

WALMART EXPANSION

KEY TAKEAWAYS

- 1 In January, Walmart announced a new five-year plan to build or convert more than 150 locations and remodel 650 stores bucking trends of the last decade.
- 2 Walmart’s “Store of the Future” concept will be implemented in new and remodeled stores through improved layouts and innovative technology.
- 3 Walmart’s strategy shift towards omnichannel retailing has significantly increased online sales and store performance.
- 4 Using RetailStat’s proprietary locational data and boots-on-the-ground market intelligence, potential trade areas were evaluated for a new Supercenter, confirming the ideal fit of a planned Walmart Opening in Houston.

BACKGROUND ON EXPANSION PLANS

On January 31, 2024, Walmart announced a new five-year plan to build or convert more than 150 locations and remodel 650 stores over the next 12 months. Two of the first stores to open, both Neighborhood Markets, are scheduled for later this spring in Santa Rosa Beach, FL, and Atlanta, GA. Walmart U.S. President and CEO John Furner noted that the Company is finalizing construction plans on 12 new stores it aims to start building this year, which includes converting one smaller location to a Walmart Supercenter. Walmart added that both new and remodeled stores will reflect the retailer’s Store of the Future concept, with improved layouts, expanded product selections and innovative technology to make shopping trips more convenient.

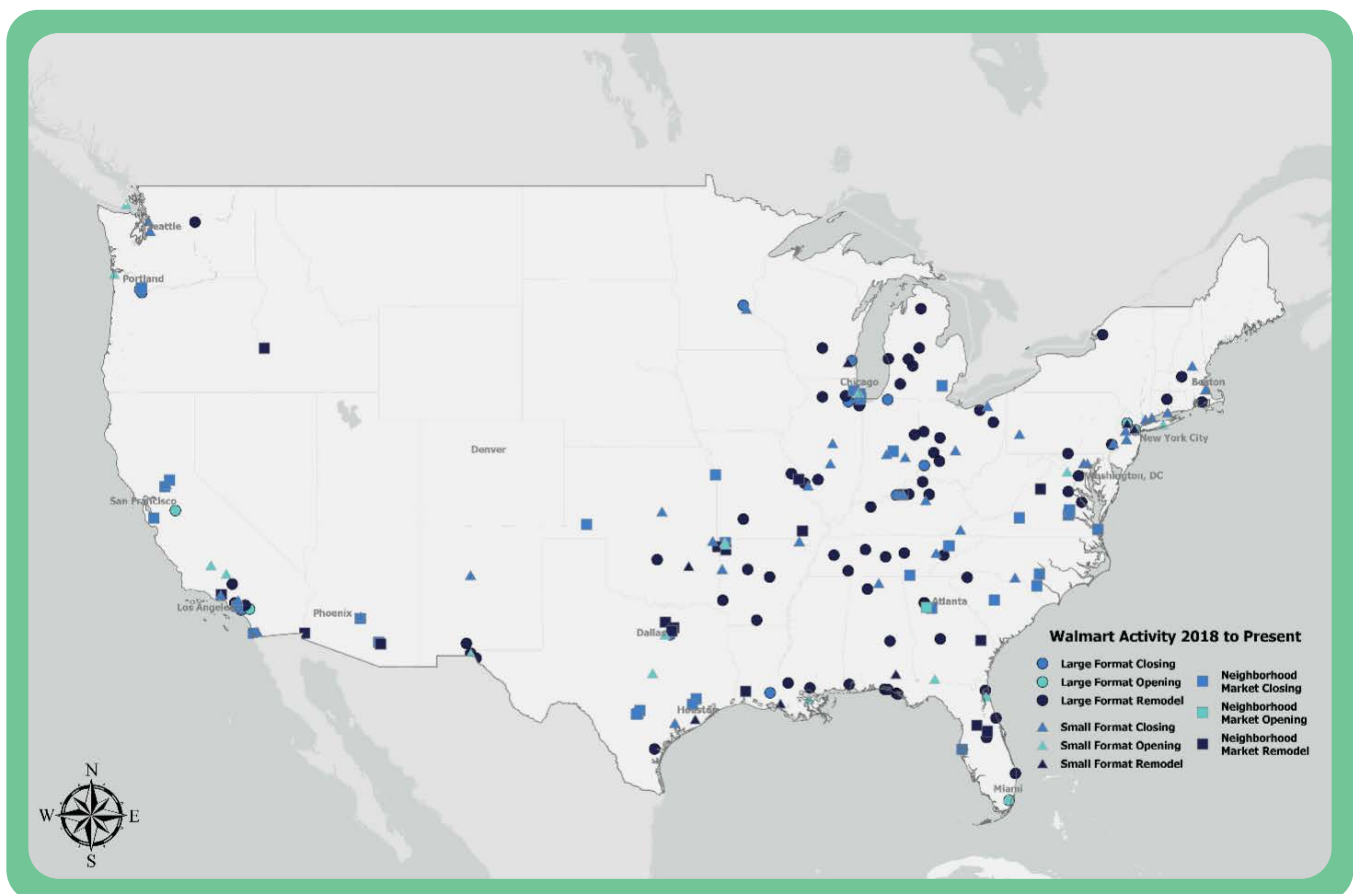
Like Walmart’s announcement, on March 5, 2024, Target announced plans to open 300 stores (mostly full-size stores) over the next ten years, forecasting an annual revenue increase of \$15 billion from these new stores.

The Store of the Future design has a sleeker layout that emphasizes the retailer’s fashion-forward apparel brands, adds technology like scannable QR codes and features sharper signage.



WHY DOES THIS ANNOUNCEMENT MATTER? COUNTER TREND OF THE LAST DECADE.

The map below shows that Walmart has closed 98 stores vs. opening 25 since 2018. Along the way, it has also invested in nearly 96 remodels. Before this period, Walmart went through a major purge in 2016 when it closed 270 stores globally, including roughly 155 locations in the U.S. The U.S. closures included 102 of the smallest format stores, known as Walmart Express and launched in 2011 as a competitor to dollar stores; the remaining closures included a mix of Walmart Supercenters, Walmart Discount Stores, Sam's Club locations, and Neighborhood Markets. In contrast, over the last five years, the Company has only opened 29 stores, compared to closing 182, mostly its Neighborhood Market stores.

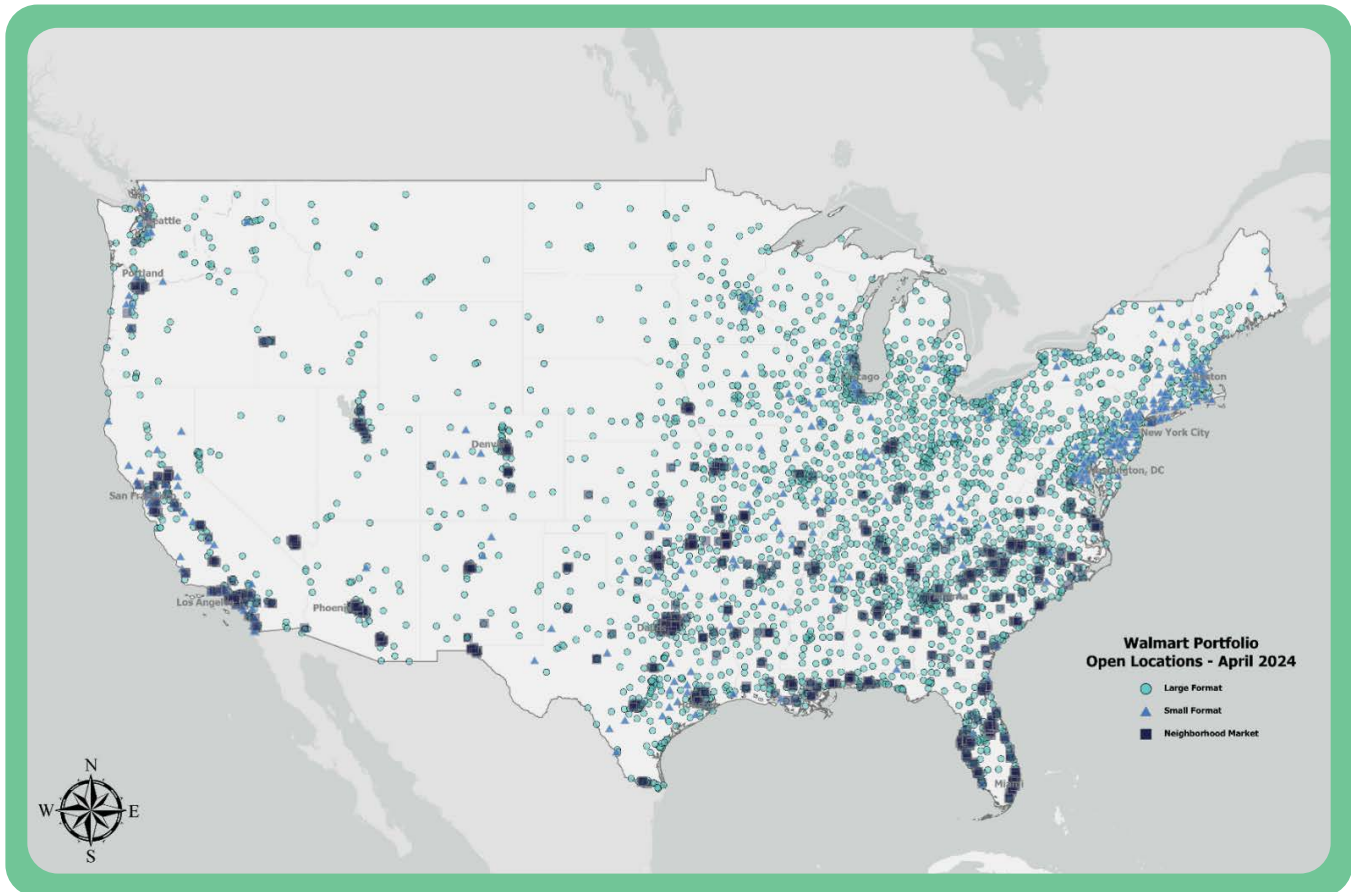


WHAT IS DRIVING WALMART'S DIRECTION?

In the past decade, Walmart's strategy and success have shifted from purely physical retail expansion to a more nuanced approach that includes digital transformation, accelerated by its acquisition of Jet.com in 2016. Fast-forward to today: The Company's strategy reflects a broader trend in the retail industry towards omnichannel retailing, which integrates online and offline channels to meet the evolving shopping preferences of consumers.

Similarly, revisiting Target's recent expansion announcement, the Company plans to open 300 new stores as well as about 10 new supply chain facilities over the next decade. The Company's strategy is very similar to Walmart's in that it will leverage stores for omnichannel retailing ("Stores As Hubs"), aiming to improve customer experience and streamline operating costs.

In FY23, Walmart generated \$648 billion in revenue, with online sales accounting for \$100 billion, or 15.4% of total sales. This represents a significant jump of 22% in online sales growth from last year. Similarly, since fiscal 2017, sales per store (all Walmart store formats) have grown approximately 37% to \$88.8 million compared with \$65 million in FY17. This growth illustrates that Walmart’s store expansion plans are financially feasible and necessary to alleviate the sales pressure on existing stores and meet increasing consumer demand.



During FY23, Walmart opened its third next-generation e-commerce fulfillment center, which at 1.5 million square feet is expected to more than double the storage capacity of inventory, enable twice the number of customer orders fulfilled daily (compared with a store or a first-gen fulfillment center), and expand next-day and two-day shopping to nearly 90% of the U.S. The Company now operates these facilities in Joliet, IL; McCordsville, IN and Lancaster, TX, and plans to open its fourth in Greencastle, PA, in 2024. Additionally, in 2026, management plans to open its fifth next-gen distribution center in Stockton, CA. Separately, Walmart has added automated market fulfillment centers (MFCs) to seven locations, which are expected to go operational by the end of November. The Company opened its first MFC in Bentonville, AR, near its headquarters earlier this year. The MFC is built within a store and is highly automated with the Company’s proprietary storage and retrieval system called Alphabot, carrying the most popular items while helping to streamline digital operations.

WHERE IS WALMART OPENING STORES, AND WHAT DOES THIS TELL US?

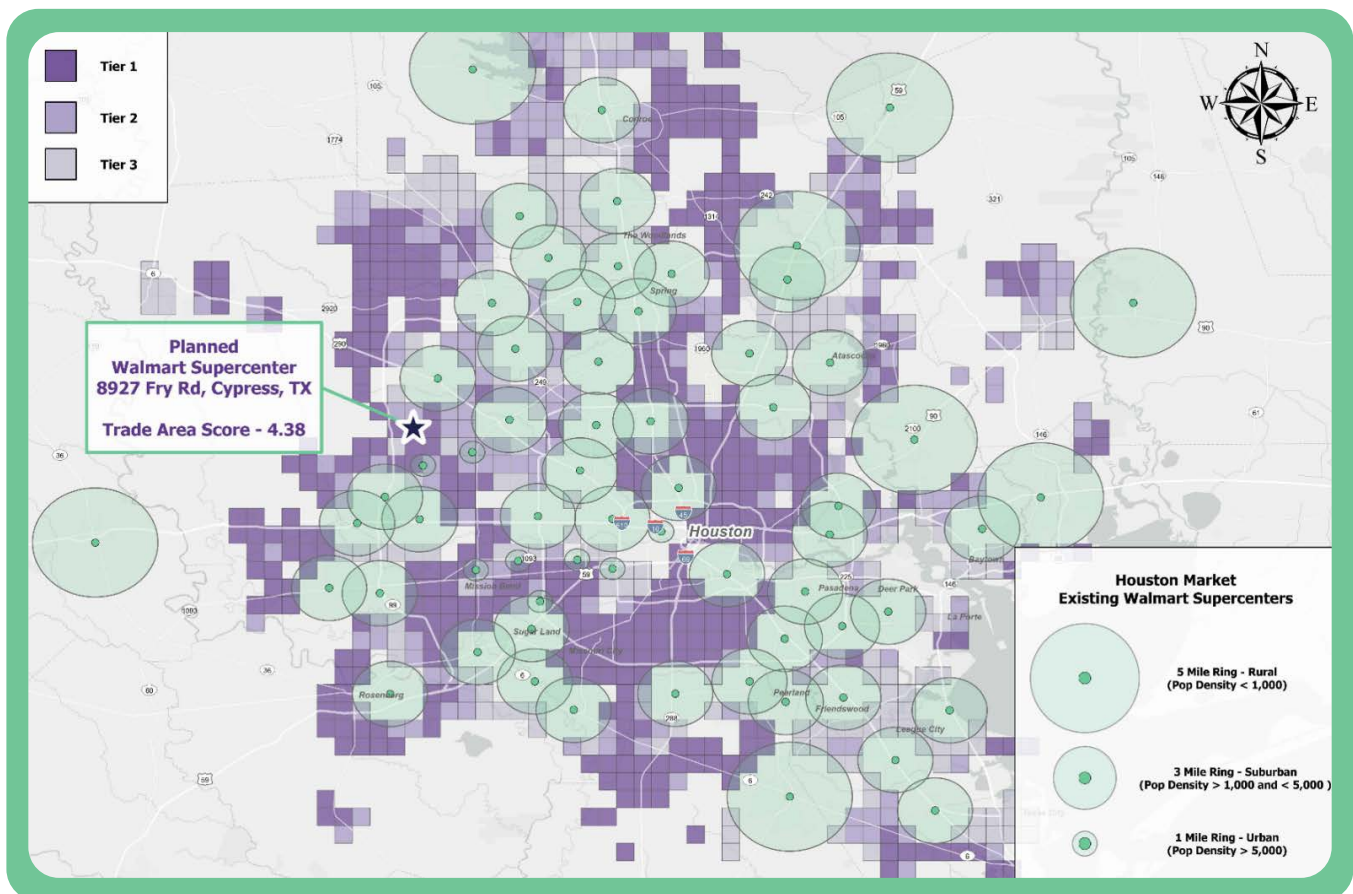
Leveraging RetailStat’s advisory services and boots-on-the-ground intelligence to dive deep into Walmart’s site selection strategy, we evaluated the potential target markets for a new Supercenter. To do this, we evaluated the market dynamics of the ten expansion Supercenters already announced, focusing on population growth, density, income, and demographics, as well as existing grocery and competitive saturation, and other key factors to create a model that identifies the variables Walmart considers attractive when selecting the site for a new Supercenter. Then, every market in the US was evaluated to determine strategic fit based on these factors. Lastly, markets were scored, based on the number of grids (four square

miles) demonstrating ideal characteristics (Tier 1) for a new Supercenter. The chart below shows the results of this analysis and indicates future openings in and around major markets like NYC (#1), Los Angeles (#5), Dallas (#7), and Phoenix (#14).

To further illustrate this analysis, leveraging the Houston Market (#4 based on our national findings), which has a planned opening and has seen rapid population growth, we first identified potential grids capable of supporting a Superstore considering factors like population density and the number of stores within the trade area. Leveraging these and other factors like drive time, income

Market	25% Tier 1 Trade Areas		50% Total Trade Areas		25% Highest Scoring Trade Area Score		Rank
	Count Tier 1	Score Tier 1	Count All Tiers	Score All Tiers	Max Score	Final Score	
		1 Score		Score			
New York - Newark - Jersey City, NY-NJ-PA	210	5	1092	5	4.78	4.95	1
Minneapolis - St. Paul - Bloomington, MN-WI	144	4	751	4	4.78	4.20	2
Detroit - Warren - Dearborn, MI	161	4	719	4	4.63	4.16	3
Houston - The Woodlands - Sugar Land, TX	207	5	595	3	4.93	3.98	4
Los Angeles - Long Beach - Anaheim, CA	210	5	515	3	4.85	3.96	5
Atlanta - Sandy Springs - Alpharetta, GA	103	3	777	4	4.85	3.96	6
Dallas - Fort Worth - Arlington, TX	184	5	585	3	4.70	3.93	7
Philadelphia - Camden - Wilmington, PA-NJ-DE-MD	105	3	828	4	4.70	3.93	8
Chicago - Naperville - Elgin, IL-IN-WI	84	3	802	4	4.40	3.85	9
Riverside - San Bernardino - Ontario, CA	149	4	544	3	4.78	3.70	10
Seattle - Tacoma - Bellevue, WA	80	2	481	3	4.65	3.16	11
Washington - Arlington - Alexandria, DC-VA-MD-WV	69	2	577	3	4.63	3.16	12
Austin - Round Rock - Georgetown, TX	85	3	301	2	4.85	2.96	13
Phoenix - Mesa - Chandler, AZ	90	3	300	2	4.78	2.95	14
Boston - Cambridge - Newton, MA-NH	31	1	591	3	4.55	2.89	15
San Francisco - Oakland - Berkeley, CA	74	2	257	2	4.85	2.71	16
San Diego - Chula Vista - Carlsbad, CA	68	2	241	2	4.85	2.71	17
San Antonio - New Braunfels, TX	51	2	231	2	4.75	2.69	18
Columbus, OH	61	2	290	2	4.70	2.68	19
Grand Rapids - Kentwood, MI	55	2	342	2	4.70	2.68	20

demographics, and competitive saturation, we categorized Houston's potential trade areas into one of three tiers based on strategic fit and expected opportunity. Unsurprisingly, Walmart's announced location is in the middle of a Tier 1 area. Interestingly, this analysis also shows that Walmart has ample opportunities for even more supercenters in the Houston market.



As previously noted, Walmart's CEO has stated that they are finalizing construction plans for 12 stores this year while building or converting 150. We anticipate Walmart's team will be busy conducting similar analyses for the upcoming stores to maximize impact. Based on our preliminary analysis, there appear to be ample opportunities for new stores throughout the South, the Southeast, and mid-Atlantic, all of which have seen sizable population and real wage growth over the last five years.

CONCLUSION

Ultimately, both Walmart and Target have experienced a noticeable upswing in in-store sales, a trend partly attributed to the growth of online sales being fulfilled by physical locations. This signals that both retailers may be overdue for another phase of store expansion, reminiscent of their growth spurts from the '90s through the 2000s. Considering that a Walmart Supercenter alone can generate approximately \$105 million in sales, and with 60% of Walmart's U.S. sales coming from groceries, this expansion could pose a formidable challenge to retail and grocery operators within those areas. This development warrants attention over the upcoming periods to gauge its impact on local market competition. RetailStat will closely monitor future store opening updates through our [Retail Openings and Closings \(ROC\)](#) platform.

Want to learn more about our data products, request a comprehensive list of the above-mentioned store conversion possibilities, or investigate and discuss Walmart with our team of expert analysts, contact us at contact@retailstat.com.