

# Reimagining Retail: Walmart—The purchase of Vizio, why it needs more stores, and what the retail giant will do next

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss Walmart's purchase of Vizio, its brick-and-mortar strategy, and whether they can attract more upper income shoppers. Then, in a mini "Shark Tank"-style segment, we predict what the next big move for Walmart will be. Join our analyst Sara Lebow as she hosts senior director of media content Becky Schilling and analyst Zak Stambor.

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## Episode Transcript:

Sara Lebow:

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Discover how our data centric forecasts and rigorous analysis can transform your approach and fast track your success. Visit [insiderintelligence.com/pro-plus](https://insiderintelligence.com/pro-plus) to learn more. Hello listeners. Today is Wednesday, March 13th. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today we are discussing all things Walmart. Joining me to talk all things Walmart is senior analyst, Zak Stambor. Hey Zak.

Zak Stambor:

Hey Sara.

Sara Lebow:

Also with us to talk Walmart is senior director of content for our media team, Becky Schilling. Hello, Becky.

Becky Schilling:

Hello. It is Walmart day. I am ready.

Sara Lebow:

We're ready. We're all ready. Before we do Walmart day, let's get started with free sample. Our did you know segment where I share a fun fact, a tidbit or a question. This one's coming at you from our eMarketer daily newsletter. So if you're subscribed to that newsletter, maybe you have an advantage here. That's my shameless plug. So Nike created a new out of home campaign recently, which reads, it was never a long shot and shows a record-breaking female athlete. Which athlete is this? Do either of you know?

Zak Stambor:

It's got to be Caitlin Clark, right?

Sara Lebow:

Yeah, it's Caitlin Clark. You got it.

Zak Stambor:

Yeah.

Sara Lebow:

It is University of Iowa Point Guard Caitlin Clark who shattered both the men's and women's division one and NCAA scoring record for basketball. Nike gave her a billboard. I actually don't really know how her compensation works for that with name, image, likeness rules, something I'll look into, but yeah, pretty cool that she got a billboard. Okay, now it's time for our next segment. Retail Me This, Retail Me That where we discuss an interesting retail topic and today's topic is Walmart. Walmart posted earnings a few weeks ago. They looked pretty good. Zak, can you give us a quick rundown of these earnings?

Zak Stambor:

Yeah, sure. Basically, no matter how you look at it, it was pretty much good all around. Walmart gained market share in virtually every category. Same store sales were up 4%, global e-commerce sales were up 23%. In Q4, US e-commerce sales were up 17%. Revenue rose almost 6%. So just all around Walmart's value proposition of value and convenience is really delivering for the retailer.

Sara Lebow:

Yeah, really impressive. Especially we recently had Target earnings, they didn't look as great. So Walmart's definitely doing something right and let's talk about what that something right is starting off with a more recent announcement that Walmart is buying VIZIO, the connected TV manufacturer. This makes a ton of sense to me because of the retail media ad potential. Zak, this is something you kind of predicted before on the podcast, right?

Zak Stambor:

Yeah. So I mean, I didn't quite nail it, but in, I think it was 2022. It was around the time of the Albertsons Kroger merger news. I predicted that Walmart would buy Roku and they would buy Roku to really make a play, a big play into CTV, and that's what Walmart is doing here and they're doing it with a value oriented play. It's probably about a quarter of what they would have to spend to buy Roku.

Becky Schilling:

Yeah. And it makes sense, right? Retail media is exploding. The CTV growth within retail media is growing very fast. Walmart is a distant second to Amazon in retail media ad revenues, but we forecast Walmart's going to grow the most this year at 40%. Now, our forecast did come out before the VIZIO acquisition, so it's going to be interesting to see when we reforecast, just

what we think, how much that could boost Walmart's retail media, but it makes a ton of sense for them to do this partnership. We know that shoppable media is something that people are very interested in and the path to purchase last July, the number one retail media that ad agency professionals worldwide said would be the next frontier was shoppable video content. So it makes perfect sense in so many reasons for this acquisition to happen.

Sara Lebow:

I mean, VIZIO also has a gold mine of consumer data and consumer attention, they're physically the screens in people's houses, that they didn't necessarily have the tools to, I don't know, turn into a gold mine. Right. VIZIO had all this stuff that they almost didn't even know what they had. So selling to Walmart who is set up to use that first party consumer data, retail media data makes a sense to me from VIZIO's perspective also. And then in addition, you have the in-store value as well. Walmart has long had screens in their stores with ads on them, and this is just another leg up in that area.

Zak Stambor:

I think that's right. I think this unlocks value out of VIZIO that VIZIO couldn't do on its own. I think it's interesting that they're spending \$2.3 billion for a manufacturer, but this really is all about the software and Walmart has the tools to unlock the value and create something that it really couldn't do at this scale on its own and do it much faster than it could even if it attempted to do so.

Sara Lebow:

Yeah, and it's something that we're going to see a lot from other retailers as well. I mean, Pam Zucker from the IAB told me a few weeks ago that the value of retail media, it's not like the media platform so much as the retail data. So yeah, I mean this makes sense. Looking specifically at the store, because that's like Walmart spread and butter, is the store. As other stores are cutting back, Walmart is expanding. Why is store footprint so important to Walmart?

Becky Schilling:

I mean, it always has been from the very beginning. Right. They knew that they needed a large footprint. They've built their backs off of that, they built their business off of it and every other hub and spoke happens through there. We can't discount Walmart's distribution and its

prowess in its distribution and its stores are the reason why it can really do that, and it's the whole omnichannel shopper. You can't forget that 80% of retail sales are happening in brick and mortar and Walmart really thrives in getting people into their stores.

Zak Stambor:

Yeah, I completely agree. I mean, Walmart just continues to take an approach that's actually very similar to Target's approach of leaning into its stores to fulfill its e-commerce orders. Its grocery delivery business is thriving. That is also reliant upon the stores and also the other piece, to go back to advertising, is one of the next big opportunities within retail media is in store retail media and the stores are the medium to grow that business.

Sara Lebow:

Yeah, the stores are the media channel there.

Zak Stambor:

Exactly.

Sara Lebow:

Yeah, you mentioned grocery. Grocery is a big deal for Walmart in a way that it, I don't want to say that it isn't for Target, but definitely in a way that Target is probably jealous of.

Zak Stambor:

I think you can say that. I think it's fair to say that. I mean, Walmart is essentially a grocery store that sells other stuff, whereas Target is a mass merchant that happens to have a grocery business, so they're kind of different in that respect.

Becky Schilling:

Yeah, they have a good grocery business. Right. It's a sizable portion. It's a good e-commerce driver for them. And to go back to why the stores are so important is because click and collect is really where a lot of the e-commerce grocery is going, is the growth is coming from, and you have to have stores for that. So Walmart has really positioned itself well to be able to capitalize on that growing click and collect

Zak Stambor:

Well, and Walmart's always had a great grocery business. It is over half of Walmart's US sales and over the past few years as grocery prices soared, they were just able to grab more and more share and they're grabbing more and more share from higher income people as the price of things like eggs and what else, what other prices,-

Becky Schilling:

Everything.

Sara Lebow:

Milk, stuff.

Zak Stambor:

Eggs and milk and just about everything else rose and now even as inflation for groceries is relatively flat, people have solidified their habits. Habits are hard to break and people are now accustomed to buying from Walmart or grocery shopping at Walmart, particularly if they shelled out for a Walmart plus subscription and have been getting grocery delivery because that's just a super convenient, good value option.

Sara Lebow:

Yeah, I mean I can see the whole system there, right, like a parent who gets grocery delivery or gets click and collect, maybe higher income shopper is looking to Walmart now for that value. What's interesting about Walmart attracting upper income shoppers is that whether it's real or not, that's sort of what Target's niche was. I mean, Target has always kind of called itself targe, right? There's this joke of that. It's like the cheap place that upper income people go. It's like fancy Walmart. Can Walmart become fancy Walmart?

Zak Stambor:

I don't know. I think they're different. I think Walmart is a place for unsexy staples, maybe undershirts in terms of general merchandise rather than Diane von Furstenberg dress. So it's like, it's not quite the same stuff. Target is all about discretionary, non-essential spending, whereas Walmart thrives on just the basics. So while they may not be able to hone in on Target's bread and butter, it is very true that higher income people are spending more of their money at Walmart. Two thirds of the retailer's market share gains in the general merchandise category came from households making over \$100,000 in Q4, and I think that's largely



because of Walmart plus and just getting those higher income people into the Walmart ecosystem and when they're buying groceries, they're also going to buy a T-shirt or whatever the other stuff is,-

Sara Lebow:

The pink sweat shirt.

Zak Stambor:

Some office supplies.

Sara Lebow:

Yeah.

Zak Stambor:

Yeah.

Becky Schilling:

Walmart has always been the place where you can get what you need done and it doesn't need to be in a sexy way, but you know that anything that you need you can get there. It helps you live your life easier and better and not at a breaking price point. And I think that that's something that consumers in the last 12 months in particular have really flocked to. I don't think that Target is the competitor that Walmart needs to keep an eye on. I think they need to keep an eye on those discounters in the grocery space.

Aldi in particular, they just went through a big growth spurt and they announced recently that they're going to go through another \$9 billion expansion plan and add another 800 stores here in the US. The dollar stores are expanding vastly and people are shopping more for grocery at the dollar places. I think that it's not Target where Walmart needs to look to in the grocery space, but it's the Aldi's, the discounters because as Zak pointed out, consumers have shifted their patterns and their behaviors. And if they've gone into a particular type of retailer, are they going to be staying there? Are they going to move somewhere else?

Sara Lebow:

That's a great point. I think that also transitions us into our second half where we have some room for predictions. Now it's time for our next segment, Walmart predictions Shark Tank

style. How will this work? Each of us are going to share a prediction related to what Walmart might do in the coming few months and years. You'll have about 30 seconds to pitch the rest of us on your prediction, and then in true Shark Tank style, the rest of us will debate and decide whether or not we're convinced enough to invest in that prediction. Zak, why don't you go first?

Zak Stambor:

Okay. So this is not the hottest or spiciest prediction, but,-

Sara Lebow:

That's okay. This isn't our spicy predictions segment, so you're good.

Zak Stambor:

Yeah. Yes. But I think Walmart's going to broaden the suite of services it offers under Walmart plus. So Target next month plans to launch a new membership service Target Circle 360, which for Target Circle credit card holders will be about half the price of Walmart plus and Walmart plus also obviously competes with Amazon Prime, which Amazon has long claimed is the best value in the history of shopping. And Amazon Prime does offer just about everything in the world from fast free shipping to video and music streaming services to photo storage, to discounts at Whole Foods. And so while Walmart plus offers some bells and whistles in addition to free delivery, I think there's a lot of room for it to expand the breadth of perks to entice people to sign up and to stay enrolled.

Sara Lebow:

I definitely think you're right. I am sort of curious about what those perks might look like. What I'm saying is I'm investing in this prediction, but yeah, I'm wondering what the specific perks would look like. Amazon has a full media channel, a full streaming platform. Walmart I don't think is going to start making content anytime soon. They can offer bundles with streaming platforms. They do. So I guess I'm just sort of curious what those offerings might look like, but I'm investing. You have my investment.

Zak Stambor:

Fair enough. Yeah, I think they don't need to do what Amazon is doing right now. I think they need to find their own specific areas to lean into, and they already do that to one extent with

gas discount, and I think those types of perks that appeal to value oriented consumers, it might just be a discount at the store or some other sort of thing like that are ways to get them to pay roughly \$100 a year for.

Sara Lebow:

Becky, are you investing in this prediction?

Becky Schilling:

Yes. I invest in anything that is Walmart though this is not investment advice, but I do. I think Walmart has seen really great success with their subscription program and why not lean into the thing that's working for you, especially when you just made this huge acquisition for VIZIO and I think there's a lot of tie-ins that you can make there.

Sara Lebow:

Cool. Zak, you have won over the Sharks.

Zak Stambor:

Awesome.

Sara Lebow:

Becky, what is your pitch? We'll call it a pitch. What is your pitch?

Becky Schilling:

What is my pitch? I had a lot of struggle with this because a lot of the things that I thought Walmart could lean into, Walmart's leaning into. Huge fan of Walmart for anyone who cannot tell at this point in the podcast already. But what I thought was that Walmart is going to lean even more into the pet industry and forge a partnership with Chewy. Now, let me explain. Walmart opened their veterinary and grooming space in a store outside of Atlanta last September. Market share, we know that people spend a lot on their pets.

Again, going back to Walmart offering a lot of services that are beyond just your typical grocery or mass merchant. I got my first pair of glasses at a Walmart. You can do all kinds of banking at Walmart. They have so many functionalities and I think bringing in the pet care, not just in the retail aspect, but in the grooming and the veterinarian care is really smart, and I think that they could forge a partnership with Chewy. I don't think Chewy's going away. I think

it's a really great name, but I think the brick and mortar play between the two of them working together could be very interesting.

Sara Lebow:

Zak, are you investing in Walmart partnering with Chewy?

Zak Stambor:

Yeah, I think it's a great idea. As Walmart expands its store count, it's leaning into larger stores. There's plenty of space for this sort of offering, and it's just another way to get people into the stores, which once you're in the store, you might as well pick up your own groceries as well as a slew of other stuff, so I think it makes a lot of sense.

Sara Lebow:

Yeah, I agree. I mean, Becky, you and I were just talking this morning about how people will spend any amount of money on their pets. By people, I mean Becky Schilling. No, but people will spend any amount of money on their pets. Being involved with a pet company makes a lot of sense. Chewy in particular, like I don't have the ins and outs of Chewy's business in front of me right now, but they're a D2C that's grown a lot that needs to find other places to grow, and so partnerships are a great way it can do that.

Okay. So Becky, you've won over the Sharks. I'll make my pitch now. My pitch is that Walmart will open up a smaller format store for grocery targeted at higher income people. This is the Whole Foods of Walmart. I'm calling it Wall Market because that's the first thing I came up, and then I didn't want to come up with any other names and it seemed cute. But Becky, your Texas native, H-E-B has this with Central Market, I guess they're not small format. They're the opposite of small format, but a higher end grocery store to really capitalize on those people that are willing to spend more. This is the whole Foods of Walmart. Are you guys investing in this?

Zak Stambor:

I'm afraid I am going to pass. I think Walmart has struggled to, I would assume these would be located in urban areas or near urban areas, because that's largely where higher income people live. Is that right?

Sara Lebow:

Yeah, maybe. Probably.

Zak Stambor:

Yeah, I think so. Walmart's really struggled to figure out what resonates with those consumers in those areas. They've opened their own grocery stores in that space. They bought [inaudible 00:18:43] because they thought that those consumers didn't like the Walmart brand, so your Wall Market name might not appeal to those people as well. I just don't think Walmart really gets the urban consumer in a way that would make it work.

Sara Lebow:

It is true we don't have any Walmart in New York City, which is kind of a miss. Becky, are you investing in this prediction?

Becky Schilling:

Sadly, no. I don't think that Walmart needs to do it. They've gotten the high income shopper to come into their stores or to shop with them online or through a click and collect. I don't think that's a passing fad. I think as long as consumers are feeling a pinch economically and they've come in, I think that they're going to stay. I think that they realize the wonder of Walmart, and by that I mean that you can get everything that you need in one place, in one shop without having to bust your bank account. I think they're going to stay. I don't think there's any need for Walmart to expand in that direction with those types of stores.

Sara Lebow:

Okay. So we have Walmart offering new opportunities with its Walmart plus membership. I almost called it a Prime membership, which I think really goes to show you how strong Amazon's branding is. But we have Walmart offering more with its Walmart plus membership. We have Walmart partnering with Chewy and doubling down on pets, and we do not have Walmart expanding into a smaller format, a high end grocery. That's where we're at with Walmart for today. So thank you for joining me, Becky.

Becky Schilling:

Thanks for having me.

Sara Lebow:

And thank you, Zak.

Zak Stambor:

Yeah, thanks. It's been fun.

Sara Lebow:

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