
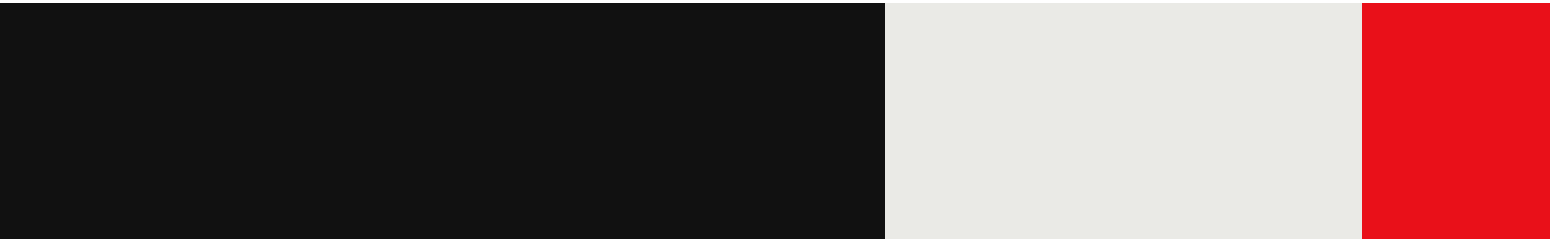


How Walmart aims to boost its margins

Article



The plan: Walmart aims to boost its operating margins by investing in areas such as ecommerce, retail media, and third-party services, said CFO **John David Rainey** at a Raymond James investors conference in Orlando.

- “Today, the vast majority of our overall profits are attributable to in-store brick-and-mortar in the US,” he said. “If you fast forward five years, we are much less dependent on that as an income stream than some of these other faster-growing parts of our business.”
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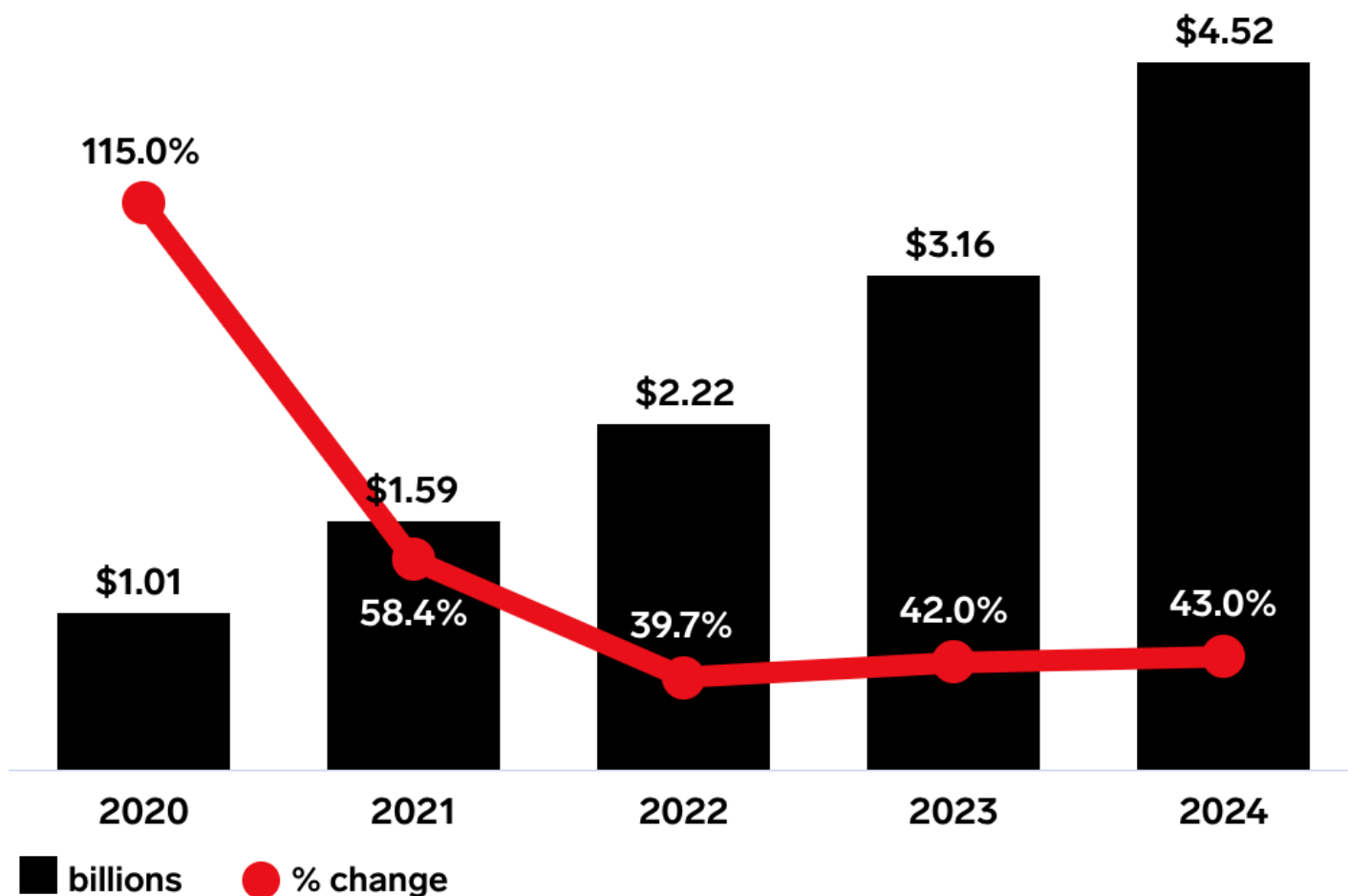
- The focus on growing its higher-margin areas follows the retailer's [Q4 results](#) in which it reported that despite growing its low-margin grocery sales, consumers' pullback on discretionary purchases caused its margins to shrink nearly 1 percentage point.

Developing the flywheel: Walmart navigated the choppy waters of the pandemic-era retail landscape well and recently reported Q4 results in which December was the largest sales volume month in the company's history. But while stores are the heart of Walmart's business, the company is taking a page from **Amazon** as it looks to build up its ecommerce flywheel.

- **Growing its online sales.** Walmart's online sales will rise 10.9% this year, per our [US Walmart retail ecommerce sales forecast](#). The retailer's ability to drive sales on its website is essential to its ability to attract third-party sellers to its online marketplace, as well as advertisers to its Walmart Connect platform.
- **Building out its online marketplace.** The marketplace has more than 400 million products, which account for more than 90% of the goods on Walmart.com. The marketplace enables the retailer to grow its selection, as well as to collect revenues from listing fees and other [services](#) such as fulfillment.
- **Beefing up Walmart Connect's capabilities.** The company's offline retail media network and its growing online presence generate more opportunities for marketers to create holistic omnichannel ad strategies, which is why its ad revenues will jump 42.0% this year, per our [Walmart US Ad Revenues forecast](#).

Walmart Ad Revenues

US, 2020-2024



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: eMarketer, October 2022

eMarketer | [InsiderIntelligence.com](https://www.insiderintelligence.com)

Convenience and value: Walmart believes a simple message focused on both convenience and value should serve it well for any economic environment, Rainey said.

- “If the consumer is going to continue to be pressured with less disposable income, we think our value proposition resonates,” he said. “On the other hand, if we get into a better economy that has more growth behind it, a lot of what we're doing really plays to that importance around convenience...”
- For instance, **the retailer has roughly tripled its delivery from store volume over the past two years.**

The big takeaway: Not only is Walmart well-positioned to weather the current economic uncertainty, it is making the strategic investments necessary to emerge stronger than it was before the pandemic.

Go further: For more on Walmart's growth prospects, check out our [Power of Walmart](#) report.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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