

Walmart's retail media business hits its stride with soaring revenues and more advertisers

Article

The news: Walmart highlighted huge gains in its advertising business during its recent earnings call for the quarter ending on July 31, 2021.

- “We also saw nearly **triple-digit growth in advertising sales** through **Walmart Connect** and added thousands of new sellers on our ecommerce marketplace during the quarter,” said **CEO Doug McMillon** in his prepared remarks.
- Our latest forecast puts Walmart’s **US digital advertising revenues on pace for \$1.55 billion in 2021**, up **53.5%** for the year and representing **6.5% of US ecommerce channel ad spending**, a close proxy for the digital retail media market.

Dive into the data:

- Walmart’s **ad business was up 95% during the quarter versus last year**, while the number of **active advertisers was up more than 170%**.
- On the other hand, Walmart’s ecommerce business—**which now ranks No. 2 to Amazon with a US market share of 7.2% this year**—saw growth slow to **6%** year over year (YoY) after being on a tear over the past four quarters.
- But the company still expects to hit **\$75 billion in global ecommerce sales** this year. This was Walmart’s first full quarterly earnings that lapped the early months of the pandemic, when essential retailers like Walmart disproportionately benefited from panic-buying of household goods along with the surge in ecommerce delivery and click-and-collect orders.

Why it matters:

- In the retail media sector, ecommerce and advertising growth rates are typically correlated, since brands spend against growing consumer demand. Walmart’s diverging trend this quarter points to a long runway for Walmart Connect, with advertiser demand still catching up to the recent surge in spending on Walmart.com.
- The growing number of advertisers indicates further upside. As brands gain familiarity with the platform and learn how to generate positive returns on advertising spend, they’re likely to up their investments.

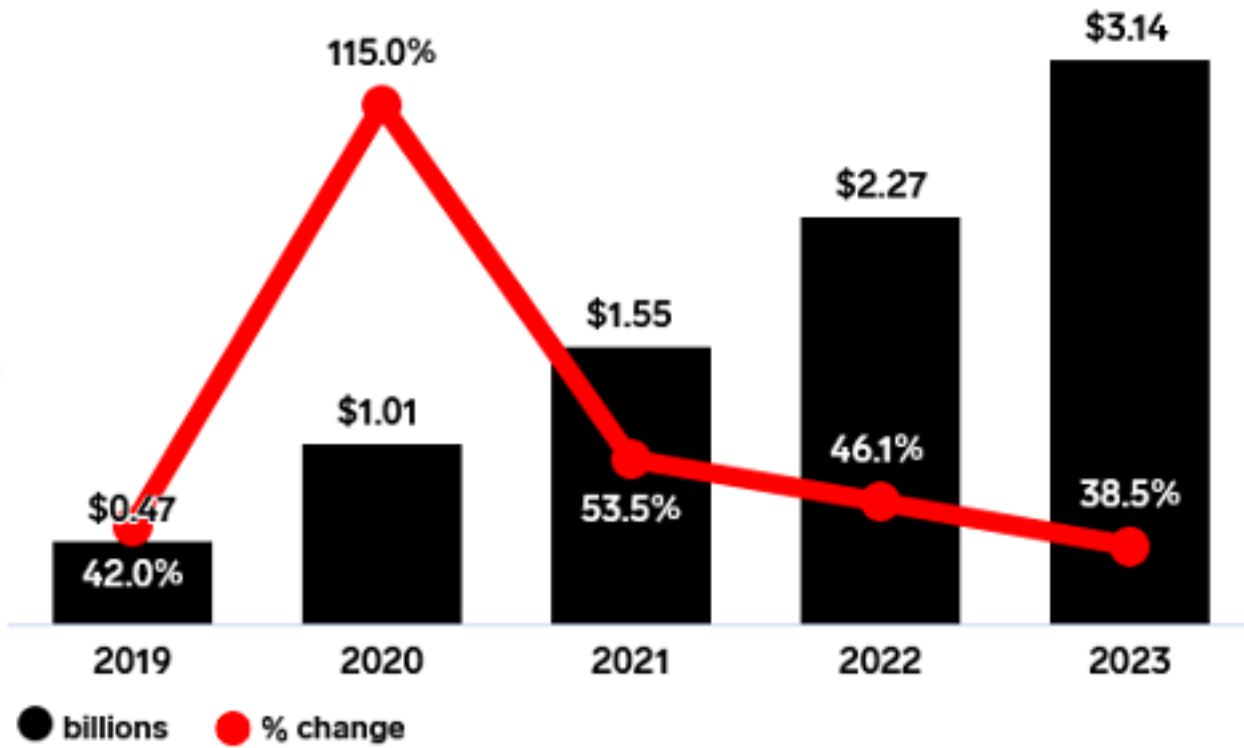
The bigger picture:

- Walmart Connect accounts for little more than a rounding error in the company’s current revenues, but it has the potential to transform Walmart’s bottom line in the coming years.
- McMillon attributed Walmart’s margin expansion in the latest quarter to “lower markdowns and stronger advertising revenues,” highlighting the latter’s outsized impact on profits.

- CFO Brett Biggs said that this high-margin revenue stream “gives us flexibility to invest aggressively for the future”—in other words, the ability to go toe to toe with Amazon.

Walmart Ad Revenues

US, 2019-2023



Source: eMarketer, March 2021 (see below for notes and methodologies).

eMarketer | InsiderIntelligence.com