

The Evolution of Omni-Channel Retailing of Walmart

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Abstract

Digitalization has gradually blurred the online and offline consumer boundaries, and shopping scenes are becoming more and more abundant. With the diversification and rapid iteration of retail business, the retail industry has entered a new stage of omni-channel integration. As a veteran retailer, Walmart is rapidly transforming towards digitalization around the world. Walmart has always regarded China as one of the most important markets in the world. In the field of omni-channel retailing, Walmart China has made great progress. Walmart launched a comprehensive cooperation with JD.com in 2016 and formed an in-depth strategic partnership with Tencent in 2018. Walmart's omni-channel strategy focuses on customer experience and provides customers with more convenient shopping solutions through digital innovation. This article introduces Walmart's new initiatives in the omni-channel retail environment, including the expansion of online malls, two-day delivery and pick up in store services.

Keywords

Walmart, Omni-channel Retail, BOPS, Digitization.

1. Introduction to Walmart

Walmart Stores, Inc, American operator of discount stores that was one of the world's biggest retailers. It was founded by Sam Walton, a legend of American retail industry, in Arkansas in 1962. Adhering to the mission of "saving money for customers and making them live better", Walmart has been the world's largest retail enterprise for the past 50 years. It focused its early growth in rural areas, thereby avoiding direct competition with retailing giants such as Sears and Kmart. As it grew, the company developed new retail formats, including Sam's Club discount warehouses (1983) and Wal-Mart Supercenters (1988). At present, the company's main business is divided into three major sectors: American Walmart (65.06%), Walmart International (22.78%), Sam's Club (11.38%), with more than 2.2 million employees, and more than 11,000 stores in 27 countries. In the newly released Fortune Global 500 company list in 2019, Walmart has ranked first for the sixth consecutive year.

E-commerce has become a strong driving force in the global retail market. Relying on Internet technology, e-commerce has shown an explosive growth since its birth. It is estimated that the retail sales of the global e-commerce market in 2021 will be close to US \$ 5 trillion, accounting for 18.1% of the total global retail sales. Although Walmart started to explore e-commerce very early, but it has not regarded it as its core business. As of 2014, it only accounted for 3% of its total revenue. At the same time, Walmart has opened more than 4,000 stores in the United States, and its space for further expansion in the physical field is very limited. Then Walmart experienced a decline in sales immediately. On January 31, 2014, the company's financial report showed that Walmart's development prospects have disappeared. In fiscal year 2014, the total revenue growth rate dropped significantly by 3.40% to 1.60% year-on-year, and net profit also ushered in the first decline in five years. In just one year, Walmart's stock price fell back to the value it had four years ago. At that time, people believed that even a retail giant like Walmart could not resist the destruction of e-commerce, and the dominance of the retail empire seemed to be crumbling.

2. Walmart's omni-channel retailing

2.1 Evolvement of Walmart

It's well known that the impact of online shopping goes well beyond direct sales. Digital is viewed less as a threat to brick-and-mortar retailers but more as an opportunity. It's not just purchasing habits that are going digital: The whole retail experience is changing. Today's shoppers are incorporating digital touch points along the entire path to purchase, from reviewing products online at home to using mobile devices as personal shopping assistants in the store. Instead of thinking in terms of online and off, savvy retailers are taking an integrated approach to drive sales in both and providing an engaging experience for consumers regardless of whether they buy in-store or online. Omni-channel shoppers seamlessly switch between on and offline channels with ease.

For nearly 20 years now, Walmart has struggled to pull its online act together while rival Amazon.com seized nearly half of the U.S. online shopping market, as well as building a big presence abroad. But in 2015 the huge change of the company's board of directors has become an important signal: Walmart is committed to integrating online retail business with offline physical store business to create a comprehensive "omni-channel retail platform". This is the real beginning of a great importance. Since 2015, Walmart's board members and company executives have been continuously replaced, replacing the original traditional retail ideas with a new generation of omni-channel retail ideas. By combining physical retail stores, Walmart online, mobile devices, and social media, Walmart is committed to using an omni-channel model to help people around the world save money and live better.

As an omni-channel retailer, Walmart announced that it will change its legal name from "Wal-Mart Stores, Inc." to "Walmart Inc." from February 1, 2018. This change in the company's legal name shows that Walmart is paying much more attention to providing customers with seamlessly connected retail services to meet customers' various shopping needs, including shopping in stores, online, mobile devices, or in-store pickup and delivery.

2.2 Acquisition for E-commerce

Amazon's rising market share and growing customer base have strengthened the e-commerce giant's position and brought intense shocks to the physical retail market. Some bricks and mortar retailers have gradually stepped up its layout in the field of e-commerce, but for most retailers, the painful reality they have to face is that their e-commerce business is far behind Amazon. Even when building the e-commerce platform, the traditional retailers still face great challenges. The establishment of an e-commerce platform requires not only capital investment, but also technical support. They have weak capabilities in applying network technology, so the transformation of the traditional retail industry often takes a long time and the results are not obvious. As early as July 1996, Walmart.com went live, but the formal meaning of Walmart.com is far greater than the real meaning. Not only is the category limited, but the website design and overall technical architecture are also quite backward, and Walmart has not carried out targeted operations for online features.

Realizing the huge potential of e-commerce, Walmart has expanded its online retail business through mergers and acquisitions. The company's multibillion-dollar investment campaign, from the acquisitions of U.S. retailer Jet.com in 2016 and outdoor clothing and equipment retailer Moosejaw in 2017, to a doubling of its spending on e-commerce and other information technology. In 2018, Walmart acquired Flipkart, India's largest e-commerce company, for 16 billion U.S. dollars to fully enter the Indian market. With this acquisition, Walmart has gained a leading position in the Indian e-commerce market. Not only did Walmart work hard on acquisitions, but it also redesigned the Walmart.com website and invested heavily in its APP research and development. The new website provides consumers with personalized services such as localized product recommendations, and simultaneously displays the latest best-selling products, inventory and order status, and consumers' potential favorite product categories. Consumers can do more things on Walmart.com or Walmart App, such as logistics information query, return and exchange, and discount query. Using Walmart App, consumers can get the latest product promotion information, and grasp the relevant information such as the nearest Walmart branch address and distance.

Walmart.com provides an online marketplace and allows third-party sellers to sell their products in it. The catalog includes products sold by Walmart itself and products from third-party sellers. Hoping to accelerate platform growth, its requirements for entering sellers gradually eased after 2016. This has led to a rapid increase in online merchandise, and Walmart's online catalog has added tens of millions of new products. As of January 2019, Walmart's online catalog has more than 43 million items, in 2016, this number just exceeded 12 million. Since online categories are gradually enriching, and various services are beginning to be fully enriched. At the same time, website traffic has been steadily rising, and e-commerce performance has improved significantly.

The development of e-commerce has brought Walmart closer to the goal of omni-channel retailers. Walmart is experiencing explosive growth in e-commerce. The rapid growth of the platform business has enabled Walmart to set up a full-category picking area in more stores, and accelerate the construction of additional front-end warehouses in more cities to meet customer needs. Delivery services and improved customer experience have enabled the integration of online and offline into every possible consumption scenario.

2.3 Two-day shipping

Logistics is the weapon that will decide who wins and who loses. Walmart is quite sophisticated in using logistics to its advantage. Walmart can offer faster and more affordable shipping because its unique fulfillment network and it includes new large-scale fulfillment centers, stores, distribution centers and transportation network.

There's so much convenience when it comes to Walmart online shopping, people can see all the items and know immediately whether they're in stock or not. Thanks to the free two-day shipping service, shoppers don't have to wait several days to get their purchases or pay extra shipping fee for faster delivery. In fact, Walmart's largest investment in its platform development should be its free delivery service. Walmart announced on January 31, 2017 that it would cancel the ShippingPass membership program of \$ 49 per year, and provide free two-day free shipping service for any order totaling more than \$ 35. Marc Lore, president and CEO of Walmart's US e-commerce business, said, "In today's e-commerce world, it is a big bet to provide consumers with free two-day delivery services."

Millions of items with a two-day shipping flag are eligible for the two-day delivery option if the order is over \$35, and it's all available without joining a membership club or paying extra fees for the privilege. Combine this with its low prices, every day, on everything, people can get the things they want quickly at prices that fit their budget. If the purchase is less than \$35, you can upgrade to two-day shipping for \$5.99. If you select an item that's not eligible for our free two-day shipping program, there are many others that are eligible for free three- to five-day shipping. The two-day free shipping service will show an Estimated Delivery Date (EDD) that is two or three business days after the order date. Orders that from Monday-Friday before 2:00 pm, will show an EDD that is two business days after the order date. Orders after 2:00 pm on a business day, or on a weekend or holiday, will show an EDD that is three business days after the order date. The carrier should deliver the package to the buyer on or before the EDD.

Given Walmart's scale and market influence, its free shipping business has undoubtedly become the focus and benchmark in the field of e-commerce. Walmart said they will not increase the price of goods to make up for the loss in freight, nor will they put pressure on UPS and FedEx to lower their prices. However, Walmart's service products have not grown since the announcement of the news. In this regard, Walmart cannot match Amazon Prime's 100 million items. But even so, Walmart's two-day free shipping service provides a huge opportunity for sellers to let millions of buyers notice that Walmart has a list of products on it. Walmart's logistics efforts have a positive effect.

2.4 Buy online and pick up in store

In the era of Amazon, when customers are used to having items ranging from tires to paper towels dropped at their front door, retailers are working to integrate their online business with offline physical stores, extend their business reach to the largest range of customer groups, and at the same

time greatly improve shopping convenience to ultimately increase revenue. The brick-and-mortar retailers have taken advantage of an asset that they have but Amazon lacks – a large network of stores that allows them to get merchandise out the door quickly, whether it's delivered or an online customer chooses to come pick it up.

As the nation's largest chain retailer, Walmart wants to use its physical stores across the country as a fulfillment center for online orders. As early as 2010, Walmart has launched a self-promotion service called "BOPS" (Buy online and pick up in store), which allows consumers to shop online and pick up at nearby stores. Millions of items state free store pickup or free store pickup today below the free shipping information. If there are these words on the product page for selected item, people have the additional option to pick the item up for free at the chosen Walmart location or receive it at designated location for free as long as the order over \$35. Walmart pickup in store is about way more than just food. Stock up on all everyday essentials like laundry detergent, electronics, pet supplies, wipes and paper towels. Customers will get everything they need in one easy stop, and save even more time. "As technology changes, so does how people shop." Walmart is expanding the amount of its in-store "Pickup Towers" for online orders. The 16-foot structures will make holiday shopping even easier, functioning like high-tech vending machines that can fulfill a customer's online order in less than a minute. When customers shop online and select the pickup option at checkout, then store employees load the order into the machine. Customers go to the store, scan a barcode and receive their order.

In addition, Walmart has also launched a "Pay with Cash" service, that is, customers can choose products from a wide range of online and place orders, and then pay for them at a nearby Walmart store. The new feature is allowing people who don't have access to debit or credit cards to buy things online. Although it still accounts for only a small proportion of all online orders, it is growing very quickly. The "Pay with Cash" service can also bring more business to Walmart, because many customers will pay at the physical store and pick up the goods after placing an order online. At this time, they may buy more things in the store.

People will buy online and then go to the store to pick up items they want to touch and feel. Walmart has been organizing their strategies, tactics and teams for better performance and they will continue strengthening their stores while expanding their pickup and delivery capabilities. "Buy online and pick up in store" may be taking off among US retailers, but merchants should remember that not all such "purchases" are suitable for this service.

3. The omni-channel road of Walmart China

3.1 The cooperation with JD.com

In recent years, Walmart China has evolved to an omni-channel retail strategy to satisfy the diverse needs of its customers shopping both online and offline, through services like ordering on mobile devices, in-store pickup and fast home delivery. To land its omni-channel strategy, Walmart has been looking for partner to achieve a series of strategic cooperation. In June 2016, Walmart announced its strategic alliance with JD.com, which is relatively in line with its retail attributes, as an important step in advancing its omni-channel retail capabilities in China. The two parties have launched a series of strategic cooperation in supply chain and logistics, covering the online and offline retail markets. Specific cooperation includes the following two aspects:

1. Cooperate with JD.com, Walmart launch a number of flagship stores including the " Sam's Club" to strengthen its e-commerce business, and use JD.com's integrated warehouse and distribution logistics services to promote its imported products in a wider range in China. Proposing a "three links" strategy for interoperability of stores, users, and inventory to achieve seamless online and offline links.
2. Cooperate with "Dada-JD Daojia" to solve the "last mile" delivery problem and become its key partner. Through online and offline integration, attracting more online customers to Walmart offline stores, and providing "JD Daojia" users with a very rich selection of fresh goods of 2-hour delivery services.

“Dada-JD Daojia” was created in 2016 through merging the e-commerce platform JD Daojia, and China's largest crowdsourced logistics platform “Dada”, played a critical role in empowering last-mile service solutions. It received \$320 million in added investment from Walmart in 2018. Currently, JD Daojia has more than 100,000 offline retail stores, providing Chinese consumers with one-hour delivery service for fresh, groceries, medicine, beauty, household and other products in more than 100 cities. In July 2019, Walmart's sales on the JD Daojia platform had increased by more than 13 times compared to the sales at its launch in October 2016.

Consumers place orders using App or WeChat applet, and products are delivered from the nearest Walmart store within one hour through the Dada instant logistics network. This online ordering and one-hour delivery service is becoming more and more popular among the Chinese customers, proved by the consistent growth of omni-channel sales.

3.1.1 Upgrade of online business

Since the cooperation, JD Daojia has provided a complete set of solutions for Walmart stores to achieve a comprehensive online upgrade. For example, in order to improve the online production capacity, different modes of in-store picking area are set according to the characteristics of the store. Among them, the full-assortment picking area allows the store to function as a warehouse, while also serving as an in-store display of online goods. An associate receives orders and dispatches the deliveryman to the picking areas in store, which greatly shortens the order processing time and better serves the customer. In addition, Walmart and JD Daojia have jointly built a cloud warehouse centered on warehouse integration. The cloud warehouse was opened in the area that was not covered by Walmart stores and Walmart directly provided replenishment and warehouse management to it. JD Daojia provided one-hour delivery service to consumers within 3 kilometers of cloud warehouse. The construction of cloud warehouse enables Walmart to acquire more online customers and enhance the customer's omni-channel shopping experience.

3.1.2 Empowerment of Walmart stores

With the implementation of Walmart's omni-channel strategy, the functions of physical stores are also changing. As physical businesses have penetrated into consumer shopping networks, offline resources play multiple roles in the industry upgrade. In the retailer's ultra-industry upgrade, Walmart stores mainly played the following functions: First, it was a “distribution center” for omni-channel users. Walmart takes the store as the core of its operation and combines the “Dada-JD Daojia” crowdsourcing delivery service to achieve one-hour delivery service for nearby residents within 3 kilometers. Secondly, Walmart and JD.com have pioneered in-depth cooperation in supply chain and back-end technology to achieve online and offline inventory information sharing and intercommodity inventory. If a customer buys a product which is also sold by Walmart store at JD.com, the courier can pick up the product from the nearest Walmart store to delivery. This optimizes the distribution path between the partners, improves the customer experience, and accelerates the product turnover of Walmart stores. All the goods purchased by customers come from physical stores, customers can have both online and offline shopping experience.

3.2 The cooperation with Tencent

In June 2018, Walmart China and Tencent formally established an in-depth strategic partnership. The two parties fully leveraged their advantages in their respective industries, focusing on digital and smart retail cooperation in multiple areas such as shopping experience, marketing, and payment services. Currently, Walmart and Tencent use digital assistants to digitally innovate and upgrade existing stores to improve users' shopping experience. Since its launch in April 2018, “Scan & Go” has been extended to nearly 400 Walmart stores in more than 180 cities, with more than 15 million users, covering almost all Walmart shopping malls and Huixuan supermarkets.

The emergence of Walmart's “Scan & Go” is a reflection of digital shopping, but also the integration of online and offline. After opening the WeChat applet, you can see the nearby Walmart store. With the help of the mobile payment function of “Scan & Go”, customers do not need to download

additional APP, as long as they log in to the applet, they can scan the bar code of the goods while completing the payment and avoid the time for queuing at the store. The WeChat applet provides more accurate marketing content for member users, which will be more attractive to members. secondly, after obtaining discount information or coupons from supermarkets, users can be stimulated to go to nearby stores to consume thus achieving the conversion of online and offline traffic.

Walmart is now focused on growing omni-channel customers in China. Through a partnership with “Dada-JD Daojia” and Tencent. Walmart China's ecommerce business had three-digit growth over the last three years. And last-mile delivery service is a great engine to drive the growth of omni-channel business and satisfy customers' instant demand. Through complementary and win-win cooperation about digital technology, Walmart enables customers to get an unprecedented omni-channel shopping experience no matter where they are.

4. Conclusion

Retail has a tendency to integrate online shopping platforms and offline stores. On the one hand, offline stores rely on online data to optimize product display and store experience. On the other hand, online platforms can use offline display, experience, after-sales, etc. to achieve diversion and traffic conversion.

To spur its omni-channel strategy, Walmart is making a flurry of organizational changes aimed at more tightly integrating its brick-and-mortar and e-commerce operations and management. Walmart's multiple acquisitions in the United States and India, as well as strategic cooperation or investment with JD.com, “Dada-JD Daojia”, and Tencent in China, all reflect their confidence in further strengthening global retailer leadership and vigorously developing omni-channel retail. The omni-channel is the future of the retail industry, and Walmart are taking action to establish it's omni-channel ecosystem.

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