

Wal-Mart plans to slow new store openings, invest in online

October 6 2016, by Anne D'innocenzio



This Sept. 19, 2013, file photo, shows the sign of a Wal-Mart store in San Jose, Calif. Wal-Mart said Thursday, Oct. 6, 2016, it plans to slow new store openings as it looks to pour more money into its online efforts, technology and store remodels. (AP Photo/Jeff Chiu, File)

Wal-Mart Stores Inc. plans to slow its new store openings and pour more money into its online efforts, technology and store remodels, the company said Thursday.

The world's largest retailer completed its more than \$3 billion buyout of the fast-growing online retailer Jet.com last month, showing how heavily it's willing to invest to boost online sales that totaled \$13.7 billion last year—still just a fraction of its annual revenue.

"This company is going to look more like an e-commerce company," CEO Doug McMillon told analysts at the company's annual investment meeting.

Wal-Mart also tempered its outlook, saying it anticipates fiscal 2018 earnings per share being about flat with its fiscal 2017 adjusted earnings per share. It foresees fiscal 2019 earnings per share growth of about 5 percent.

The company's shares fell \$2.12, or 3 percent, to \$69.55 in afternoon trading. Still, the outlook wasn't as bad as a year ago, when executives said earnings per share could fall 6 percent to 12 percent this year because of investments in higher salaries and e-commerce. That day, Wal-Mart shares plunged 10 percent.

But Wal-Mart's flurry of moves—online and in the stores—have been gaining traction, and its shares were up 17 percent this year ahead of the meeting.

Like its direct store rivals, Wal-Mart is trying to be more nimble as it fights off competition from online leader Amazon.com. And it faces competition from dollar stores and traditional grocers like Kroger, which are ramping up promotions.

Wal-Mart launched a number of changes, from making sure its vegetables look good to cleaning up its stores to being sharper on keeping prices low. The company has 150 fresh food managers working to train sales associates.

The company is also melding online services with its massive fleet of stores. It rolled out a mobile payment system to speed checkouts. And it's pushing ahead with online grocery and pick-up services. Greg Foran, CEO and president of Wal-Mart's U.S. namesake business, told analysts Thursday that by the end of the year, it will have grocery online pickup services at 600 U.S. stores.

Wal-Mart had raised its annual profit outlook in August after reporting its eighth straight quarterly increase in revenue of stores opened at least a year.

In contrast, rival Target reported that a key revenue measure was down 1.1 percent in the second quarter, after seven straight quarters of gains. And it saw fewer customers in the store for the first time in a year and a half.

Wal-Mart's online sales rose 11.8 percent in the second quarter—up from 7 percent in the first quarter but still trailing the 20 percent increases from less than two years ago. Officials said Thursday they believe its global online sales will be up 20 percent to 30 percent in the second half of this year.

Wal-Mart also reiterated that its earnings per share for the current year on an adjusted basis would be \$4.15 per share to \$4.35 per share on an adjusted basis.

McMillon stressed to analysts Thursday that he believes the Jet.com acquisition will help the company attract higher-income and younger customers. Wal-Mart plans to incorporate some of Jet.com's technology that lowers prices in real time. As part of the deal, Marc Lore, co-founder and CEO of Jet.com, is overseeing both the site and Walmart.com.

"I look around and see the vast assets," Lore told investors Thursday.
"This is the perfect time to accelerate the business."

Foran said that Lore will be working to increasingly get the store and online selections to match, so if customers see something in the store, they'll know they can find it online.

The retailer still has plenty of challenges. Analysts questioned whether the price cuts that Wal-Mart is taking will be sustainable as rivals respond. And they asked executives how much profit they would be willing to risk. Wal-Mart had said it is spending several billion dollars in its plans to lower prices, but haven't given any specific details. McMillon declined to talk about how much farther they would be willing to go.

Wal-Mart did say Thursday it would spend \$11 billion on capital expenditures this year, and the same for the following fiscal year. In the fiscal year ended in January, the company spent \$11.5 billion on capital expenditures. But Wal-Mart said it will be investing more of that money in e-commerce and digital initiatives.

The company also said it plans to open 130 U.S. stores this year, but that's below its forecast issued last year that it would open 135 to 155 new stores. In its last fiscal year, it opened 230 U.S. stores. It said it plans to open another 55 U.S. stores next year. By type of store, Wal-Mart plans to open 60 supercenters and 70 of the smaller-format Neighborhood Markets this year. For next year, the breakdown is 35 supercenters and 20 smaller-format stores.

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