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Walmart and Amazon by the Numbers 2020 Part 1

For several years I have been doing some analysis and comparisons between Walmart and Amazon, the two most important retailers in the world.

Walmart earns that place due to its stature as the world's largest merchant (and company) and one that represents an often substantial share of many consumer goods companies' total sales. Amazon obviously earns a spot as the dominant ecommerce company - at least in North America and Europe -with all the action being in ecom now. Amazon has become the second largest retailer, almost all from ecommerce. Amazing.

Amazon's threat to a growing number of retail sectors is existential, and it is aiming its site on ever more markets, such as drug stores/pharmaceuticals through its acquisition of on-line pharmacy Pillpack and likely more action soon.

You can make an argument I should throw China's Alibaba and maybe even JD.com into this mix as other ecommerce giants - maybe next year. They both remain China/Asia centric - for now.

Amazon continues its phenomenal growth, hardly even slowing down in the face of the law of big numbers. In 2019, Amazon total revenues increased 20% - pretty good when you are at \$280 billion (though that includes its AWS web services unit and growing advertising business).

So we've been looking at both of these retail giants "by the numbers" in recent years, and it has become one of our most popular columns.

What Walmart and Amazon are doing is obviously of interest to most other retail and consumer goods manufacturers, and I hope others as well, as in the

end almost every company is connected to the retail supply chain.

So let's start with Walmart, based on its full fiscal year 2020, ending this past January.

While Walmart is an incredible giant, its growth had been slowing in recent years- until lately, during the pandemic. As can be seen in the chart below, Walmart's US sales grew very rapidly in the beginning years of the 2000s, primarily by adding new superstores carrying groceries at a rapid pace into new markets.

But that growth soon decelerated, and in the recession year of 2009 started a pattern of mostly very low growth (2012 exception) for a few years. As can be seen, growth since 2015 has been a solid 3-4% (solid for a company that size that isn't Amazon) until falling to 1.8% the last calendar year.



Total Walmart US sales (Walmart US + Sam's Club) reached \$399.7 billion last year, more than double the \$188 billion the company had in 2002, but as noted above pace of that growth has obviously slowed substantially down. The Cumulative Average Growth Rate (CAGR) has averaged 5.1% since 2002, but has slowed to 3.4% since 2015.

Walmart's International's growth continues to plateau, despite an awful lot of attention and investment there for some period. Walmart International sales last year were \$120 billion, basically flat as they been for several years running.

They were at \$125 billion all the way back in 2011. International is clearly not the Walmart growth engine once imagined.

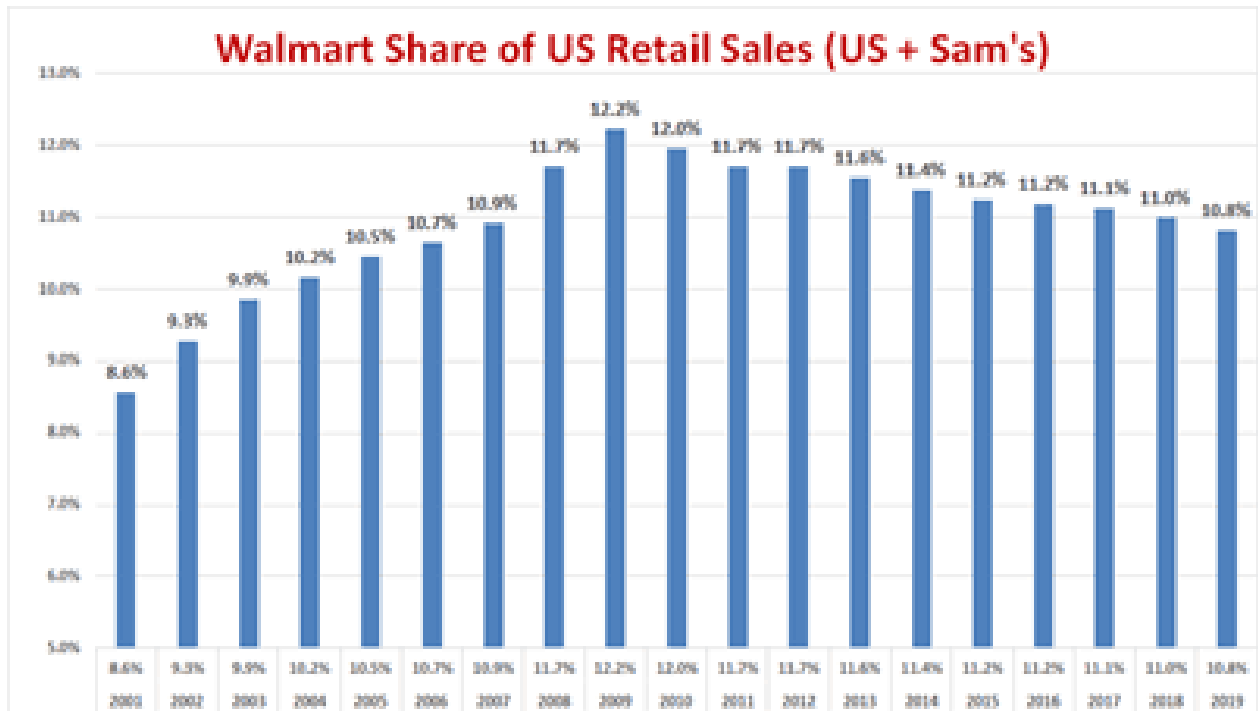
Walmart still doesn't provide much detail on its ecommerce numbers, but it says it saw 37% growth in on-line sales in the US in calendar 2019.

Not all that many years ago, there were concerns (I think legitimately at the time) about Walmart gobbling a giant, monopolistic share of the US retail market. That fear has simply faded, in the face of declining share and the rise of Amazon. With the recent very modest sales growth, Walmart's share of US retail has been trending slowly down. SCDigest developed a methodology several years ago, where we compare Walmart's US sales versus relevant US retail figures - total retail minus autos and parts, gas station and other fuel sales, and restaurants/bars.

It's not quite perfect because Walmart does sell some gasoline, but it doesn't break it out in a way we can use. Nevertheless, I think what we have is pretty good - and does reflect a higher share of US retail sales for Walmart than if you do not exclude those categories, which is how it often reported. When you hear all these numbers, make sure you understand how they are calculated.

By our measure, as seen in the chart below, Walmart had an 10.8% of US retail sales in 2017, down from a peak of 12.2% in 2009. It simply does not appear any more that Walmart will take over the retail industry. Amazon is now in the cross hairs. That is an interesting and important change - and Walmart's share seems unlikely to go much higher to me, absent an acquisition. Would the FTC now let Walmart (or Amazon) buy say Kroger or CVS? Hard to say.

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Now let's turn to Amazon, a company that provides a lot of numbers to analysts but getting the best insight from them takes some work. That is because of its several business units and how it computes certain ratios, and (unfortunate) changes it has made in the past few years in what numbers it provides.

Total sales in 2019 as noted above were up 20% to an incredible \$280 billion, but that includes digital media sales, subscriptions, its web services unit, and growing advertising revenue. It also includes revenue from commissions from sellers on its marketplace sites, and logistics services, none of which is broken out in detail.

That said, the chart below shows Amazon's quarterly growth in what it categorizes as "product sales" since Q1 2019 and the breakdown across on-line store sales, physical stores (largely Whole Foods and a few Go stores), and 3rd party services, which includes its fulfillment business and I believe the marketplace commissions.

Amazon Quarterly Product Sales (\$Billions)



As briefly noted above, it used to be easier to track Amazon's logistics costs, which include fulfillment (distribution center costs, including amortization of all those expensive FCs, plus some inbound transportation costs), and shipping expense, which is accounted for separately from fulfillment.

Amazon used to report net shipping expense (shipping costs minus any shipping revenues, including an allocation of Prime subscription sales), but it no longer does. That said, I am sure shipping still is a big loss leader for Amazon, almost surely several billion dollars per year at minimum.

But as a quick calculation, Amazon spent \$13.8 billion globally on fulfillment in Q2, and \$13.6 billion on shipping, for a total logistics spend of \$27.4 billion. That was up 57% from Q2 2019 - versus growth in product sales of 48%. By my way of thinking, that means logistics costs as a percent of sales are continuing to rise at Amazon.

I am out of room, even though I have more. Will do a part 2 on this as I did last year in a week or two.