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# Why do progressives hate Walmart for low prices and its 3% profit margin but love high-priced Apple and its 24% profit margin?

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Evil Walmart makes a lot of money, right? We hear that all the time even though the retail giant's profit margin was only [3.12% in the most recent quarter](http://finance.yahoo.com/q/is?s=WMT) (<http://finance.yahoo.com/q/is?s=WMT>). Interestingly, we never seem to hear as

much about the much higher profit margin of Apple, the “darling of the progressives.” In the most recent quarter, the computer behemoth with a market capitalization (\$725 billion) that exceeds the value of the entire stock markets of Mexico, Thailand and Russia, had a [whopping profit margin of 24.2%](http://finance.yahoo.com/q/is?s=AAPL+Income+Statement&annual) (<http://finance.yahoo.com/q/is?s=AAPL+Income+Statement&annual>). No wonder its market cap is so astronomical.

Here’s one way to put Walmart’s 3.12% profit margin in perspective. Over a typical 31-day period like the month of March for example, Walmart generates about \$40.5 billion in sales revenue (roughly \$1.3 billion per day). To generate that amount of sales, it costs Walmart about \$39.3 billion every 31 days to pay for all of its expenses: merchandise to stock its stores, shipping expenses, the cost of labor including fringe benefits, utilities, corporate income taxes, property taxes, payroll taxes, interest expenses, advertising, etc. After incurring all of those costs to provide the merchandise for consumers over a 31-day period, there’s about \$1.26 billion left over for profits, which is also 3.12% of the \$40.5 billion in sales revenue.

Think about Walmart’s 3.12% profit margin this way: For the first 30 days of every 31-day month, 100% of the sales revenue collected during that 30-day period (about \$39 billion) go entirely towards paying Walmart’s monthly operating expenses: the costs of merchandise, labor, taxes, etc. In other words, it takes 30 days of sales during every 31-day period for Walmart to cover its costs and break even. Only on the last day of every 31 day period, after finally breaking even the previous day, does any of the sales revenue generated by Walmart go to its profits. Finally, on the 31st and final day of a month like March, the retailer’s daily sales of \$1.3 billion become the company’s monthly profits (3.12% of sales for the month). So greedy, evil Walmart typically gets a single “profit day” every 31 days – if it’s lucky and nothing goes wrong.

And a lot can go wrong in any 31 day period (or quarter or year), which is especially risky when retailers like Walmart operate on razor-thin margins of only about 3% – costs might unexpectedly rise or revenues might unexpectedly fall (ask Target about that). In that case, Walmart doesn’t get a “profit day” every 31 days, it might take 40 (at 2.5% profit margin) or 50 days (at 2% profit margin) of sales before Walmart covers all of its costs, breaks even, and finally earns a “profit day.”

In contrast, Apple’s whopping 24.2% profit margin means that the company can typically cover its costs to operate for 31 days in a little more than three weeks (23.5 days) and it then usually has 7.5 “profit days” every 31 days. That is, for

more than an entire week every month, all of the sales revenue collected by Apple during those 7.5 days turns into profits for Apple's shareholders.

So why is Walmart so reviled by progressives when its profits (and prices) are so low that it might earn a "profit day" every 31 days, and its main corporate objective is to provide low-cost merchandise to America's low- and middle-income households? Every day that a Walmart opens its doors for business, it gives everybody in that local community a raise and makes them better off. On the other hand, why do progressives worship Apple so religiously when its extremely pricey products generate such huge profit margins (more than 7 "profit days" every month) that the company's stock is worth almost as much as the entire Brazilian stock market? Every day that an Apple store opens for business, it stands ready to extract \$24.20 in profits for every \$100 spent that day, which seems like a huge transfer of wealth from Apple's loyal customers to Apple's wealthy shareholders. And yet the progressives worship Apple and revile Walmart – go figure?!

HT: Steve Bartin, [whose post here \(http://nalert.blogspot.com/2015/03/do-economic-illiterates-understand-that.html\)](http://nalert.blogspot.com/2015/03/do-economic-illiterates-understand-that.html) inspired this one.

Workforce Shares	% Female	% Black	% Hispanic	% Asian
Apple	30	7	11	15
Walmart	61	18	12	2.8

Update: The table above shows another big difference between Apple and Walmart: The workforce of [Walmart \(http://walmartod.com/facts.aspx\)](http://walmartod.com/facts.aspx) is much more diverse than [Apple's \(http://www.apple.com/diversity/\)](http://www.apple.com/diversity/). Walmart hires twice as many women and more than twice as many blacks as a share of its workforce than does Apple. As [Steve Bartin points out on his blog \(http://nalert.blogspot.com/2015/04/a-workforce-that-looks-like-america.html\)](http://nalert.blogspot.com/2015/04/a-workforce-that-looks-like-america.html), "We hear with enormous conviction by progressives that it's important that a workforce looks like America." Well, the data clearly show that Walmart is doing a much better job than Apple of hiring a workforce that "looks like America." Further, Steve asks, "Does it bother progressives that they are attacking America's largest private employer of minorities and women? No. I guess they prefer the "un-diverse" [overly white male and Asian] world of Apple."

This article was found online at:

<http://www.aei.org/publication/every-month-walmart-gets-one-profit-day-from-its-sales->

while-apple-gets-7-5/



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