



Stock story: Walmart
With great power (and scale)
comes great responsibility
(and opportunity).

Sam Walton opened the first Walmart discount store in 1962, in the small Midwestern town of Rogers, Arkansas (population just 5,700 at the time). From these humble beginnings, Walmart grew into a retailing giant that today serves hundreds of millions of customers each week in its >10,500 stores across 24 countries.

In financial year 2022, Walmart generated more than \$572 billion in sales of groceries and other merchandise, making it the world's largest retailer. At year-end 2022, the company employed a total of 2.3 million people, making it the world's largest private employer as well.

So how were such success and scale achieved? Over the past 60 years Walmart has followed a consistent strategy of providing the lowest possible price (Every Day Low Prices, or EDLP) for a broad assortment of products. Despite its somewhat staid reputation, Walmart has been an early adopter of new technologies and has a history of innovation. It was a pioneer of bar code scanning and analysing sales information, and in the mid-1980s it launched its own satellite network to stay in touch with its growing distribution and store network. Over time, the company has built a wide economic moat derived from scale-based efficiencies and capabilities, a persistent focus on frugality and customer value, and a strong brand that communicates this focus.

One of Walmart's key competitive advantages is its unrivalled scale. As one of the largest retailers in the world, the company has significant purchasing power, which allows it to negotiate lower prices from suppliers. This in turn allows Walmart to offer lower prices to customers, driving higher sales (with volumes more than compensating for lower prices) and further increasing its competitive advantage. Additionally, Walmart's size allows it to invest heavily in technology and infrastructure, which further helps to improve efficiency and reduce costs. Another key element of Walmart's moat is its strong brand recognition and reputation. The company is known for

its low prices and wide selection of products, which has helped it to attract and retain a large customer base.

In recent years, Walmart has also focused on expanding its e-commerce capabilities. The company has invested heavily in its online offering and in-store pickup/delivery, and today, Walmart.com is a major player in the online retail space. This has helped Walmart stay competitive in the face of growing competition from online-only retailers like Amazon.

Despite its success, Walmart has faced criticism over the years. One concern is the company's impact on small businesses and local communities. Some critics argue that Walmart's expansion has led to the closure of small, locally owned stores, hurting the local economy. However, Walmart has also made efforts to be a positive force in the communities where it operates. The company has a long history of philanthropy and has donated billions of dollars to charitable causes around the world.

Walmart has also implemented a number of initiatives to reduce its environmental impact, including reducing greenhouse gas emissions and increasing the use of renewable energy. One example of Walmart's commitment to sustainability is the company's Project Gigaton. Launched in 2017, this initiative aims to reduce one billion metric tons of greenhouse gas emissions from the company's supply chain by 2030. For comparison, that is as much as the US Government's Inflation Reduction Act aims to cut by the same date. To achieve this goal, Walmart is working with suppliers, non-governmental organisations (NGOs) and other partners to identify and implement sustainable practices throughout the supply chain. About 4,500 suppliers accounting for more than 70% of Walmart's sales have signed up, making it the largest private sector initiative of its kind.

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In addition to environmental sustainability, Walmart has focused on social sustainability. The company has a number of initiatives in place to promote diversity and inclusion at the employee and supplier levels, and it takes a leading role working with NGOs to promote ethical recruitment and working practices throughout its supply chain.

Overall, Walmart's business history has been one of steady growth and innovation. The company's competitive advantages, including its vast scale, consistent strategy and strong brand, have allowed it to become one of the biggest retailers in the world. And while Walmart has faced criticism in the past, it has also made significant efforts to be a positive force in the world through initiatives focused on sustainability and social responsibility.

Sources: *Walmart Annual Report 2022, company filings*

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