

Walmart: Scaling Convenience Without Losing the Economics

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Walmart entered the holiday quarter with strong momentum. In its third-quarter fiscal 2025 release, the company reported 27% global e-commerce growth and 22% growth in Walmart U.S. e-commerce. Store-fulfilled pickup and delivery, marketplace, and advertising all contributed to digital growth. Consolidated operating income rose 8.2% on a reported basis, and management said lower e-commerce losses had helped. The company still did not disclose e-commerce profit by fulfillment channel or a return for any particular automation investment. [S1]

That gap mattered. Walmart's customer promise combines low prices with convenience across stores, pickup, and delivery. Stores are also nodes in its digital network. The same store can sell an item on the shelf, pick it for an online order, stage a curbside pickup, or support a delivery. A regional distribution or fulfillment center can supply stores and digital orders at scale. Each route may improve availability and speed, but each also consumes labor, inventory, transportation capacity, or capital in a different way.

Management described several improving indicators. In the United States, orders per delivery had risen 20%; more than 30% of e-commerce orders came from customers who paid for expedited delivery; more than half of fulfillment-center volume was automated; and net delivery cost per order had fallen by approximately 40% for a third consecutive quarter. Walmart also reported that e-commerce losses continued to narrow. These were company-reported measures, not an audited comparison of the full cost or profit of each route. [S2]

A network with more than one job

Walmart's store network supports both shopping and fulfillment. Store-based pickup lets customers order digitally and collect locally. Store-based delivery can shorten the distance to customers, and a denser route can spread delivery cost across more orders. Yet picking orders in a store uses associate time and competes with shelf replenishment and in-store service. Delivery economics also depend on basket size, distance, substitutions, time of day, and the share of customers willing to pay for speed.

Dedicated distribution and fulfillment facilities can consolidate work and apply automation to repeated tasks. Walmart had set a goal for fiscal 2026 that about 55% of fulfillment-center volume would move through automated facilities and roughly 65% of stores would be serviced by automation. The company estimated that average unit costs could improve by about 20%. These were forward-looking targets; Walmart had not disclosed a project-by-project investment

case or a measured, causal return for the automation program. [S3]

Nor did “e-commerce” describe one economics. Walmart U.S. e-commerce included store-fulfilled pickup and delivery as well as marketplace and advertising activity. Marketplace broadened assortment and involved third-party sellers; Walmart Connect sold advertising. Membership and fulfillment services were other growth drivers. A shift in this business mix could improve profit even if the underlying cost of fulfilling a first-party online order did not change by the same amount. [S1, S2]

The data therefore supported two readings. The network may be entering a reinforcing cycle: better availability and delivery draw more digital demand, denser routes and automation lower unit cost, and the savings support value and further growth. Alternatively, reported digital growth and improving profit may be driven partly by stronger product mix, advertising, membership, pricing and inventory discipline. The public figures did not separate these explanations.

What should the next investment cycle prioritize?

For this discussion, assume Walmart can influence the pace and location of its next increment of omnichannel investment. Public disclosures do not identify a fixed budget or a formal set of competing proposals. The task is to recommend an investment policy and the evidence that should govern expansion.

Three paths are available:

1. **Prioritize automated distribution and fulfillment capacity.** Direct more eligible volume through automated facilities, especially predictable, dense flows where consolidated picking may have an advantage. Preserve store fulfillment where proximity or pickup creates customer value. This path may improve throughput and consistency, but depends on sufficient utilization, reliable systems, implementation discipline, and the ability to redesign work.
2. **Prioritize store-based pickup and delivery.** Expand local capacity and route density by using Walmart's existing footprint to serve customers close to home. This path may improve convenience and use stores flexibly, but store picking and last-mile delivery can absorb labor and margin. It also requires reliable inventory and enough orders per route.
3. **Use a segmented, measured portfolio.** Pilot both approaches by geography, category, basket, and service promise. Route orders according to customer need and full cost-to-serve; expand investments only when they meet commercial, operational, and customer thresholds. This path creates learning and reduces the risk of scaling the wrong design, while adding complexity and potentially slowing rollout.

All three paths must protect the price-value proposition. Paid expedited delivery may help customers who value speed and provide fee revenue, but the company also says lower prices remain a priority. Digital advertising and marketplace services can diversify profit, but their economics should be distinguished from the contribution of the merchandise and fulfillment itself.

Exhibits

Exhibit 1. Q3 FY2025 performance

Measure	Q3 FY2025 result	Context
Consolidated revenue	\$169.6 billion, up 5.5%	Reported growth
Consolidated operating income	\$6.7 billion, up 8.2%	Lower e-commerce losses were one contributor
Global e-commerce sales	Up 27%	Led by store-fulfilled pickup and delivery and marketplace
Walmart U.S. net sales	\$114.9 billion, up 5.0%	U.S. comparable sales up 5.3%, excluding fuel
Walmart U.S. e-commerce sales	Up 22%	E-commerce contributed about 290 basis points to comparable sales
Walmart U.S. operating income	\$5.4 billion, up 9.1%	Gross profit rate improved; operating expenses deleveraged 33 basis points
Global advertising business	Up 28%	Walmart Connect in the U.S. grew 26%

Source: Walmart Q3 FY2025 earnings release, 19 Nov. 2024 [S1]. Figures are company-reported; growth rates may use different bases. Comparable sales contribution in basis points is not the same measure as e-commerce sales growth.

Exhibit 2. Management's reported e-commerce operating indicators

Indicator	Q3 FY2025 disclosure	What is not disclosed
Orders per delivery	Up 20%	Absolute orders per route; geography and basket mix
Paid expedited orders	More than 30% of orders	Fee revenue, incremental retention, or order-level margin
Automated fulfillment-center volume	More than 50%, twice the level at the same point last year	Capex by facility, utilization, labor and depreciation effects
U.S. net delivery cost per order	Approximately 40% lower for a third consecutive quarter	Absolute cost, comparison base, allocation method and causal bridge
E-commerce losses	Continued to narrow globally, particularly in Walmart U.S.	Absolute losses and profit by route or channel

Source: management's Q3 FY2025 earnings-call remarks [S2]. These are company statements; the call did not quantify each factor's contribution to the cost or profit changes.

Exhibit 3. Automation ambition announced in 2023

By fiscal 2026, Walmart expected roughly 65% of stores to be serviced by automation and approximately 55% of fulfillment-center volume to move through automated facilities. The company estimated average unit-cost improvements of approximately 20%. [S3]

These are targets and estimates, not realized results. The public materials cited in this case do not provide Walmart's project-level costs, the definition and baseline for average unit cost, or realized returns.

Decision questions

1. Which path should guide the next investment cycle? What should be centralized, local, or segmented by order and market?
2. What evidence would establish that digital growth is incremental and economically attractive rather than channel migration or business-mix change?
3. Which costs and customer outcomes belong in a full cost-to-serve comparison? What measures could be observed within a pilot?
4. How should Walmart balance delivery speed and paid convenience with low prices, store workload, and consistent service?
5. What thresholds would justify scaling, redesigning, or stopping a pilot?

Source notes

- **[S1]** Walmart Inc., Q3 FY2025 Earnings Release, 19 Nov. 2024, “Third-Quarter Highlights” and “Business Highlights and Strategic Initiatives,” pp. 1-4. [Company release](#).
- **[S2]** Walmart Inc., Q3 2025 Earnings Call, corrected transcript, 19 Nov. 2024, prepared remarks, pp. 6-8. [Official transcript PDF](#).
- **[S3]** Walmart Inc., “Walmart Outlines Growth Strategy, Unveils Next Generation Supply Chain at 2023 Investment Community Meeting,” 4 Apr. 2023, automation targets. [Company release](#).

All information is limited to sources available by 19 November 2024, 12:00 p.m. U.S. Eastern Time. Subsequent filings and operating results are excluded.