

Walmart+ membership needs to do more than copy Amazon to succeed

Article

The news: Walmart is struggling to reverse an exodus of shoppers to discount stores, per a Reuters report. At the same time, the retailer is taking aggressive measures to add subscribers to its Walmart+ membership, including partnering with buy now, pay later (BNPL) company **Affirm** and pursuing bundling deals with streamers.

Trading down: While Walmart has made a concerted effort to keep prices low, record high levels of grocery inflation have forced many shoppers to turn to discount and dollar stores for more of their needs.

- Foot traffic to Walmart's US stores fell 2.7% in July compared with the year prior, per Placer.ai, while visits to discount stores continue to grow.
- Foot traffic to budget grocer **Aldi** rose 11.5% from June 1 to July 25, while Dollar General saw a 4.1% increase in store visits in the same period.
- To make their budgets stretch farther, customers are opting to purchase more groceries and staple foods at discount stores. **The share of shoppers who consider Walmart their first choice for groceries fell in July to 25.5%** from June's 27.4%, per Prosper Insights & Analytics data cited by Reuters.

Falling behind: As Walmart loses cash-strapped shoppers to cheaper retailers, it's also struggling to capture more spending from affluent shoppers. The company has attempted to use its Walmart+ program to lure in more high-income consumers and compete with **Amazon Prime**, with limited success.

- Walmart+ lost roughly half a million subscribers over Q1, per Consumer Intelligence Research Partners.
- **Only 11% of US adults pay for Walmart+**—considerably less than the 62% who subscribe to Amazon Prime, according to a June survey by Bizrate Insights for Insider Intelligence.
- A significant portion—14.2%—of Walmart+ subscribers have free subscriptions or are on a free trial, compared with 5.1% of Amazon Prime members, per PYMNTS.

Which Retail Membership Services Do US Adults* Pay For?

% of respondents, by demographic, June 2022

	Female		Male		18-34	35-54	55-65	Total
Amazon Prime	60%	64%	60%	68%	58%			62%
Costco Wholesale	25%	32%	28%	29%	28%			28%
Sam's Club	28%	25%	23%	28%	29%			26%
Walmart+	9%	13%	19%	8%	6%			11%
Best Buy	6%	15%	14%	10%	7%			10%
DoorDash DashPass	9%	10%	18%	7%	3%			9%
Nike	4%	10%	17%	3%	1%			7%
Instacart Express	4%	6%	8%	5%	3%			5%
Shipt	2%	3%	4%	2%	1%			2%
FreshDirect DeliveryPass	0%	3%	3%	1%	0%			2%
Other	2%	3%	1%	3%	4%			2%
None	22%	15%	13%	18%	24%			19%

Note: *or any member in the household

Source: "The Insider Intelligence Ecommerce Survey" conducted in June 2022 by Bizrate Insights, June 22, 2022

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Desperate times, desperate measures: As a result, the company's tactics to grow its membership base have gotten increasingly unfocused.

- Walmart has held talks with **Disney, Comcast, and Paramount** about bundling their streaming content into Walmart+, The New York Times reported.
- Walmart is **pushing employees** to sign up for free memberships, with one associate saying that non-enrollment was a "fireable offense," **per** Insider.
- The retailer is giving Affirm users who spend \$300 or more with the company a free 90-day trial, per Chain Store Age.
- Meanwhile, Walmart has an ongoing deal with **American Express** to offer free memberships for Platinum cardholders as part of its push to attract wealthier shoppers.

The big takeaway: Walmart's **profits have taken a hit** thanks to shoppers trading down and spending more of their budgets on groceries. That's caused the retailer to lean harder on its membership offering to drive revenues—but adding a streaming service won't be the game changer Walmart hopes it'll be.

Instead of trying to copy everything Amazon does, Walmart needs to focus on how best to provide value to its existing customers, and fully maximize its existing advantages, such as its extensive store footprint and ability to use its market share to negotiate lower prices with suppliers.

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