

Walmart reports jump in 4Q profits on higher US sales

NEW YORK: Walmart reported a jump in fourth-quarter profits on Tuesday behind higher sales at US stores, although executives acknowledged they had yet to solve the profitability riddle of its fast-growing e-commerce business. The world's biggest retailer, which has been investing aggressively to adapt its US stores to the digital era by adding more in-store pickup and delivery of smartphone orders, reported profits of \$3.7 billion in the quarter ending January 31, up nearly 70 percent from the year-ago period. Revenues increased 1.9 percent to \$138.8 billion.

Higher comparable sales at Walmart's namesake US stores — the source of two-thirds of revenues — offset sales declines in Walmart International and Sam's Club.

The company scored a 43 percent jump in e-commerce sales, its latest increase following acquisitions of smaller digitally-oriented retail companies and revamping its operations with new smartphone application features and customer offerings.

Often seen as a rival to Amazon in the retail big leagues, Walmart now offers grocery pickup at more than 2,100 of its 4,755 US stores and delivery at nearly 800 locations. But traditional brick-and-mortar retailers have struggled to attain the same level of profitability on digital sales compared with their legacy businesses, in part because customers increasingly demand delivery of goods at no extra charge.

Walmart's approach has been to adapt to customer demand, an approach that has boosted sales but is not yet profitable. The company has signaled that it expects losses in its e-commerce business to grow over the next year due to spending on same-day grocery delivery and technology.

"It's loud and clear to us that the customer is really busy so if we can find ways to make things more convenient for them with delivery and pickup, they're all over it," said Chief Executive Doug McMillon.

McMillon said the company's grocery services had expanded its customer base but that the biggest challenge was to improve the "merchandise assortment" of the digital orders with more high-margin products in addition to staples that have tight profit margins.

Having already introduced automated delivery towers at stores, Walmart is exploring other innovations, such as a crowdsourced grocery delivery pilot program. McMillon said the system could ultimately evolve to one where Walmart delivers groceries within a window of time, an approach that would probably be more sustainably profitable than guaranteed one-hour delivery.

Neil Saunders of GlobalData Retail praised Walmart's performance during the critical holiday season, saying the company's efforts to boost online shopping and shipping scored with consumers. "Walmart is successfully broadening its online base of customers and is now attracting both younger and more affluent demographics," Saunders said. "These are early days but as we have noted before, Walmart is now a serious contender in the online space and presents a much more serious threat to Amazon than it did 18 months ago."

Walmart's results translated to earnings per share of \$1.41, above the \$1.33 expected by analysts. Revenues also topped estimates.—AFP