

Walmart's advertising, ecommerce businesses thrived in Q1

Article

The news: Walmart's courtship of high-income consumers helped the retailer beat expectations for same-store sales, revenues, and profits in Q1.

- US comparable sales excluding fuel grew 3.8% year over year (YoY)—which Walmart attributed mainly to an increase in transactions.

- Revenues rose 6% YoY to \$161.51 billion, beating FactSet’s consensus estimate of \$159.57 billion.
- Adjusted earnings per share rose to 60 cents, outpacing LSEG’s forecast of 52 cents, thanks to Walmart’s fast-growing ad business and **Walmart+** membership offering.

Behind the numbers: Walmart’s Q1 successes were “not inflation-driven results,” CEO **Doug McMillon** said. The company’s focus on value, investments in convenience, vast product selection, and other improvements in the shopping experience are helping it win over more shoppers and capture a larger share of general merchandise sales.

- The retailer’s pursuit of affluent consumers is proving to be a crucial growth driver. Upper-income households once again accounted for the majority of Walmart’s share gains during the quarter in categories like fashion, home, and hard goods.
- Walmart is working hard to keep those shoppers loyal even as inflationary pressures wane. The company is pushing its locations to maintain cleanliness and reduce out-of-stocks, while remodeling stores, improving the checkout process, and allocating prime shelf space to display trendy clothing and home goods.
- Convenience is also a crucial factor in Walmart’s ability to win over wealthy consumers. “People with money prize convenience and we are getting more convenient all the time,” McMillon told The Wall Street Journal.
- Judging by the retailer’s ecommerce performance, that certainly seems to be true: **US ecommerce sales rose 22% YoY**, helped by expanded delivery options as well as considerable growth in the number of SKUs available on Walmart’s marketplace.

Revenue drivers: Strength in the retailer’s core business is helping to build momentum for its other initiatives—advertising chief among them.

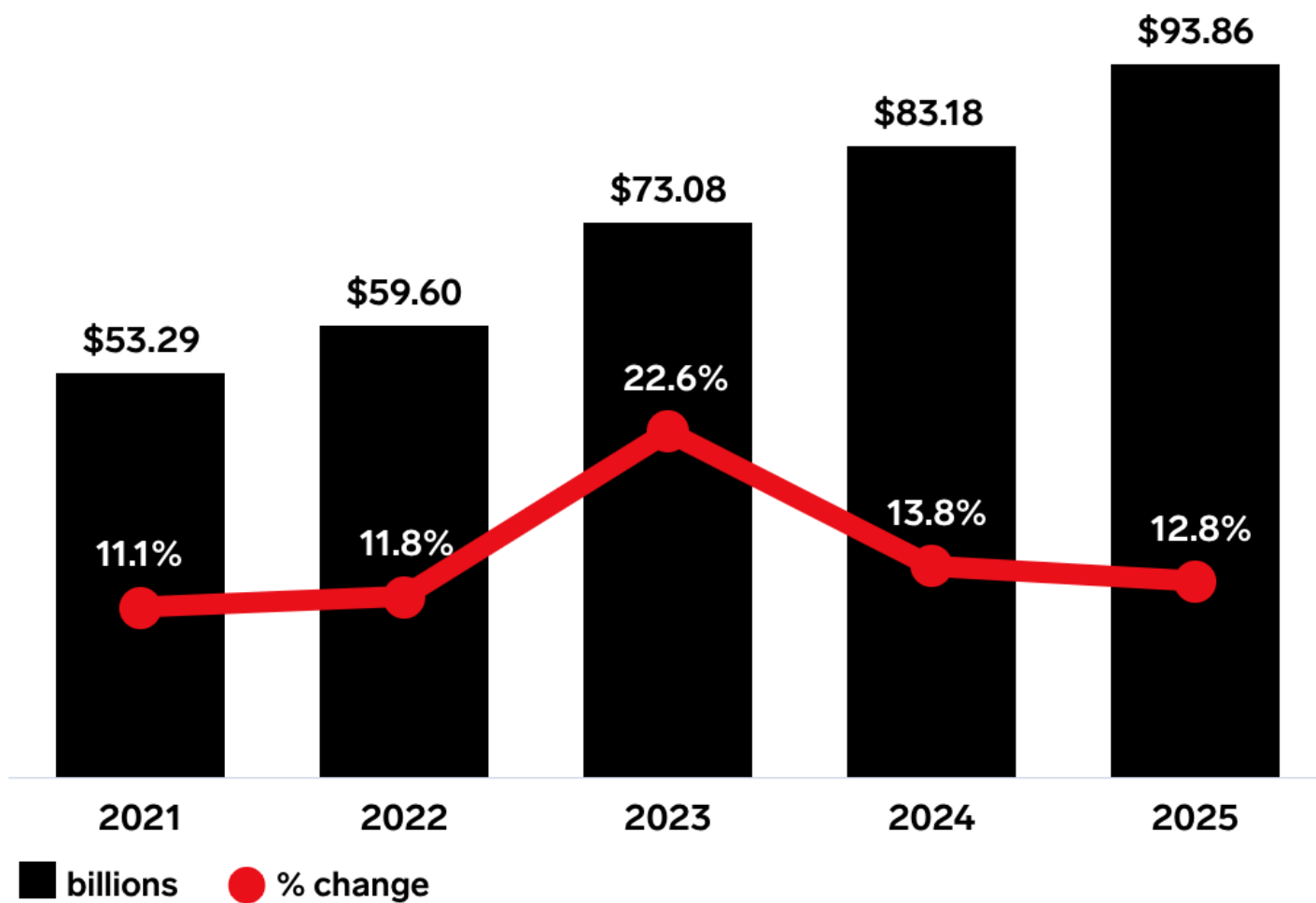
- **One-third of Walmart’s Q1 revenue growth came from newer segments like its ad business, Walmart+, and data ventures**, CFO **John David Rainey** said on the company’s earnings call.
- **Walmart Connect sales grew 26% YoY**, thanks to a nearly 19% increase in the number of active advertisers on the platform.
- The retailer is also looking to take a page from **Amazon’s** playbook by generating more revenues from third-party services. Over one-quarter (28%) of merchants currently use Walmart’s fulfillment capabilities, while their spending on advertising grew by over 50% in Q1.

The big takeaway: Walmart has long been known for value—but the company is also trying to make a name for itself as shoppers' go-to choice for convenience.

- Walmart hopes that tactic will enable it to draw a larger share of consumers' wallets as well as keep Amazon from dethroning it as the US' top retailer.
- We expect Walmart.com's US ecommerce sales to grow 13.8% this year—faster than Amazon's 10.5% growth, although its market share will be roughly one-sixth the size of the latter's.

Walmart.com Retail Ecommerce Sales

US, 2021-2025



Note: represents the gross value of products or services sold on walmart.com (browser or app), regardless of the method of payment or fulfillment; includes third-party sales from its marketplace; excludes travel and event tickets; excludes sales on samsclub.com

Source: EMARKETER Forecast, February 2024