

DEFINING THE NEXT GENERATION OF RETAIL: WALMART INVESTS \$14B TO BUILD SUPPLY CHAIN CAPACITY AND AUTOMATION

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Walmart is forging forward with a nearly \$14 billion retail investment to build supply chain capacity and automation, to stay ahead of demand, improve the customer experience and increase productivity.

The retailer's Q4 2021 U.S. comp sales, excluding fuel, grew 8.6% and U.S. e-commerce sales grew 69%, but it gave a soft full-year guidance and quarterly earnings missed expectations.

"While Walmart's earnings may have underwhelmed investors in the short-term, what's important to look at is the retail leader's long-game strategy," cautions Dan Baril, head of value expansion at Google Marketing, Cloud and Analytics consulting agency Adswerve.

Walmart's omnichannel strategy focuses on enabling it to diversify its business model by growing related businesses with accretive margins such as marketplace, advertising, financial services and

data monetization, it said.

"Walmart is continuing to capitalize on its targeted approach to digital advertising and first-party data," says Baril. "The grocery/household staples game continues to be one of razor-thin margins. Walmart is making swift strides in pulling shoppers in and maximizing basket size, which is critical to this cut-throat space. Walmart has always been on the cutting edge of using data to maximize basket size, and pioneered the use of checkout data to see which products were purchased together and map in-store shopping behavior. I see first-party data as Walmart's next measure in a logical progression to create a stickier relationship with the customer."

Walmart said of its 2021 capital investment plan, around \$14 billion will focus on "supply chain, automation, customer-facing initiatives and technology." It also said it will deploy capital to areas

such as "capacity and automation in DCs, FCs and market fulfillment centers."

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Walmart president and CEO Doug McMillon

While the investment plan is aggressive, Walmart said the company's "strong financial position makes it the right time to accelerate investments in key areas," enabling it to "build a business model that will define the next generation of retail."

"The pandemic has certainly challenged big-box retailers and distributors this past year, but many brands have found ways to rise above today's challenges by capitalizing on the growth of e-commerce," says Pete Zimmerman, North American software sales manager, VAI, ERP software solutions. "Walmart was no exception, reporting growth



in Q4 2020 boosted by online holiday sales. However, it's crucial to note the tech-enabled and automated fulfillment network Walmart had been building prior to the pandemic, making fast delivery and curbside pickup during the pandemic possible."

Looking ahead, Walmart's targeted investments to accelerate growth also include raising wages for an additional 425,000 frontline associates who are driving its

customer experience.

"With their decisions to take care of their workforce by raising wages, distributing bonuses, and keeping their stores clean [Walmart is] making moves to position their long-term relationships with their customers and their place in their community," says Gregory Ng, CEO of experimentation-driven CX optimization firm Brooks Bell. "The consumer mindset has

shifted overall from lowest price to greatest trust. Trust in quality, trust in reliable delivery times, and trust in safe shopping experiences. Walmart understands this and is making investments that will pay off long past this quarter and next."

Walmart president and CEO Doug McMillon said it best: "Change in retail accelerated in 2020. The capabilities we've built in previous years put us ahead, and we're going to stay ahead."