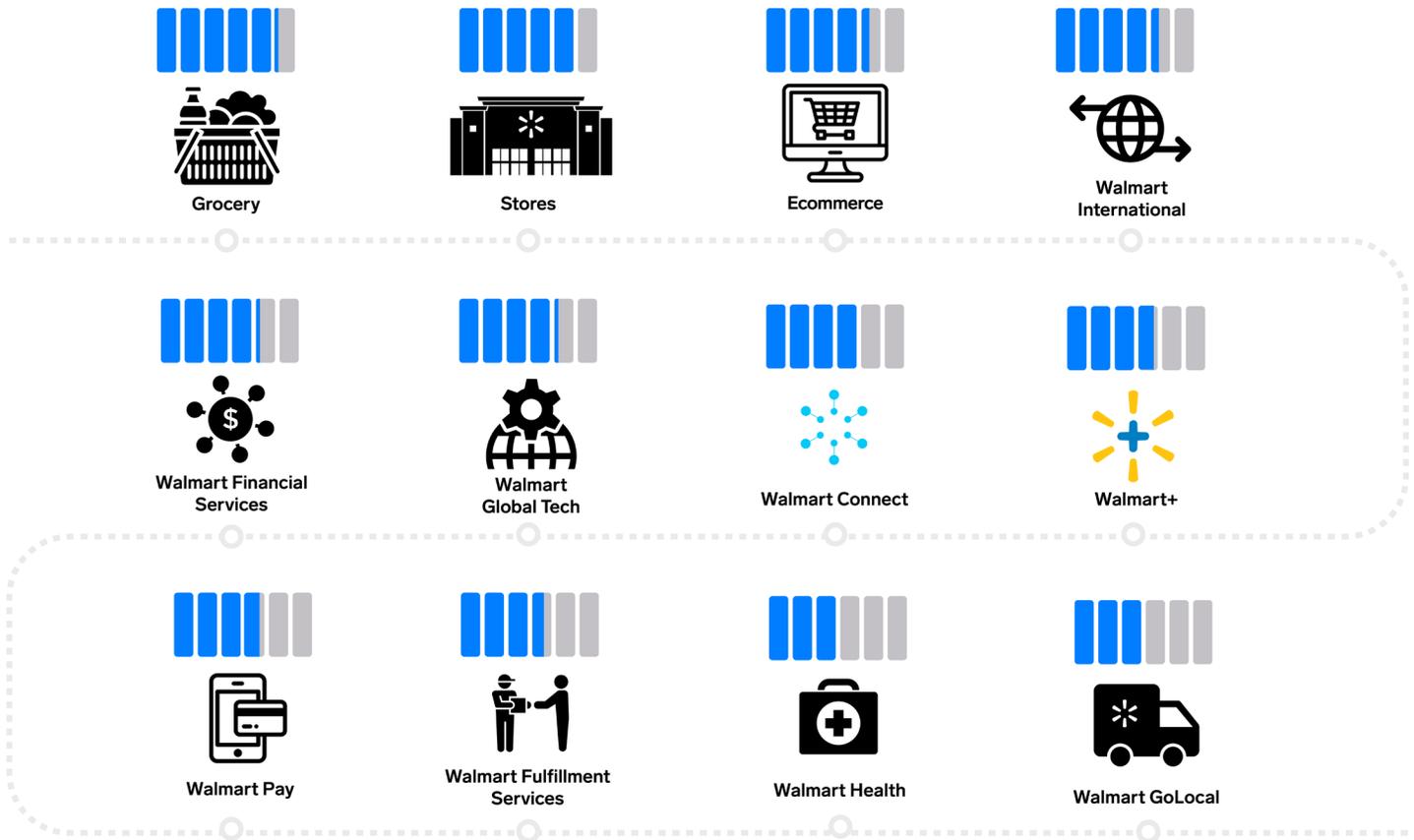
Note: numbers may not add up to total due to rounding  
Source: Walmart annual reports, 2019-2022; Insider Intelligence calculations, June 2022  
278742 eMarketer | InsiderIntelligence.com

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# The Power of Walmart

## Overall Division Rankings



Note: Our analysts assessed 12 of Walmart's business divisions based on five factors: maturity/iteration; disruption; integration; leverage; and a five-year outlook for growth. The final power rating for each division is an average, calculated by finding the total of all five factors' ratings and dividing that sum by five.

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## The Power of Walmart

Walmart, the nation's largest retailer, is well positioned to weather the current economic storm and come out stronger than it was before the pandemic.

Founded in 1962, the big-box retailer has evolved from a brick-and-mortar store in Arkansas to a global retail powerhouse with multiple banners. In the US, the discounter boasts that 90% of the US population lives within 10 miles of a Walmart store. Outside the US, Walmart operates more than 5,200 physical locations across 23 countries.

Despite the difficult business environment plaguing 2022 so far, the retailer posted strong revenues and sales growth: Q3 total revenues were up 8.7% year over year (YoY), US comparative store sales were up 8.2%, and its global ad businesses climbed over 30%.

## Why Take a Deep Dive Into Walmart Right Now?

Walmart has made it through the turbulence of the pandemic-era retail landscape relatively unscathed. We anticipate it will continue to grow as cost-of-living issues and inflation intensify. Here are some reasons we wanted to take a closer look:

- **Walmart is the largest retailer in the US and, bolstered by its booming grocery business, continues to see growth.** Walmart is well ahead of Amazon in the US, raking in \$459.51 billion in sales last year, versus Amazon's \$217.79 billion and Costco Wholesale's \$140.41 billion, per the National Retail Federation (NRF). While Walmart does not disclose its merchandise mix, some analysts believe its grocery business represents more than half of its US sales—growing faster than the market in the past two years. In addition to its reputation for sharp price points, Walmart's one-stop shop will help drive incremental sales across non-food categories, as unpredictable fuel prices lead shoppers to consolidate their trips.
- **In social responsibility, Walmart is keeping up with the times.** Walmart has made several moves to present itself as a good corporate citizen. For example, it has supported a bill to reform credit card swipe fees, revamped its website to incorporate more inclusive language and images, inked a deal with Canoo to purchase 4,500 electric delivery vehicles, and partnered with Loop on a reusable packaging program—to name just a few of its recent initiatives.
- **Walmart is leaning into different commerce channels, including social.** As the retailer looks to woo a new segment of customers who are younger and hipper, it's been moving full speed ahead in social commerce and shoppable media. Its latest forays include joining the metaverse with two experiences on the Roblox platform and beta testing a content creator platform that gives influencers easier access to Walmart products. Most recently, Walmart announced a gamified digital collectable platform, AutoT, which mixes technology, entertainment, and commerce.

- **The big-box retailer has launched or amplified several new revenue streams in a bid to give Amazon a run for its money.** Walmart is now in the retail as a service space, using its operational prowess and scale to sell a suite of fulfillment capabilities, like its white-label delivery service GoLocal. On top of that, it has a booming ad business that's competing in the retail media space with Amazon and others.
- **Walmart is adding new technology to bolster its ecommerce capabilities and enhance the customer experience.** The retailer's scale, amplified by its Global Tech division, enables it to innovate and pilot new technologies, like its augmented reality (AR) shelf-scanning tool. Additionally, it has acquired the following companies:
  - Zeekit, a virtual try-on tech company. This add-on will ensure customers are buying the right styles and sizes to fit their bodies. The feature not only reduces friction for the customer but should also reduce return rates.
  - Memomi, an AR smart mirror software. Walmart already uses this in-store and online shopping tool to enable contactless eye measurements for eyeglass purchases. The potential to use this AR platform for other categories beyond eyecare is astronomical.
  - Alert Innovation, a robotic grocery order fulfillment firm. As wage pressures continue and labor shortages abound, Walmart is looking for ways to mitigate these risks.

## How Did We Choose Which Parts of Walmart to Cover?

Our sections don't align cleanly with Walmart's organizational structure. We're focusing on the 12 key areas that most directly affect our audience in retail, marketing, financial services, and digital health. For example, we separated grocery from online and offline businesses, given just how important the category is in driving traffic to Walmart's different channels, especially during these inflationary times.

## What Is the Power Rating?

Our power ratings assess 12 of Walmart's business divisions based on five factors: maturity/iteration; disruption; integration; leverage; and a five-year outlook for growth.

A business division with a higher rating is one we've identified as dominant or having the potential to become so; it also has the ability to continue feeding the company's growth. A business division with a lower rating is one that is either still figuring out its business model or is a maturing business whose importance to the company is waning. The final power rating for each division is an average—calculated by finding the total of all five factors' ratings and dividing that sum by five.

We gave each business unit its power rating based on the following scale:

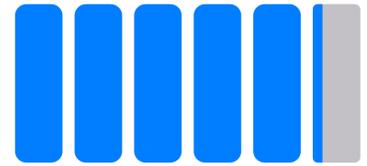
	1	3	6
<b>Maturity/iteration</b>	Nascent	Growth	Mature
<b>Disruption</b>	Developing business plan	New approach	Forcing out incumbents
<b>Integration</b>	Standalone	Dependent on two or more divisions	Drives business to all divisions
<b>Leverage</b>	None	Established relationships with key clients	Supports multiple divisions and/or clients to maximize scale
<b>Five-year outlook</b>	Out of business	Leader	Massive growth

- **Maturity/iteration:** We looked at what stage of development the division was at, whether it was well established or just in its early stages, and how it compared with competitors.
- **Disruption:** We looked at how the division's business model changed the ways in which others in the space did things, whether it copied another's business model, iterated on it, or changed the way most players have to conduct business.
- **Integration:** We considered how reliant the success of the division was on being part of Walmart.
- **Leverage:** We looked at whether the clients or users of this specific Walmart division were also required to establish relationships across other parts of the company.
- **Five-year outlook:** We took all these aspects into account, as well as our analysts' knowledge of the competitive landscape for each division.

## Grocery



### Power Rating:



### Grocery

#### Maturity/Iteration:



#### Disruption:



#### Integration:



#### Leverage:



#### Prediction for 5-Year Outlook:



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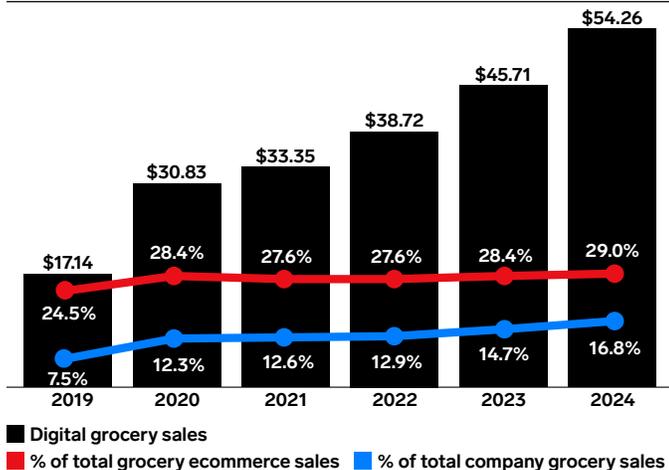
## Maturity and Iteration

**Walmart is the largest grocery retailer in the US.** At \$300 billion in expected sales in-store and online this year, Walmart will capture more than 21% of the US grocery market. Most of these sales come from Walmart stores (82.6%) with the remaining coming from Sam's Club. That's more than double The Kroger Co.'s US grocery sales (\$126.9 billion), which is Walmart's closest competitor in the space.

**In-store grocery is Walmart's bread and butter, but digital grocery is growing faster.** The retailer's savvy investments in ecommerce are paying off with the rise of digital grocery. In 2020, when the pandemic caused digital grocery sales to skyrocket, Walmart grew its online grocery business by nearly 80%. While digital remains a small fraction of Walmart's overall grocery sales, we expect it will continue to grow faster than its in-store sales. Over the next three years, Walmart's digital grocery sales will see a compound annual growth rate (CAGR) of 11.9%, while in-store sales' CAGR will be less than 1%. By 2024, nearly 17% of Walmart's grocery sales will come from digital channels.

**Walmart is also the leading retailer in digital grocery sales.** In 2022, Walmart will account for 27.6% of US digital grocery, more than any other retailer, including Amazon.

**US Walmart Inc. Digital Grocery Sales, 2019-2024**  
billions, % of total grocery ecommerce sales, and % of total company grocery sales



Note: represents the gross value of grocery products sold on Walmart.com and SamsClub.com (browser or app), regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; excludes fuel  
Source: eMarketer, Aug 2022

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## Disruption, Integration, and Leverage

**Grocery makes up the majority of Walmart's sales and presumably drives the most retail foot traffic.** Excluding auto and gas, grocery is the single largest category in retail, placing Walmart in a very advantageous position. Additionally, Walmart's grocery business has a massive impact on its overall retail sales and other revenue streams that also benefit from frequent customer visits, like its retail media network.

**Walmart's customer base is one of its strongest assets.** Walmart not only has a reputation for low grocery prices, but it also boasts that 90% of people in the US live within 10 miles of a Walmart location. This combination of value and convenience has helped the retailer amass a huge customer base: Nearly two-thirds of US consumers made a purchase from Walmart within the past month, according to a January–February 2022 survey from PYMNTS.com. Walmart's focus on value also positions it well for inflationary times, and the retailer has already noted an influx of higher-income shoppers in 2022.

**Its massive physical retail footprint also contributes to its strength in grocery, both in-store and online.** Walmart is the leading player in digital grocery in part by its ability to drive sales via click and collect, which accounts for nearly 37% of all digital grocery sales. While most grocery retailers now offer this feature, none have the ability to rake in click-and-collect sales like Walmart can, given its sheer number of stores and proximity to most of the US population.

## The 5-Year Outlook

**Walmart will hold its place at the top of the food chain.** It will continue leveraging its customer base and brick-and-mortar footprint to remain the leading player in US grocery, even as the future of retail becomes increasingly hybrid. It will maintain its lead in digital by leaning on other parts of its business, like click and collect and Walmart+, to drive loyalty through value and convenience.

**Click and collect will be essential to Walmart's growth.** Over the next five years, click-and-collect sales growth will outpace that of delivery, per our estimates. And by 2025, click and collect will account for more than 40% of total digital grocery sales. This shift will directly favor Walmart, giving it an advantage over Amazon and Instacart, its two biggest competitors in digital grocery.

**Walmart's investments in delivery will make it less reliant on partnerships to fulfill grocery orders.** The retailer's gig-worker-powered Spark platform now accounts for 75% of Walmart's deliveries, per Insider. It also launched GoLocal in 2021, a white-label service that fulfills orders for partnering retailers. These investments make it clear Walmart isn't just working to become less reliant on delivery partners: It's looking to compete with them. The retailer once had partnerships with Uber, Lyft, and DoorDash but has since parted with these companies. It still fulfills some deliveries through Instacart, but it would not come as much of a surprise if Walmart dropped this partnership sometime in the next five years.

**Walmart+ will strengthen loyalty among grocery shoppers.** In an effort to grow its subscription memberships, the retailer recently launched a loyalty program called Walmart Rewards. The service lets Walmart+ members earn cash back on items purchased both online and in-store. This is a direct appeal to its in-store audience, as most of the original benefits included in a Walmart+ subscription—like free shipping and grocery delivery—were geared strictly toward online shoppers. If Walmart Rewards sways in-store shoppers to sign up for Walmart+, they will also be more likely to try digital grocery since it is included in the membership, thus benefiting both channels of its grocery business.

## Maturity and Iteration

**There are currently 4,735 Walmart stores in the US operating under multiple banners,** including Walmart Supercenter, Walmart Discount Store (small footprint locations offering core merchandise), and Walmart Neighborhood Market (a smaller footprint carrying only the essentials in underserved and rural communities). Walmart also runs 600 Sam's Clubs, the first of which opened in the 1980s to help small businesses by selling items in bulk. The company has experienced massive growth since Sam Walton opened the first Walmart in 1962, and it has redefined the retail landscape.

**Walmart's store fleet is at the center of its flywheel model,** supporting both its commerce and fulfillment operations, like last-mile delivery and pickup. Although Walmart does not have the most locations of any one store in the US, it maintains its position as one of the biggest household names and the largest retailer in the US in terms of sales.

## Disruption, Integration, and Leverage

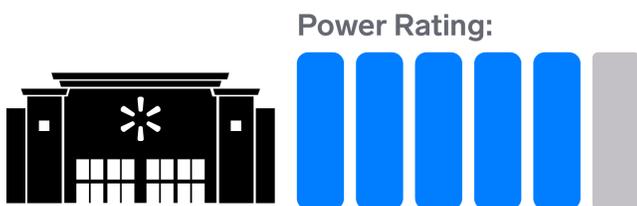
**According to Walmart, its stores are within a 10-mile radius of 90% of the US population.** Along with serving as traditional brick-and-mortar commerce, these locations offer omnichannel experiences like click and collect, act as localized distribution centers, contain pharmacies, facilitate money transfers, and more.

**Walmart's grocery business, which makes up over 50% of its sales, is the linchpin of its stores' success,** as groceries drive repeat traffic. But Walmart also acts as a one-stop shop for many people in the US. Nearly two-thirds (64%) of US consumers reported having made an in-store purchase at Walmart in the preceding month, per a study conducted by PYMNTS.com earlier this year.

**The company has taken several steps to elevate its standing in consumer perceptions:**

- **Hired fashion veteran Denise Incandela,** who previously worked at Saks Fifth Avenue and Ralph Lauren, to bolster its apparel and private-label brands.
- **Launched a beauty brand accelerator,** called Walmart Start, to offer more on-trend products in the hopes of drawing younger and higher-income consumers.

## Stores



### Stores

Maturity/Iteration:



Disruption:



Integration:



Leverage:



Prediction for 5-Year Outlook:



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- **Now carries higher-price, traffic-driving brands**, like Levi's and Justice.
- **Partnered with Getaway**, a health and wellness hospitality company, to expand Walmart's physical reach beyond its own stores. The companies have teamed up to offer a curated convenience format called The General Store by Walmart at select Getaway outposts.

## The 5-Year Outlook

### Walmart shouldn't worry about the "death of in-store shopping," but it will need to continually build digital capabilities into the physical shopping experience.

Brick-and-mortars account for 85% of retail sales in the US, per our forecast. However, customers now have greater expectations of in-store experiences. To meet those expectations, Walmart stores will need to increasingly become omnichannel operations. This will not only streamline the customer shopping journey but also provide a treasure trove of data that can be used to improve marketing and inventory management.

**Walmart's app will play a critical role in continually refreshing the in-store experience.** According to our latest Retail Mobile App Benchmark, Walmart ranked third (behind Target and The Home Depot) when evaluating its app features against what consumers valued most. Customers can use the app for store navigation, price checking, creating a registry in-store, and more. Building on this suite of features will allow Walmart to meet increasing demand for omnichannel shopping experiences.

**AR and virtual reality (VR) capabilities created by Walmart's Global Tech arm will help the retailer stay ahead of the curve.** For example, it's testing a new AR shelf-scanning tool that allows customers to point their phone at a shelf and "filter" the options based on their preferences, much like an online shopping experience. It already rolled out AR and VR technology in-store for the home category, allowing customers to visualize how furniture would look at home before buying. In June, Walmart also announced plans to acquire AR optical tech company Memomi, which it has used to provide contactless eye measurements in store.

**While the company excels at speed and convenience, it suffers from a core issue: Shopping at Walmart is not fun.** Trips to Walmart are often for necessities and basics—it's not an "emotional" shopping experience. And it's not a fashion destination, nor is it a place consumers go to

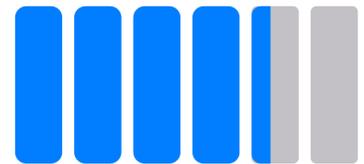
discover new things—at least not yet. Time will tell whether its recent ventures into beauty and higher-price apparel will help it gain the attention of Gen Z and upper-income shoppers. The effects of inflation may assist in bringing such demographics in-store.

**The other challenge for stores will be Walmart's growing online marketplace.** While the endless aisle is a positive for consumers, online returns to stores can be costly, especially when certain merchandise is not sold at that location. Additionally, an expanding marketplace with over 100,000 third-party sellers may render in-store visits unnecessary to many shoppers. As previously stated, grocery is Walmart's biggest in-store category, but it's a low-margin segment that the company can't rely on solely for revenues. In the end, Walmart's physical locations are at the center of its flywheel, so the company will do whatever is needed to ensure its stores' success and survival.

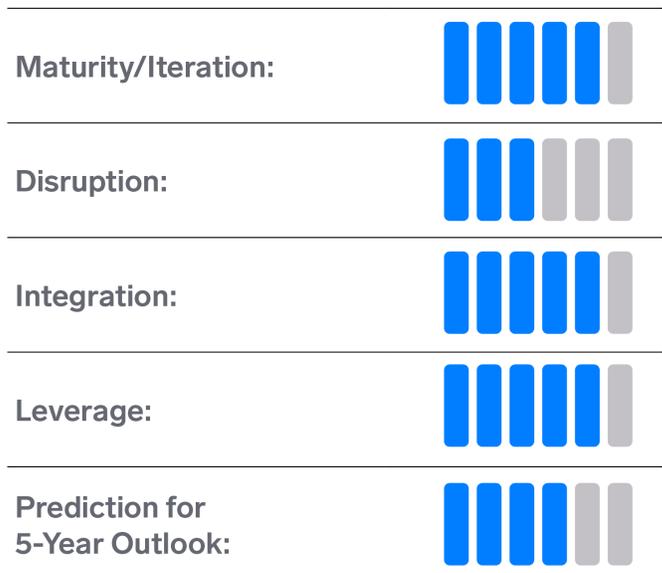
## Ecommerce



Power Rating:



### Ecommerce



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## Maturity and Iteration

Walmart's digital sales channels were slow to gain momentum until the pandemic forced retail to move online in early 2020, despite the more than two decades of experience it has in ecommerce.

**Still, Walmart emerged as a substantially larger ecommerce player.** Its US online sales doubled between 2019 and 2021, and its ecommerce share of total revenues increased from 7.6% to 12.9%. However, Walmart remains a distant second in a market dominated by Amazon, despite gaining some share over the past two and a half years. According to our forecast, its share of total US retail ecommerce will be 6.3% in 2022—versus 38.2% for Amazon.

**In the US, Walmart's ecommerce business benefits most from the acceleration of digital grocery,** where it is the biggest player with a 27.6% market share. While other consumer categories have settled back to their pre-pandemic ecommerce growth trajectories, consumer behavior changes have permanently elevated online food and beverage sales in Walmart's favor.

**As with in-store sales, grocery represents the bulk of Walmart's ecommerce business**—we expect it to account for around 58% of Walmart's online sales this year. The outsize impact of inflation on food and beverage prices has increased average transaction values and drawn more higher-income consumers looking to save money, even as less-wealthy buyers trade down to dollar stores and discount grocers like Aldi.

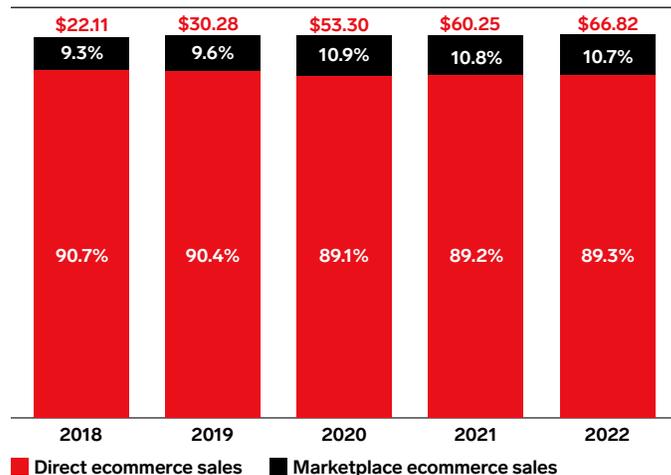
**We expect Walmart's ecommerce sales to grow at a slightly higher rate than overall US retail ecommerce in 2022,** 10.9% versus 9.6%. Among the top 15 US ecommerce retailers, Walmart will land near the middle of the pack, at sixth place, in terms of its ecommerce growth rate.

## Disruption, Integration, and Leverage

**Walmart's deep roots in physical retail give it some real omnichannel advantages over Amazon.** These extend to Walmart's commanding position in grocery, along with the ability to use its stores for order fulfillment and more extensive click-and-collect services.

**But Walmart is aiming for an ecommerce future beyond its digital grocery success,** and this effort will need to gain momentum for the company to maintain its current position as the largest US retailer. While stores are the heart of Walmart's business, the company is deepening its investments in developing an ecommerce flywheel based on the Amazon playbook. Walmart is linking its marketplace business to advertising and fulfillment services—but it still lacks the core element of a successful membership program, as Walmart+ struggles to grow its subscriber base.

### US Walmart Inc. Direct Ecommerce vs. Marketplace Sales, 2018-2022 billions and % of total US Walmart Inc. retail ecommerce sales



Note: excludes travel and event tickets; direct sales represent the sales of products made through Walmart.com (browser or app) where Walmart Inc. is the merchant of record who assumes the legal ownership of inventory prior to changing hands with the consumer; excludes marketplace sales; includes sales from Sam's Club; marketplace sales represent the gross value of products sold on Walmart.com (browser or app) from third-party sellers; excludes first-party sales  
Source: eMarketer, Nov 2022

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**The development of Walmart's online marketplace is critical to its goals.** According to Marketplace Pulse, third-party sellers now account for more than 90% of the goods available on Walmart.com. Walmart Inc. CEO Doug McMillon said in a November 2022 earnings call that the US ecommerce assortment had 370 million SKUs available, an increase of 50% over the previous quarter that was attributed to the growth of the marketplace.

**Yet, third-party sellers will generate just 10.7% of Walmart's online revenues,** per our forecast, a modest increase over the 2019 share of 9.6%. Amazon, on the other hand, makes nearly two-thirds of its sales from third-party sellers, who pay significant (and rising) premiums to list their products, plus additional fees for fulfillment and advertising to maximize the benefits of selling via the platform.

**As with Amazon, the appeal of Walmart's marketplace to sellers starts with access to its vast consumer base,** and Walmart has offered numerous incentives to bring sellers on board. Integration with digital commerce platforms, like Shopify and BigCommerce, aim to draw more businesses into its network by making it easy to list and manage sales on Walmart's marketplace. Walmart has also made a concerted effort to bring on more international sellers, and the company recently stopped requiring review and approval of third-party seller applications, drawing a sharp spike in new merchants on its platform.

**Walmart has stepped into a leading role among retailers involved in social commerce,** investing heavily in tools like livestreaming and launching a new platform for creators to drive shopping across higher-margin categories that can appeal to new demographics of younger and wealthier consumers. Fashion, beauty, and other lifestyle categories are important areas for elevating Walmart's image among Gen Z and millennial shoppers, who are more likely to make these higher-margin purchases online.

## The 5-Year Outlook

**In the current climate of economic uncertainty, Walmart will maintain its position as the biggest US retailer and derive ecommerce advantages from grocery.** But the online grocery market is highly competitive and faces greater cost pressures from inflation, making growth in other areas more critical.

**Longer-term innovation in ecommerce poses substantial challenges for legacy physical retailers like Walmart.** Its mobile app does a good job of bridging online and offline for consumers, incorporating features that make it easy to check in-store inventory and manage click-and-collect purchases. But Walmart is facing an industry shift from selling goods to selling services (fulfillment, advertising, and subscriptions). Additionally, successfully targeting new demographics will be a heavy lift.

**Walmart has shown an expansive willingness to engage with emerging retail trends.** The company developed its ecommerce chops through acquisitions such as online marketplace Jet.com and digitally native direct-to-consumer (D2C) menswear label Bonobos. But more recent efforts such as AR shopping tools, virtual fitting technology, and livestream shopping across social channels have yet to have broad-reaching implications.

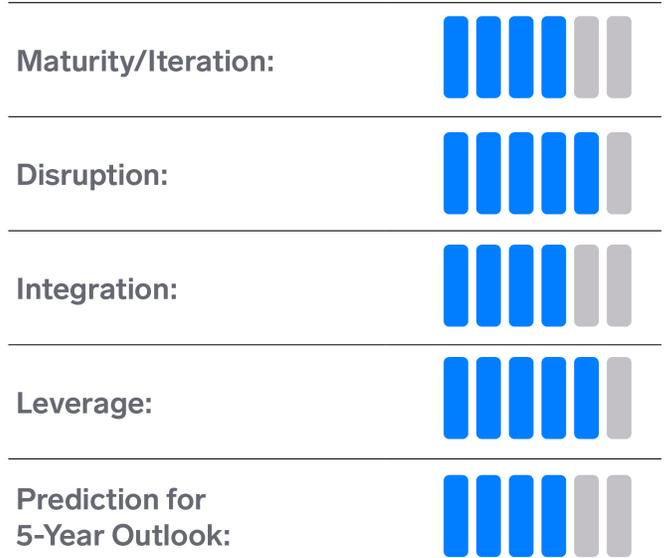
Its marketplace may also lure brands who hope success online will translate to opportunities to sell their goods in Walmart's stores. **But as its marketplace grows, so will the risks from third-party sellers,** ranging from sales of counterfeit goods to fake reviews to shoddy customer service. Already, Chinese sellers who have been banned by Amazon are reportedly making their way to Walmart.com.

**Amazon will continue to present formidable challenges** as it encroaches further on Walmart's turf in digital grocery sales and upgrades its services for third-party sellers. As more spending shifts online, it will be a matter of when, and not if, Amazon surpasses Walmart in total sales volume.

## Walmart International



### Walmart International



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## Maturity and Iteration

**Walmart International's offline footprint has shrunk by more than 1,000 stores in the last five years.** Embarking on its first international foray in Mexico City in 1991, it now has 5,250 overseas stores, down from a peak of 6,363 in 2017.

**These store closures are partly due to the retailer's departure from several underperforming markets.** In 2018, it sold its business in Brazil. Exits from Argentina, Japan, and the UK followed in 2020. The next year, Walmart closed over 40 of its roughly 400 hypermarkets (a one-stop shopping format that includes groceries) in China—its biggest market outside of the Americas—to pave the way for more Sam's Clubs, a store format which had proved popular in the country.

**As of January 2022, about half of Walmart's 10,585 stores and clubs are situated outside the US, spanning 23 countries.** Those include 2,784 in Mexico, 866 in Central America, 403 in Africa, 402 in Canada, 385 in Chile, 372 in China, and 28 in India. In terms of total square footage, Mexico leads the pack, followed by China and Canada.

**Walmart International's net sales are about a quarter of Walmart US'.** During the fiscal year ending January 31, 2022, the international division brought in \$100.96 billion in net sales, compared with \$393.25 billion from the US division and \$73.56 billion from Sam's Clubs, which include stores in the US and Puerto Rico.

**That same period, the Mexico and Central America region was the largest source of international revenues,** contributing around 36% of global net sales, followed by Canada with 22% and China with 14%. (These ratios have recently fluctuated as the company made several foreign divestitures.) All three of these top markets saw sales increases compared with the previous fiscal year.

## Disruption, Integration, and Leverage

**Walmart International's strategic moves are pointing to an acceleration in digitalization.** In 2018, it acquired a 77% stake in Flipkart, an ecommerce juggernaut in India competing with the likes of Amazon. Flipkart has since either launched or acquired other types of digital services in gaming, digital travel, social commerce, and video streaming.

**Walmart is also making inroads into payment services and more.** In acquiring Flipkart, it became the de facto owner of leading local fintech PhonePe. In Mexico, the massive retailer released a simple payment and rewards app called Cashi in 2018. Walmart Mexico has expressed a desire to introduce a broader array of financial services through the app soon, once a license is obtained.

**In China, the retail behemoth is directing resources to omnichannel retailing.** Besides selling its goods online through ecommerce titan JD.com, Walmart also works with logistics giant JD Daojia to offer one-hour and next-day citywide delivery to customers—a crucial offering for success as consumers in China demand prompt deliveries and buy more groceries online. We forecast grocery retail ecommerce sales in China will grow 30.2% to reach \$277.77 billion in 2022.

**Doing business in China helps Walmart keep up with the latest retail and ecommerce trends.** In fact, managers from other countries are invited to China each year to study the newest waves in retail tech. Case in point: the runaway success of livestream commerce in China, which Walmart is trying to replicate in the US. Likewise, Walmart's blockchain-based food traceability platform was first trialed in China and is now applied in other geographies; Walmart Canada currently uses the technology to solve supply-chain challenges.

**India is a burgeoning retail market that is key to the company's advertising ambition via Walmart Connect.** "They're our biggest market by a long way for advertising revenue," said Judith McKenna, CEO and president of Walmart International, to The Economic Times. Flipkart is now building out Walmart's ad tech platform for Chile.

## The 5-Year Outlook

**Walmart International is reshuffling its deck.** Having left several underperforming markets, the company is in the midst of recalibrating its China business. And in Honduras, El Salvador, and Nicaragua, it is "considering strategic alternatives." Though Walmart International's performance has historically been mixed, the retailer is feeling confident about its chance of winning in some emerging markets. For example, it has doubled down on India and signed a deal in September to buy the remaining stake of South Africa's Massmart. We expect total retail sales will rise 13.0% in India and 13.2% in the Middle East and Africa this year.

### International sales feel the pinch from rising costs.

Besides coming out weaker after converting to the rising US dollar, international sales will also take a bigger hit from inflation than US sales will, as shoppers in the US are better able to weather rising prices thanks to their relatively higher incomes.

### The call for diversifying product sourcing will only grow louder.

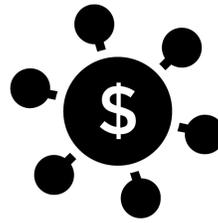
Whether due to geopolitics or supply-chain risks, Walmart is leaning on a more diverse group of countries to stock its shelves. In its latest push to expand its US ecommerce marketplace assortment from 170 million items to 200 million items, it's been recruiting international sellers based in the UK, Canada, and India to join the platform, per an August report by Chain Store Age. The bulk of the product will likely continue to be from China, but the call to bring manufacturing into the US and source from other low-cost producers, like India, will not go away.

**In an omnichannel world, Walmart International's massive brick-and-mortar networks are an edge.** This is especially true against competitors like Amazon in some emerging markets, where Walmart already has the first-mover advantage. Although retail sales are growing faster online than offline, ecommerce growth has already slowed in many countries. Walmart International's ability to leverage its offline operation while expanding its online footprint will be key to its success.

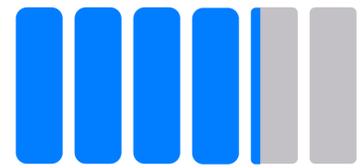
### The Walmart Connect media platform will have a growing impact on Walmart International's bottom line.

In the US, Walmart's retail media ad business will grow 39.7% in 2022 to reach \$2.22 billion, per our forecast, making it one of Walmart's fastest-growing businesses. This will be true for the international side as well, whether retailers target consumers in their local regions or sell cross-border to consumers in the US. Here too, the company's offline retail media network and its growing online presence generate more opportunities for marketers to create holistic omnichannel ad strategies.

## Walmart Financial Services



Power Rating:



### Walmart Financial Services

Maturity/Iteration:



Disruption:



Integration:



Leverage:



Prediction for 5-Year Outlook:



g278452

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## Maturity and Iteration

**Walmart plays a vital role in providing low-cost banking and alternative financial services to millions of consumers.** The company offers these services at more than 4,700 Walmart stores—almost as many locations as JPMorgan Chase has branches—commonly housed within its MoneyCenter store-within-a-store concept. There, more than 100 million weekly shoppers can find prepaid cards and gift cards as well as a host of payment-related services, including check cashing, tax preparation, and money transfer services. Customers can also pay bills, reload prepaid accounts, and apply for Walmart's private label and co-branded credit cards. And some 700 locations include full-service bank branches operated via lease agreement.

### These financial services generate billions in revenues.

Consumer financial services may contribute close to \$2 billion to the retailer's bottom line. And they generate additional billions for suppliers, including Green Dot (prepaid cards); MoneyGram, Ria, and Western Union (remittances); Capital One (credit cards); Jackson Hewitt (tax services); and Woodforest National Bank (in-store bank branches), among others.

### Walmart has continued to update and innovate on its core offerings over time.

In 2021, it converted its long-standing MoneyCard program from prepaid cards to demand deposit accounts after watching the program dwindle from some 2 million accounts in 2013 to only 1 million. It has also expanded its cash bill-pay network, diversified remittance suppliers, and extended remittance reach.

**US neobank One adds digital banking.** Acquired this year by Walmart's majority-owned fintech, One provides debit cards, savings and checking accounts, and an app that helps people track their budgets. One gives Walmart a digital financial services footprint and transforms it into a financial services provider—not just a distributor.

## Disruption, Integration, and Leverage

**Walmart's financial services have been woven into the Walmart shopper experience for decades.** MoneyCenter branding has remained constant since the 1990s and is displayed prominently in stores, consistently reinforcing its marketing tagline, "Your one stop for financial services."

**Walmart is uniquely positioned to meet the financial services needs of underserved consumers that comprise its core audience.** MoneyCenters are likely operated at a much lower cost than bank branches, allowing Walmart to leverage its store footprint to serve customer segments, such as older and rural consumers, that still depend on branches. And the assortment of products and services is tailored to meet the needs of the underbanked and unbanked, a key constituency.

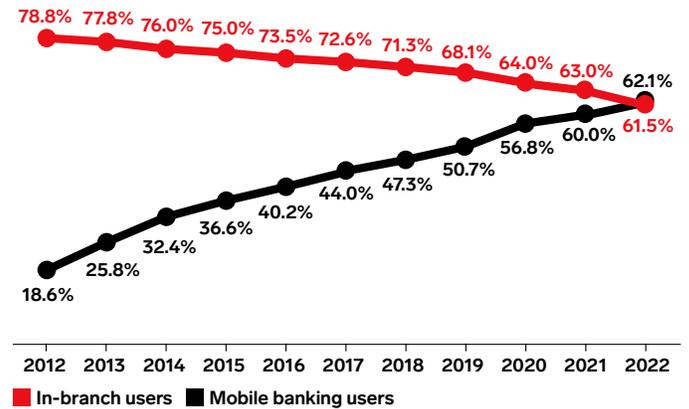
**Serving these core financial services needs strengthens Walmart's competitive positioning while providing cross-sell opportunity.** Walmart's in-store services not only differentiate it from online retailer and banking competitors, which naturally cannot provide them, but also from brick-and-mortar retailers, many of which do not offer the same breadth of offerings or may have difficulty matching its pricing. These services therefore serve not only as revenue

producers but also as significant traffic drivers: Every MoneyCenter customer is a general merchandise, grocery, and healthcare cross-sell opportunity.

**One accounts, on the other hand, are just getting off the ground.** In September, Walmart announced plans to offer digital checking accounts to thousands of workers and a small proportion of its online customers.

### US In-Branch Banking Users vs. US Mobile Banking Users, 2012-2022

% of population



Note: ages 18+; in-branch banking users include bank account holders who visit a bank, credit union, or a brokerage branch and see a representative in person at least once per year; excludes ATM visits; mobile banking users include those who use a mobile phone to access their bank, brokerage account, credit card, or credit union at least once per month via mobile browser, app, or SMS; excludes virtual wallet services (e.g., PayPal, Google Wallet)  
Source: Insider Intelligence, March 2022

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## The 5-Year Outlook

**Walmart's financial services growth hinges on the retailer's ability to bridge its physical strengths with its digital ambitions.** Its store footprint gives it unparalleled reach in the physical world, which will help it meet consumer demand for alternative financial services for years to come. But it needs to weave financial services into its ecommerce growth strategy. It can do so by offering banking services on par with neobanks like Chime, which can compete on price while providing cutting-edge digital features. Framing those services within an app can also help Walmart pursue its super app ambitions and provide customers a unified commerce experience.

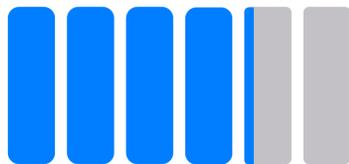
**Walmart's One can help the company drive omnichannel commerce by realizing its super app ambitions.** The demand is there: 67% of US adults wanted to have two or more of their activities located in one place, while 11% wanted to use one app for managing all aspects of their digital lives, per a December 2021 survey by PYMNTS.com. One would enable Walmart to counter super apps being developed by PayPal, Apple, and Block by bringing a financial services super app to its own retail aisles, tethering its online aspirations to its mighty retail footprint.

**The neobank can also help Walmart move from being a financial services distributor to a provider.** While Walmart would likely fail to obtain its own banking charter, One's neobank status allows it to partner with a traditional bank to provide financial services.

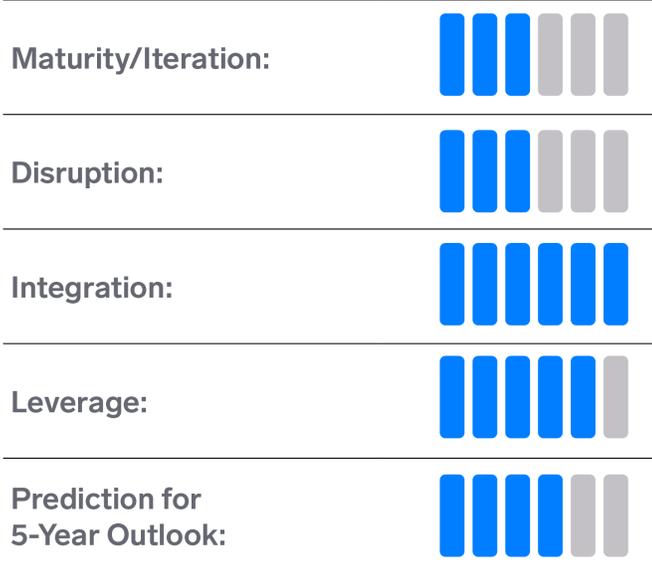
## Walmart Global Tech



Power Rating:



### Walmart Global Tech



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## Maturity and Iteration

**Walmart Global Tech runs all of Walmart's tech initiatives related to operations and customer experience.** Created in 2020, it is an evolution and consolidation of earlier Walmart technology divisions, including Walmart Labs, its data division, and numerous tech startups purchased over the past two decades. In fact, one of those startups—Kosmix, bought in 2011—became the basis for Walmart Labs.

### Walmart Global Tech is not just a cost center anymore.

While it mostly serves to improve operations and the customer experience at Walmart stores, the division is now selling access to parts of its tech infrastructure as an enterprise service for brands and retailers. Recent examples include:

- **A partnership with Adobe Commerce (now Magento).** Beginning in July 2021, the partnership allows merchants on the Adobe Commerce platform to store products in Walmart warehouses, sell products via Walmart Marketplace, and optimize delivery and click and collect using Walmart's cloud resources.
- **The launch of Walmart Luminate.** Using this new data science product, suppliers can get customer insights by looking at shopper behavior, channel performance, and, as of September 2022, market research, thanks to a new tool called Walmart Luminate Customer Perceptions.
- **The unveiling of Walmart's demand-side platform (DSP).** Launched in August 2021, Walmart DSP lets advertisers buy ads on Walmart's retail network, making Walmart a serious contender in the retail media space.

**Walmart Global Tech is expanding its workforce in a range of areas.** In March 2022, with 20,000 employees worldwide already, the division announced plans to add another 5,000 by the end of the year in areas like cloud infrastructure, cybersecurity, in-store technology, and supply-chain automation. For context, Walmart Labs had just 6,000 employees in 2018. Some small-scale layoffs in August may indicate that Global Tech has temporarily slowed its expansion plans, but there are no signs that its long-term upward trajectory is flattening.

## Disruption, Integration, and Leverage

**Despite its scale, Walmart has quickly adapted retail technologies, putting pressure on others.** Walmart's nimbleness has even allowed it to maintain its share of ecommerce sales following a pandemic bounce.

**Global Tech is tightly integrated with Walmart's core retail business, seeking to improve operations in multiple areas:**

- **The Ask Sam employee-only app** provides product location, price checks, inventory checks, and other customer-related information to employees.
- **Automated distribution and fulfillment centers** will be optimized with AI and robotics over the next eight years. Walmart also plans to build four automated fulfillment centers over the next three years. These will double the capacity for daily order fulfillment and bring next-day or two-day delivery to 95% of the US population.
- **AI throughout the supply chain** will become the norm, as Walmart works to anticipate supply and demand changes, optimize logistics routing, and improve computer vision and natural language processing for search and product recommendations.
- **AR shopping features** became available this year, following Walmart's acquisition of Zeekit, a virtual fitting room startup. Walmart shoppers can virtually try on clothes on the app and Walmart.com, and they can see how furniture, home décor, and TVs will look inside their homes on the app. Walmart also uses AR for stocking inventory and will soon add additional in-store features.
- **Self-checkout** will be Walmart's cashierless future, supported by the renewed Scan and Go feature on Walmart's app.

**As Walmart opens its tech stack to partners, it also increases its leverage with them.** Suppliers are now able to get critical customer insights about their products, better personalize their ads on the retail network, and in some cases, use Walmart's fulfillment center as a retail as a service tool. These advantages pull suppliers, advertisers, and marketplace sellers closer to Walmart.

## The 5-Year Outlook

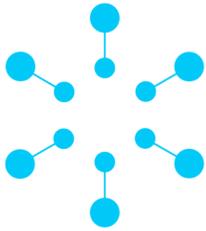
**Plans of 5,000 new hires and dedicated centers in Toronto and Atlanta indicate the importance of Global Tech in Walmart's future.** Moreover, Walmart has continued to buy tech startups, from the 2016 purchase of Jet.com, an ecommerce fulfillment optimization site, for \$3.3 billion to the August 2022 purchase of Volt Systems, a merchandise tracking service. Walmart is ostensibly intent on being a leader in retail tech.

**Economic uncertainty may shrink the investment gap between Walmart and Amazon.** Traditionally, Amazon's tech investments have dwarfed Walmart's. As recently as September 2021, Amazon announced plans to hire 55,000 tech workers. But it's been a trying year for most technology companies since then. In November 2022, Amazon announced layoffs for 10,000 employees, including many who were working on Alexa devices—the same week Walmart announced strong Q3 earnings.

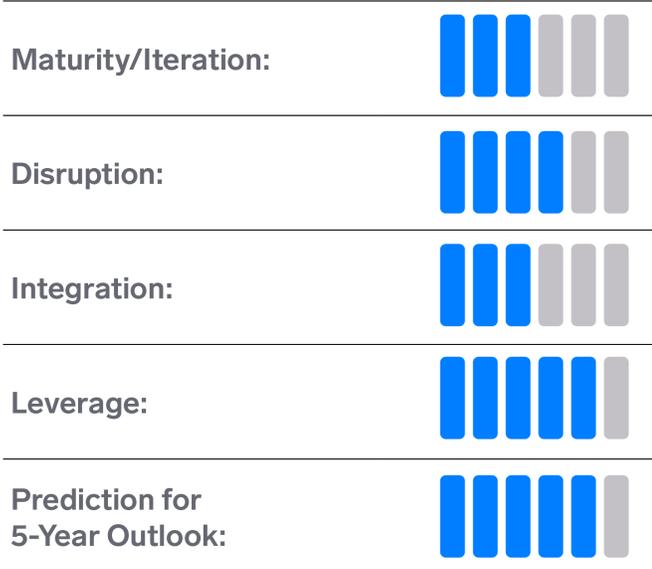
**Many of Walmart's technology initiatives are geared toward enhancing the omnichannel experience.** With 55 million unique US visitors to its app—the most of any traditional retailer—Walmart has had a significant portion of its customer base opt into trying new tech-enabled experiences in its physical stores. On the other hand, Amazon is also moving into physical retail, particularly in grocery, which may mitigate this advantage.

**Over the next several years, Walmart likely will use technology to narrow the gap with Amazon.** This includes investments in its retail media network, in addition to basic supply chain, search, and in-store tech improvements. Walmart currently ranks second in share of ecommerce sales and retail media ad revenues, behind Amazon, and is even further behind in key technology areas such as cloud computing. Walmart will continue to chase Amazon and its seemingly unlimited investments in technology.

# Walmart Connect



## Walmart Connect



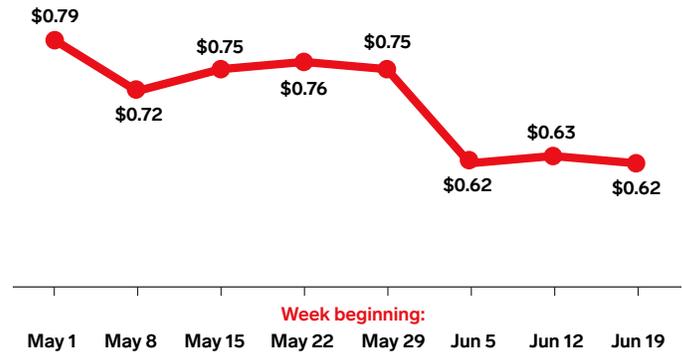
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## Maturity and Iteration

Walmart will net \$2.22 billion in US digital ad revenues this year, per our forecast. This makes it the only retail media ad business outside of Amazon to net more than \$1 billion, ranking second among all retail media networks with 5.9% share of retail media ad spend this year.

## Average Cost per Click (CPC) for All Unfiltered Walmart Advertisers Worldwide, Week Beginning May 1, 2022-Week Beginning June 19, 2022



Note: represents data on Skai's platform, broader industry metrics may vary  
Source: Skai, "Digital Marketing Quarterly Trends Report: Q2 2022," July 27, 2022

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Ad revenues remain a small fraction of Walmart's retail business. The business has attractive margins but will need to reach even greater scale to meaningfully improve the company's bottom-line performance.

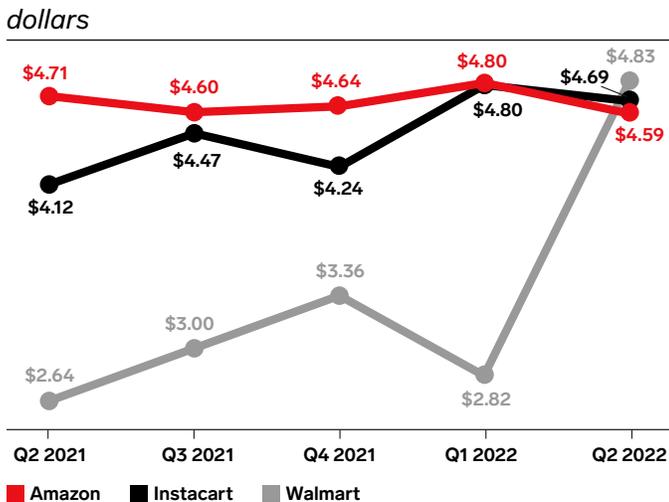
Walmart's advertising capabilities include search, display, a DSP, and in-store digital media. Search represents the majority of the Walmart Connect business today, but other capabilities are growing in importance as retail media moves further up the funnel. Walmart DSP, built in partnership with The Trade Desk, provides access to digital ad inventory on third-party publishers and connected TV (CTV), likely encouraging more brand advertising investment. In-store retail media, which can access eyeballs from more than 200 million unique shoppers per month, per Placer.ai, is Walmart Connect's sleeping giant.

Walmart's ad business is now realizing its potential after being slow to gain traction. In late 2018, CEO Doug McMillon lamented the company's "tiny ad business." Fast forward a few years, and the picture is markedly improving as Walmart's surging ecommerce business in 2020—propelled by the strength of click-and-collect grocery sales—gave it a much-needed shot in the arm. By the following year, consumer packaged goods (CPG) brands had accelerated budget shifts to ecommerce and increasingly in the direction of Walmart. Nevertheless, Walmart still lagged in certain aspects of its offering.

**Key changes under Seth Dallaire's leadership have jump-started momentum.** In October 2021, Walmart hired Dallaire—a veteran of Amazon's advertising business who had spent the previous two years scaling Instacart Ads—as executive vice president and chief revenue officer. By June 2022, Walmart had instituted a second-price auction model for its ads, which was foundational to Amazon's success and a key aspect of Instacart's early traction. Many brands consider this model, in which the highest bidder pays only one cent more than the second-highest bid, essential for upping their investments: It ensures they don't bid against themselves or overpay for impressions.

As soon as Walmart implemented this change, its average cost-per-click (CPC) for ads went down, per Skai, and its return on ad spend (ROAS) vaulted ahead of Amazon's and Instacart's, per Pacvue. The near-term hit to Walmart's monetization will be far outweighed by the long-term benefits of encouraging more brand investment over time.

### US Amazon, Walmart, and Instacart Return on Ad Spend (ROAS) for Sponsored Product Ads, Q2 2021-Q2 2022



Note: based on campaigns analyzed by Pacvue and Helium 10, broader industry metrics may vary

Source: Pacvue and Helium 10, "Q2 2022 CPC Report" powered by Assembly, July 15, 2022

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## Disruption, Integration, and Leverage

**Grocery and click and collect are competitive advantages.** Amazon may dominate retail media today, but the future increasingly belongs to physical retail. Amazon's current store footprint remains far behind Walmart's, with Whole Foods not carrying many national brands and Amazon Fresh stores still numbering in the dozens. That

means less data for Amazon, and less potential to grow ecommerce sales through click-and-collect orders.

**Walmart has an overall first-party data advantage** due to its huge national store footprint, overall leadership in grocery, considerable sales volume both online and in-store, and cross-category shopper and purchase data. While it lags certain competitors on individual dimensions—such as Amazon on ecommerce traffic and Kroger on data integrity—no others have comparable breadth and depth of first-party data assets. Growing use of the Walmart app and Walmart+ memberships should cut down on non-digital tender and add to this data advantage. The company launched Walmart Luminare, a shopper insights platform, in October 2021 to empower brands with deeper insights on customer behavior while further monetizing this asset.

**Walmart's closed-loop targeting and measurement could be a game changer.** Again, its access to data across key categories, including grocery, apparel, home furnishings, and electronics, is unmatched. Closed-loop measurement and optimization have fueled the rise of ecommerce advertising, but the link between online ads and in-store sales (the "other 85% of retail sales") hasn't been tapped. If Walmart can integrate its data streams while enabling real-time campaign optimization, it would instantly change how brands invest in retail media and disrupt Amazon's dominance.

## The 5-Year Outlook

**Walmart will gain share of the fast-growing retail media advertising market in the coming years.** We forecast that Walmart's US net ad revenues will nearly triple between 2021 and 2024 to \$4.52 billion, accounting for 8.2% share of US retail media digital ad spending. Walmart will also emerge as a more important player in the wider digital ad ecosystem by the end of 2024, moving ahead of Snap, Twitter, and Yahoo into the No. 8 position with 1.5% of total US digital ad spending.

**Walmart is well positioned for the future of digital advertising.** The deprecation of cookies and third-party identifiers, plus growing privacy legislation and regulatory constraints, favor the key players in retail media. Any decline in the availability and effectiveness of third-party behavioral data makes first-party shopper data that much more valuable to advertisers.

Beyond the privacy backdrop, Walmart is poised to take advantage of retail media's next three pillars of growth: upper-funnel ad formats, offline sales attribution data, and in-store digital media.

Its partnership with The Trade Desk has accelerated Walmart's shift into upper-funnel ads using a proven DSP. Walmart's offline sales data footprint could substantially change the ROAS equation, while its huge store footprint and hundreds of millions of monthly shoppers could prove that the store is the next major media channel for brands.

**Walmart could benefit from digital or streaming video assets to fuel its advertising flywheel.** This could explain Walmart's interest in acquiring TikTok a couple years ago. And Walmart's recent partnership with Paramount+, which bundles the ad-supported offering into Walmart+ memberships, could signal a more strategic ad targeting and measurement partnership, or even an eventual acquisition. As Walmart Connect matures, access to high-value streaming inventory will be critical to unlocking its full potential for brands.

## Walmart+



### Walmart+



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## Maturity and Iteration

**Walmart+ launched with a bang, but it has struggled to sustain initial growth.** The paid membership came out in September 2020 at the height of the pandemic-driven ecommerce boom. This was ideal timing to launch a service centered on free online shipping and same-day grocery delivery. Walmart+ drew an impressive pool of subscribers during its first year, but reports show growth has slowed significantly this year.

Walmart hasn't disclosed the number of Walmart+ subscribers, but estimates from Morgan Stanley, cited by The Wall Street Journal, claimed Walmart+ had 16 million members in May 2022, up from 15 million in November 2021. Consumer Intelligence Research Partners said subscribers reached 11 million in July 2022, which was unchanged from April 2022.

**Some 16% of US adults paid for a Walmart+ subscription as of August 2022,** according to our ecommerce survey with Bizrate Insights.

### Which Retail Membership Services Do US Adults\* Pay For?

% of respondents, by demographic, Aug 2022

	Female	Male	18-34	35-54	55-65	Total
Amazon Prime	67%	55%	60%	66%	58%	61%
Sam's Club	31%	25%	25%	30%	29%	28%
Costco Wholesale	22%	22%	18%	29%	19%	22%
<b>Walmart+</b>	<b>14%</b>	<b>18%</b>	<b>23%</b>	<b>16%</b>	<b>10%</b>	<b>16%</b>
Best Buy	6%	12%	13%	10%	5%	9%
DoorDash DashPass	6%	9%	13%	7%	3%	7%
Nike	5%	11%	18%	5%	2%	8%
InstacartExpress	5%	7%	9%	6%	3%	6%
Shipt	2%	2%	3%	2%	1%	2%
Fresh Direct DeliveryPass	1%	1%	2%	1%	0%	1%
Other	2%	2%	1%	3%	2%	2%
None	16%	19%	14%	14%	24%	17%

Note: \*or any member in the household  
Source: "The Insider Intelligence Ecommerce Survey" conducted in Aug 2022 by Bizrate Insights, Aug 24, 2022

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### Walmart must find new ways to drive subscriptions.

Free shipping and grocery delivery had huge value when consumers were stuck at home and doing more of their shopping online. But the hype has faded in the current retail environment, in which many shoppers have returned to stores and may be cutting back on expenses like retail memberships.

**In recent months, Walmart has tried to lure new subscribers by adding perks,** like exclusive sales events (Walmart+ Weekend), a new cash-back loyalty program (Walmart Rewards), and the ability to have returns picked up from the home (Return Pickup). Walmart also announced a streaming partnership that gives Walmart+ members access to Paramount+.

**By bundling commerce and media services, it's clear the retailer is dead set on positioning Walmart+ as a direct competitor to Amazon Prime.**

## Disruption, Integration, and Leverage

**When Walmart launches a new service, the retail world pays attention**—but that doesn't change the fact that Walmart+ offers essentially the same features as many other retail memberships. Walmart is the largest retailer in the US, so its customer base alone makes it a potential disrupter in any space it enters. This is the main reason why Walmart+ was able to launch in the crowded retail subscription market and become a key player almost immediately. However, nearly every major retailer and delivery service has a paid membership program, and most of them revolve around free and fast delivery.

**Walmart doesn't have the leverage to compete with Amazon in this space.** Amazon Prime launched in 2005, giving it a 15-year head start on Walmart+. And while Walmart has a large in-store audience, its online sales (\$66.82 billion in 2022) pale in comparison with Amazon's (\$402.03 billion in 2022). Additionally, Walmart does not have comprehensive media offerings like those Amazon has built across Prime Video, Amazon Music, and Kindle. Instead, the retailer is forced to rely on partnerships for inferior offerings, including Spotify Premium (six-month trial only) and Paramount+ (access to the ad-supported version only).

## The 5-Year Outlook

**Walmart+ seems destined to be a distant No. 2 to Amazon Prime.** Despite the current slowdown, Walmart+ still has room to grow, especially as it continues to roll out omnichannel programs like Walmart Rewards. Walmart will also benefit from being the leading retailer in the digital grocery space. As more of its customers shop for groceries online, there will be more of an incentive to get free delivery via Walmart+. That will likely make Walmart's retail subscription more successful than similar offerings from competitors like Instacart and Kroger. But even so, in five years' time, the subscriber base of Walmart+ will remain a fraction of Amazon Prime's.

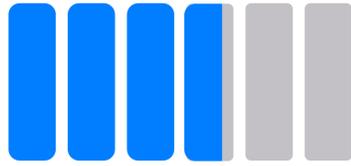
**Walmart's best bet would be to continue focusing on subscriber-only in-store perks**—but that would risk going against its core philosophies. Walmart has historically been resistant to loyalty programs that operate on exclusivity. Adding more ways for its massive in-store audience to save money through Walmart+ is the most likely route in growing membership. However, it would also chip away at the company's long-standing value proposition and commitment to offering the lowest prices to all customers. Plus, Walmart already owns Sam's Club, where members pay for access to discounted wholesale goods. Therefore, it's not likely to further expand Walmart+ features that compromise its core principles.

**Walmart's media partnerships will fall short.** Its current partnerships with Spotify and Paramount+ are not appealing enough to consumers. It's likely that Walmart will expand its media partnerships over the next five years, but it still won't have offerings as robust as Prime's. However, striking more valuable deals with more popular streamers, like Netflix or Disney+, or expanding its partnership with Spotify to include full Premium access could enhance Walmart's position as a media provider.

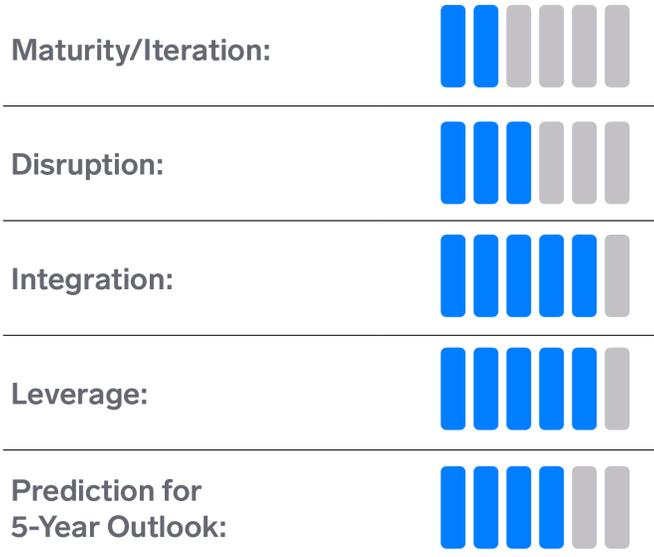
# Walmart Pay



Power Rating:



## Walmart Pay



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## Maturity and Iteration

**Walmart Pay—the retailer’s proprietary mobile wallet—lets customers make mobile payments at its more than 3,500 US Supercenters.** The service, which launched in 2015, is housed within Walmart’s mobile app. It lets customers select a payment method (including credit, debit, prepaid, and gift cards) before using the app to scan a QR code displayed on the register. It cannot be used at fuel pumps or Sam’s Club stores.

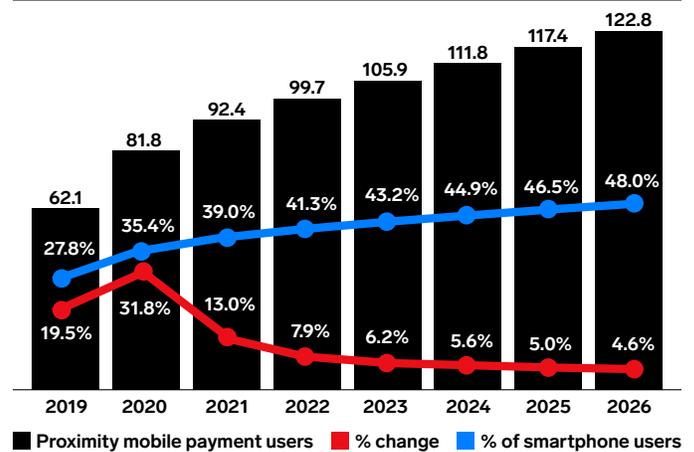
**Walmart Pay is operating in a favorable environment.**

- **Walmart’s app is among the top 20 apps in the US and one of only two retail apps in the top 25, alongside Amazon.** The wallet has a wide addressable base with 55.0 million unique visitors—reaching 26% of smartphone users, according to June 2022 Comscore data.

- **Nearly half (45%) of US respondents who are aware of embedded payments would prefer to use a service from a “trusted merchant” over one from a bank,** per April 2022 data from Paysafe. This should be favorable for Walmart, which scores high in consumer trust polls.
- **Interest in contactless payments spiked during the pandemic and continues to grow,** which should drive users to mobile payment options: Over a quarter of US consumers now prefer using contact-free payment methods, per Paysafe.

## US Proximity Mobile Payment Users and Penetration, 2019-2026

millions, % change, and % of smartphone users



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale (POS) transactions made by using mobile phones as a payment method; excludes transactions made via tablet  
Source: Insider Intelligence, March 2022

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**However, Walmart Pay’s exclusivity keeps it from becoming a larger wallet ecosystem.** US mobile proximity payments are growing: Adoption will surpass 4 in 10 smartphone users this year, and the average user will spend \$4,177 (roughly 17% of their retail spend) via mobile wallets. But the market is dominated by retailer-agnostic wallets like Apple Pay, Google Pay, and Samsung Pay, which Walmart does not accept in any of its stores—ostensibly in favor of driving users interested in contactless to Walmart Pay.

**As consumers form habits around retailer-agnostic wallets, appetite is shrinking for store-based options—** especially if they don’t have a rewards program or aren’t affiliated with locations that customers visit daily, like coffee chains. This could be hindering Walmart Pay’s performance: Its overall use by US adults hovers around 7%, per our August 2022 survey with Bizrate Insights.

## Which Payment Methods Have US Adults Used to Make In-Store Purchases?

% of respondents, by demographic, Aug 2022

	Female	Male	18-34	35-54	55-65	Total
Debit card	65%	54%	63%	66%	50%	60%
Credit card	60%	55%	42%	66%	64%	57%
Cash	54%	52%	52%	54%	54%	53%
PayPal	34%	38%	44%	37%	28%	36%
Gift certificate	20%	15%	13%	18%	22%	18%
Apple Pay	15%	17%	29%	12%	6%	16%
Venmo	11%	11%	18%	11%	5%	11%
Google Pay	8%	12%	10%	13%	6%	10%
App provided by retailer (e.g., Starbucks)	12%	8%	11%	13%	6%	10%
Buy now, pay later/installment plan services (e.g. Afterpay, Affirm, Klarna)	8%	7%	10%	9%	3%	7%
Walmart Pay	7%	7%	11%	7%	3%	7%
Samsung Pay	3%	5%	6%	4%	2%	4%
Other electronic wallets	2%	3%	3%	3%	2%	2%
Other	1%	2%	1%	2%	1%	1%
Don't know	0%	0%	0%	1%	0%	0%

Note: in the past month/30 days

Source: "The Insider Intelligence Ecommerce Survey" conducted in Aug 2022 by Bizrate Insights, Aug 24, 2022

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## Disruption, Integration, and Leverage

**The wide gap between usage of Walmart's app and its wallet likely exists due to several factors.** The way Walmart customers engage with the app could be keeping use of Pay low. Despite Walmart's strong in-store offerings, ecommerce engagement with the app may still be higher—and not opening the app in-store could prevent customers from using Pay. But with the wallet being so intertwined in the company's services, there is potential for it to become a growth vehicle.

**The relationship between Walmart Pay and other Walmart services has the potential to tighten customer relationships and drive sales.** This is most prominent in three areas:

- 1 App engagement.** Walmart can further engage existing app users by incentivizing them to use Pay. Conversely, if a consumer downloaded the app to use Pay, Walmart can more easily pull them into ecommerce or mcommerce. Ultimately, this can tighten customer relationships.
- 2 Co-brand credit card with Capital One.** The card offers 5% cash back for in-store purchases made via Walmart Pay in the first year. This 3 percentage-point bonus over the regular in-store earning rate could encourage Walmart loyalists to adopt the wallet and form habits that last beyond the bonus period, in turn driving spending among that base.
- 3 Walmart+.** Growth of Walmart's paid subscription program plateaued in H1 2022, per CIRP data. The retailer has been trying to reinvigorate growth, rolling out new offerings like cash-back rewards. In-store, these rewards are redeemed through Walmart Pay, which could drive enrollment in the wallet among subscribers.

## The 5-Year Outlook

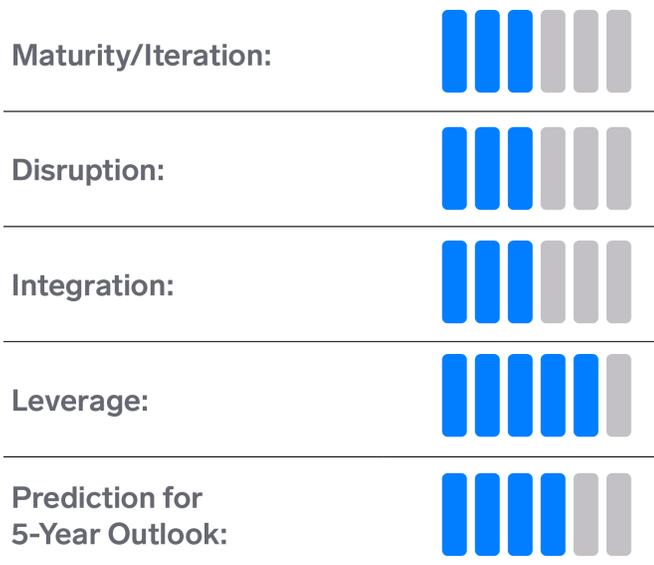
**Walmart Pay's positioning likely won't change.** Brand super-users and engaged app customers should help the wallet sustain ongoing growth. But it won't increase its dominance among other wallets or draw in a significant number of new users unless an overhaul of its features and functionality takes place.

**But the wallet could be a powerful tool to elevate existing programs.** Walmart can likely boost usage of Pay just by increasing app downloads through better marketing or new features. It can also easily improve consumer education about the wallet through traditional marketing channels and in-app prompts or incentives. The company will need to continually find ways to tether Walmart Pay to its existing offerings—like its money transfer tools, burgeoning financial services ecosystem, ecommerce apparatus, or fuel business. In turn, such integrations could produce more Walmart loyalists.

# Walmart Fulfillment Services



## Walmart Fulfillment Services



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## Maturity and Iteration

Walmart Fulfillment Services (WFS) is available exclusively to third-party sellers on Walmart's online marketplace and offers a complete set of logistical solutions, including warehousing, inventory management, shipment, and returns processing.

The debut of WFS in February 2020 came just weeks before the pandemic drove an unprecedented spike in demand for ecommerce. Its development is tightly linked to the expansion of Walmart Marketplace and crucial to fueling an Amazon-style flywheel. Third-party sellers are strongly encouraged to take advantage of WFS benefits, which include prioritized search results that highlight two-day shipping, management of customer service, and acceptance of returns via Walmart's extensive store network, including the recent addition of curbside returns.

Walmart hasn't released detailed results on the performance of WFS to date, but it noted that the gross merchandise value of orders delivered via WFS grew by 500% in 2021 and that it had a retention rate of over 90%. In November 2021, Marketplace Pulse estimated a quarter of third-party sellers were using WFS. That's well below the 75% rate of Amazon marketplace sellers who use Fulfilled by Amazon, though that service has a 14-year head start.

In September 2022, Walmart opened the first of four next-generation fulfillment centers that will be built over the next three years, incorporating AI and robotics to streamline warehouse processes. The company expects these four centers alone could have capacity to reach 75% of the US population with next-day or two-day shipping. And combined with its existing 31 traditional fulfillment centers, they will reach 95% of the population.

## Disruption, Integration, and Leverage

Walmart is taking a page from Amazon's playbook by building a marketplace around fulfillment services with fast shipping as the cornerstone. But the main goal of WFS is to increase merchant participation in the marketplace and sell additional services (such as advertising via Walmart Connect) to significantly expand Walmart's flywheel beyond stores.

Marketplace sellers are automatically enrolled in WFS, even if they don't use it right away. Walmart also offers a straightforward cost calculator with the promise of competitive pricing and no hidden fees. This contrasts with Amazon's more complex and increasingly expensive Fulfilled by Amazon services. Walmart is sweetening the deal further with incentives such as discounts, free storage promotions, and interest-free cash advances.

Walmart touts a significant sales lift for WFS sellers averaging 50%, thanks to those merchants' higher search visibility and the prominence of two-day shipping badges on results. Sellers who participate in WFS also have a "Fulfilled by Walmart" badge displayed on their product pages, letting shoppers know they're dealing with a trusted party to ensure a smooth post-purchase experience.

## The 5-Year Outlook

**As Walmart draws more sellers to its marketplace, the number of paying WFS users should increase.**

But according to Marketplace Pulse, many of Walmart's marketplace sellers already offer fast and free shipping without a minimum, so Walmart will have to prove its value to them via incentives such as lower costs or higher sales to get them to switch over.

**Walmart will struggle to generate profits from WFS unless it can scale its growth in terms of both merchant participation and paying Walmart+ members.**

Walmart's existing customer base may draw sellers, but to fully take advantage of WFS, a significant increase in higher-spending Walmart+ subscribers is needed. Additionally, the continual rollout of Walmart+ perks costly to the business, such as at-home returns pickup, may also hinder profitability.

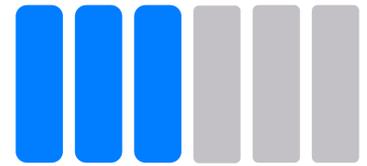
**WFS will face increasing competition from other retailers building out their own third-party fulfillment services.** These include major grocery players like Instacart, as well as apparel retailers like Gap Inc. and American Eagle Outfitters.

**To stay ahead, Walmart will need to integrate its recent innovations into the WFS framework,** such as drone delivery, InHome grocery delivery, GoLocal delivery services, autonomous vehicles, and fulfillment from stores. Walmart can leverage its expansive physical footprint by adding dedicated spaces to stores for handling ecommerce orders (called "Market Fulfillment Centers"). That will be a critical step in enhancing speedy delivery for sellers with the ability to reach 80% of the US population with same-day delivery, sometimes in as little as 30 minutes.

## Walmart Health



Power Rating:



### Walmart Health

Maturity/Iteration:



Disruption:



Integration:



Leverage:



Prediction for 5-Year Outlook:



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## Maturity and Iteration

**For Walmart, it's all about delivering low prices, even in healthcare.** Its first disruptive move came in September 2006, when the company announced its Florida stores would sell 291 generic drugs for just \$4. The program quickly expanded across the US and set off a price war among other pharmacy providers.

**In September 2019, Walmart Health came out of stealth mode, shocking the industry with the opening of its first standalone clinic** in Dallas, Georgia, some 38 miles northwest of Atlanta. Located next to a Walmart Supercenter in the rural county seat, the original Walmart Health center offers medical, dental, audiology, optometry, and behavioral health counseling services in one place. At opening, cash prices were \$25 for a dentist visit and \$40 for a primary care visit, though they've since increased. Lab tests, X-rays, and other diagnostics are extra. Insurance plans are accepted but not necessary.

**The Dallas clinic was just the beginning for Walmart Health**, per Insider's interview that month with Sean Slovenski, then president of health and wellness at Walmart. Insider later reported that Walmart's board in 2018 had signed off on a plan to build 4,000 primary care clinics by 2029 and become "America's neighborhood health destination," staving off rivals Amazon and CVS.

**But plans changed.** In late 2022, there are just 32 Walmart Health clinics in Arkansas, Florida, Georgia, Illinois, and Texas. That number will grow to 48 in late 2023, as the company announced plans to add 16 more locations around Jacksonville, Orlando, and Tampa, Florida.

**Like its retail rivals, Walmart's march on US healthcare hit some speed bumps, not least of which was the onset of the pandemic in March 2020.** Management's attention shifted to ecommerce, and leadership changes across Walmart US and Walmart Health further slowed momentum.

- Walmart was one of 21 national retail pharmacy chains to roll out vaccines through the Federal Retail Pharmacy Program for COVID-19 Vaccination. Between December 2020 and December 2021, Walmart claimed to have delivered tens of millions of vaccines, about 80% of those in medically underserved areas.
- Telehealth quickly replaced in-person visits early in the pandemic and remained popular as virus variants spread across the country. In September 2020, Sam's Club teamed up with virtual clinic 98point6 to offer Club members exclusive pricing for quarterly subscriptions (\$20 for the first three months; \$33.50 for every three months after) and telehealth visits. In May 2021, Walmart announced its acquisition of telehealth provider MeMD, targeted to employers.

**Even as the pandemic raged in July 2020, Walmart filed to become an insurance broker.** Under the name Walmart Insurance Services LLC, it would be able to sell Medicare products like Medicare Advantage, Medicare Part D, and supplemental Medigap. Fast forward to September 2022: Walmart announced a partnership with UnitedHealth Group, the largest US health insurance company. The deal allows Walmart and UnitedHealthcare to sell co-branded Medicare Advantage policies, which are the commercial version of traditional Medicare, in Georgia. The partnership will also roll out analytics and support tools by Optum, a UnitedHealth Group business, for Walmart Health clinics in 15 Florida and Georgia locations.

## Disruption, Integration, and Leverage

**Walmart's healthcare ambitions are decidedly retail-centric:** It aims to give consumers another reason to visit a Walmart Supercenter. That philosophy is built into the 32 Walmart Health clinics now operating in four states. But that modest footprint isn't going to impact the US healthcare industry in any major way.

**But to Walmart's credit, its health and wellness division (including Walmart Health), is a tightly integrated part of its flywheel's ever-expanding products and services.**

For instance, its pharmacies have a discount prescription program that offers a selection of generic medications at \$4 for a 30-day supply and \$10 for a 90-day supply. And its insurance brokerage and UnitedHealth Group partnership keep customers invested in the flywheel, if not in the physical store.

**The threat from Amazon's latest healthcare moves won't be consequential.** In July, Amazon announced its \$3.9 billion acquisition of primary care platform One Medical, which will take effect on December 31, 2022—the same day its telehealth service, Amazon Care, is set to close. And while One Medical's office locations are in large metropolitan areas, Walmart Health's are in rural ones.

## The 5-Year Outlook

**The retail health phenomenon shows no signs of slowing down going into 2023.** Walmart's retail rivals include Amazon, CVS Health, and Walgreens—all of which are actively buying and building primary care networks and pushing toward in-home care services.

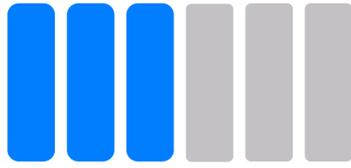
**Walmart Health could have been a major healthcare disruptor—and still could be.** The idea of providing high-quality, lower-cost healthcare services to people in medically underserved communities isn't new. Walmart Health's clinics are an interesting approach, but not on the current scale. However, if Walmart Health leveraged the US retail chain's scale and physically provided those services across 4,000 US stores—that would be a game changer.

- On a local level, hospitals would lose some urgent care or emergency room patients, further eroding an already tenuous healthcare network in rural areas.
- But the most far-reaching change would be the public's acceptance of basic, transparent prices for essential healthcare services, without the need for insurance plans' deductibles.

# Walmart GoLocal



Power Rating:



## Walmart GoLocal

Maturity/Iteration:



Disruption:



Integration:



Leverage:



Prediction for 5-Year Outlook:



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## Maturity and Iteration

**When it comes to fulfilling online orders, delivery reigns supreme.** Nearly 4 in 5 (78%) US digital buyers who made a purchase online in the last month had it delivered, per our August 2022 Ecommerce Survey conducted by Bizrate Insights. That's almost four times greater than those who used click-and-collect options.

## Which Delivery Methods Did US Digital Buyers Use for Digital Purchases in the Past Month?

% of respondents, Aug 2022

	Female	Male	18-34	35-54	55-65	Total
Doorstep delivery/delivered to my home/work	81%	75%	67%	82%	86%	78%
Picked up at the store	18%	23%	27%	23%	12%	20%
Picked up curbside at the store (didn't have to get out of the car)	21%	16%	24%	21%	11%	19%
In-home, in-garage, or in-car delivery (e.g., Amazon Key or Walmart InHome)	11%	15%	16%	13%	10%	13%
Delivered to locker (e.g., Amazon Hub Locker)	5%	8%	11%	6%	3%	7%
Other	1%	1%	1%	2%	0%	1%

*Note: ages 18-65 who made a digital purchase in the past month/30 days; surveys conducted every two months*  
 Source: "The Insider Intelligence Ecommerce Survey" conducted in Aug 2022 by Bizrate Insights, Aug 24, 2022

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## Digital sales show no signs of declining, and consumers are increasingly demanding faster and more efficient delivery.

Ecommerce behemoth Amazon has especially changed consumer expectations around delivery with its promises of same-day shipping and the like. So, it's no surprise that after working out its own delivery infrastructure and officially launching WFS in February 2020, Walmart introduced Walmart GoLocal, a white-label delivery service for local businesses, in August 2021. This iteration of delivery as a service promises faster delivery times and customer service options for local businesses.

## In its first year, GoLocal has seen success and crossed several milestones.

- GoLocal has delivered 1 million packages from 1,600 pickup points since August of this year.
- The Home Depot was the first large retailer to sign up for the service just three months after GoLocal's launch. Chico's FAS was the first apparel retailer customer.
- Partnerships with Local Express (the only all-in-one ecommerce platform supporting food retailers) and Cognetry Labs platform (a turnkey omnichannel solution) will help GoLocal to tap into their merchant base, mostly comprising smaller, regional players across food and beverage and groceries.

**GoLocal continues to onboard new customers and expand current customers' reach.** Pickup points are expected to rise to 5,000 by year-end, amid reports of strong customer satisfaction scores, per the company's Q2 investor call. This bodes well for the big-box retailer.

## Disruption, Integration, and Leverage

**Walmart is leaning on the same network of delivery drivers that it uses for its own deliveries, enabling the retailer to minimize costs for its B2B customers.** At

the root of this retail as a service arm is Walmart's brick-and-mortar footprint, which boasts 4,735 stores and has a strong foothold on the least densely populated areas in the US, which are also the most difficult and costly to deliver packages to.

**GoLocal can leverage the learnings from Walmart's partnership with Adobe Commerce to bolster ecommerce capabilities and solutions.** GoLocal wouldn't have found this quick success if it wasn't for Walmart's existing store fleet and efficient delivery operations.

**GoLocal's distinction with competitors like Instacart and DoorDash is it's not a consumer-facing platform—it's a service provider.** As such, Walmart gives GoLocal customers direct access to their own data.

## The 5-Year Outlook

**Walmart's plans to offer its last-mile prowess to smaller and midsize retailers is both a feel-good moment and a way to help create more competition for Amazon.**

Same-day or next-day delivery, which Amazon Prime is synonymous with, is a logistics nightmare and can be very costly—eating into margins. GoLocal offers merchants years of fine-tuning the delivery process on top of sharing first-party data they wouldn't normally have access to.

**And while still a nascent business for Walmart, GoLocal has the advantage of being second mover in a crowded and ever-evolving delivery landscape.** As Walmart continues to innovate its fulfillment infrastructure and Express Delivery offering, a burgeoning GoLocal business would help offset its costs and be a perfect mechanism for experimentation. That said, the company would need to continue to distinguish the set of features it offers as competition heats up. For example, American Eagle Outfitters' Quiet Platforms now outsources operational capabilities for the "middle-mile"—from manufacturer to warehouse.

**Walmart's efforts to help smaller retailers be nimbler and more cost effective by offering a white-glove service may also be a hindrance,** as consumers are now conditioned to go to a platform, like DoorDash, to get all the things they need in one shop. During these inflationary times, as consumers are becoming more cost-conscious, Walmart's ongoing commitment to help local businesses may in fact be welcomed by shoppers as DoorDash comes with a premium.

**All this said, with the ongoing supply chain disruptions, Walmart GoLocal is in a good place to continue to grow.** Per a Blue Yonder survey conducted in May, 43% of executives surveyed are prioritizing on-time delivery with effective customer communication, and 40% are also looking to maintain and optimize convenient fulfillment options—exactly what Walmart is offering third-party retailers.

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[US Digital Grocery Forecast 2022 Spotlight: How Inflation and Shifting Consumer Behavior Will Impact Long-Term Growth](#)

[US Holiday Shopping 2022: Amazon's October Event Kicks Off Early Shopping and Bolsters Holiday Season Forecast](#)

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