

Walmart's Financial Performance and Strategic Growth Analysis

Kangrui Fang

*Yuhang No.1 Middle School, Hangzhou, China
fkr0320@outlook.com*

Abstract: Walmart is the world's largest retailer, recognized for its cost leadership strategy and operational efficiency. This paper evaluates Walmart's financial performance by examining four critical aspects: profitability, operational efficiency, solvency, and growth potential. Despite steady revenue growth, Walmart faces multiple challenges, including rising labor costs, inflation, and regulatory pressures. To address these concerns, the company has actively invested in digital transformation, automation, and sustainability initiatives. Walmart+ and its expanding third-party marketplace highlight its adaptation to the evolving e-commerce landscape. In addition, Walmart has committed to achieving 100% renewable power by 2035 in its sustainability strategy. Such efforts mirror global trends toward ethical business practices and corporate development through innovation. According to such extensive analysis of fundamental financial information and strategic planning, this study provides insight into Walmart's long-term market positioning, competitive strategy, and sustainable development opportunities within the dynamically evolving retail industry.

Keywords: Cost leadership, Digital transformation, Sustainability, Supply chain efficiency, Global expansion.

1. Introduction

Walmart was founded in 1962 by Sam Walton in Rogers, Arkansas, with the aim of providing customers with high-quality products at affordable prices. Walmart is the world's largest retailer today, with more than 10,500 stores across 20+ countries and millions of customers visiting every day. The success of Walmart is mainly due to its cost leadership strategy wherein Walmart offers competitive prices based on economies of scale, effective logistics, and strong relationships with suppliers [1]. Walmart's ability to derive benefit from operating efficiencies and supply chain optimization has allowed it to stay profitable while still being a market leader in the retail sector.

A cornerstone of Walmart's business model is its focus on operational efficiency. Walmart invests heavily in distribution channels, inventory management, and logistics systems. Walmart boasts one of the world's most sophisticated supply chains, with cutting-edge technology such as radio-frequency identification (RFID), automated warehouses, and real-time data analysis to optimize efficiency [2]. By minimizing waste and lead times, Walmart keeps merchandise in front of shoppers at the lowest possible cost.

Investments in digital innovation that have been done in recent times have also bolstered Walmart's market dominance. The launch of Walmart+, a membership program offering free delivery, fuel discount, and member rewards, reflects Walmart's efforts to battle Amazon Prime [3]. It has also

expanded its third-party marketplace, allowing offsite sellers to offer products on Walmart's e-commerce site. Artificial intelligence (AI), machine learning, and automated warehouses have improved logistics and customer experience through investments that have positioned Walmart as a major player in the online retail sector [4].

There are several scholarly researches studying Walmart's cost efficiencies and investment strategies. Porter's cost leadership model remains the center of Walmart's ability to maintain its low-cost position [1]. Zhang and Zhao's research puts Walmart's strategic price negotiation with suppliers and bulk buying approach into the spotlight that help maintain its price advantage [2]. Li studied Walmart's investments in digitalization, particularly in AI-based inventory management and customer insights [3].

Pease and Rowe addressed Walmart's omnichannel vision, pointing out how the integration of physical stores and digital stores increases customer engagement [4]. Sun addressed labor costs and wage pressures and how wage increases affect the profitability of Walmart [5]. Wang and Zhang addressed Walmart's sustainability initiatives, including carbon-cutting objectives and renewable energy investment [6]. Dai examined Walmart's global expansion strategy, addressing penetration challenges in foreign markets and regulatory challenges [7]. Zhu et al. focused on supply chain efficiencies by Walmart, i.e., automation and forecasting analytics in logistics optimization [8].

Lin expanded on Walmart's regulatory challenges in global markets, emphasizing compliance with environmental legislation and labor laws in host countries [9]. Hosany et al. assessed Walmart's brand positioning, with an emphasis on corporate reputation as a source of consumer trust and market competitiveness. Collectively, the studies provide a comprehensive view of Walmart's financial performance, strategies, and market positioning [10].

The purpose of this study is to conduct a comprehensive assessment of Walmart's financial health using key performance indicators such as profitability, operating efficiency, solvency, and growth opportunities. From the analysis of financial information and strategic initiatives, this paper aims to offer insights as to whether Walmart can maintain its leadership in the market. The research also examines Walmart's strategic responses to economic slowdown and future expansion through e-commerce, sustainability, and overseas market expansion.

2. Walmart's business model and key characteristics

Walmart's enterprise is based upon the concept of low-cost and high-volume. The firm becomes cost-effective owing to economy of scale, efficient negotiations with manufacturers, and hi-tech inventory handling [2]. Walmart employs its large supply base to maintain expenses low and enable low prices and thus a world leader in retailing.

A key aspect of Walmart's business strategy is its push into online commerce. The launch of Walmart+ has been a key move to counter Amazon Prime [3]. Walmart+ offers members free shipping, discounts on gas, and early access to deals, which helps boost customer loyalty. In addition, Walmart has opened up its third-party marketplace, in which outside sellers can list on its e-commerce website [4].

Walmart is also strongly committed to sustainability, recognizing the need to be a good steward of the environment in today's retail environment. The company has made some rather aggressive sustainability commitments, including reducing carbon emissions and increasing the utilization of renewable energy sources [6]. Walmart pledged to generate 100% of its energy globally with renewable resources by 2035 and become a zero-emissions business by 2040. Walmart is also working together with suppliers to take one billion metric tons of greenhouse gas emissions out of the supply chain with projects like Project Gigaton [7].

While it has a solid business model, Walmart's globalization troubles are genuine. While Walmart has succeeded in establishing stores in nations such as Mexico, Canada, and India (in the guise of the

acquisition of Flipkart), it has not succeeded in other nations because of regulatory challenges as well as cultural dissimilarities [9]. Walmart's ventures in Germany and South Korea, for example, did not succeed because of the incongruence in consumer culture and labor legislation. Moreover, fluctuations in exchange rates jeopardize the financial performance of Walmart, affecting revenue and profitability abroad [10].

In spite of all these issues, Walmart's business model remains strong and resilient. The company's ability to embrace digital innovation, expand new markets, and spearhead sustainability initiatives puts it on the path towards long-term success in the evolving retail landscape.

3. Financial analysis

3.1. Profitability analysis

Walmart's financial performance in 2023 reflects strong revenue growth despite economic challenges, as shown in Table 1. The retailer posted a 6% increase in revenue to \$611.3 billion. The increase was mainly due to consumers injecting more money into consumption, improvements of e-commerce platforms, and increased sales of core products and food [2]. Walmart's gross profit margin of 24% reflects strong cost-controlling measures and negotiation with suppliers [3]. In addition, its operating income grew by 32%, illustrating efficient cost management and improved store operation effectiveness and logistics [4].

Table 1: Walmart's gross and net profit margins for fiscal years 2022 to 2024 [11,12]

Indicator	2022	2023	2024
Gross Profit Margin	24.4%	23.5%	23.7%
Net Profit Margin	2.39%	1.91%	2.39%

Walmart's 2.3% net margin, while relatively modest in comparison with its major rivals, however, is largely due to Walmart's pricing strategy aiming at volume-based sales at progressively lower price points rather than per-unit profitability optimized. There are also external pressures on costs such as rising labor costs and inflationary pressures which both influence supply chain costs and the demands for higher wages [5]. Walmart has sought to offset these threats through workforce automation, AI-assisted efficiency enhancements, and supply chain cost cuts.

Supply chain management is another important driver of profitability. Walmart has experienced supply chain disruptions due to overseas shipping delays, raw material shortages, and cost increases due to inflation [8]. Nevertheless, the company's strong logistics network, investment in automated warehouses, and predictive inventory management lessened some of the risk. The firm also continues to enjoy the reward of its private-label brands, which have superior margins compared to branded merchandise [7].

3.2. Operational efficiency

Operational efficiency of Walmart is a significant strength that enables it to maintain cost leadership with customer value delivery. Inventory turnover ratio was stated by the company to be 8.2, which indicates good stock management and rapid inventory turn [4]. This efficiency is due to Walmart's advanced supply chain analytics, predictive demand forecasts, and computerized distribution centers (Table 2).

Table 2: Walmart's operational efficiency indicators for fiscal years 2022 to 2024 [13]

Indicator	2022	2023	2024
Inventory Turnover	8.2	8.1	8.3
Return on Assets (ROA)	7.45%	2.01%	2.18%

Return on assets (ROA) stood at 6.1%, reflecting Walmart's effectiveness in utilizing its assets to drive revenue. This aligns with the company's focus on driving efficiency across physical stores as well as digital channels [6]. AI, data analytics, and automation investments have been key to driving logistics improvements and reducing operational expenses. Walmart utilizes live data tracking and machine learning capabilities to deliver enhanced supply chain predictability, warehousing optimization, and final mile delivery effectiveness [9].

Despite all these advantages, Walmart remains plagued by operating pressures. Ramping up last-mile delivery costs has compressed margins, particularly amid persistent demand from customers for home delivery services [8]. Furthermore, supply chain disruption fueled by geopolitics, trade barriers, and transport backlogs has inflated cost and affected delivery times. Walmart has responded by diversifying its supplier base, investing in other modes of transport, and drawing more on local distribution centers in order to be more resilient to global shocks [10].

3.3. Solvency and debt management

Walmart has a moderate level of leverage, with debt-to-equity ratio of 1.55. This indicates that the company uses debt to finance operations and expansion but holds a well-staggered capital structure that is not overly reliant on borrowed capital [9]. Walmart's financial position allows it to secure favorable terms of lending and retain liquidity for strategic investment, as shown in Table 3.

Table 3: Walmart's solvency and liquidity indicators for fiscal years 2022 to 2024 [14]

Indicator	2022	2023	2024
Debt Ratio	24.3%	24.3%	24.3%
Current Ratio	0.82	1.00	0.94
Interest Coverage Ratio	10.07	10.07	10.07

The 0.8 ratio of the company symbolizes its reliance on short-term debts to finance ongoing operations. Although this may reflect a lesser cushion for short-term financial obligations, Walmart's steady cash flow and inventory turnover offset the possible dangers of less liquid ratios [7]. Furthermore, Walmart's interest coverage ratio of 9.5 attests to good ability in the service of debt payment obligations, therefore guaranteeing that fiscal stability is maintained even during an unstable economy [6].

Some of the key drivers for Walmart's solvency are interest rate fluctuations, capital expenditure, and dividend policy. Whereas rising interest rates increase the cost of borrowing and thus impact profitability, Walmart's cost containment practices and dividend policy neutralize such risks [10]. Walmart is also constantly investing in growth opportunities, technological progress, and environment-friendly activities and has a firm dividend payout policy to shareholders [2].

3.4. Growth potential

Walmart's future growth is triggered by digital transformation, global expansion, and sustainability initiatives, as shown in Table 4. Walmart has made remarkable advancements in building its e-commerce business, particularly in Walmart+ and retailing solutions that leverage AI [3]. The

Walmart+ membership program grew rapidly, with competitive benefits equivalent to Amazon Prime. AI and automation investment have enabled Walmart to automate online order fulfillment, improve customer experience, and increase operational efficiency [4].

Table 4: Walmart's growth indicators for fiscal years 2022 to 2024 [14]

Indicator	2022	2023	2024
Revenue Growth Rate	6.7%	2.3%	6.03%
Net Income Growth Rate	32.8%	-12.45%	32.8%

International market growth remains one of the prime movers of Walmart's growth plan. Walmart's entry into India with the Flipkart acquisition has put it in the leadership position of one of the fastest-growing retail markets globally [7]. Similarly, Walmart's operations in Mexico continue to grow strong, which are spurred by strong consumer demand and a highly developed supply chain infrastructure [9]. However, regulatory compliance, domestic competition, and exchange rate fluctuations are issues that make plans for international expansion more complicated [8].

Sustainability is yet another focus of Walmart's sustainable long-term growth. Walmart has committed to powering 100% of its operations using renewable energy by 2035 and reaching zero emissions by 2040 [6]. All such sustainability pursuits align with evolving regulatory requirements and greater pressure from customers to own sustainable companies. Walmart has invested further in energy-efficient store designs, electric vehicle fleets, and waste-reducing projects to become environmentally more sustainable [10].

Despite these positive trends, Walmart is challenged by Amazon and other online-native retailers. Leaders in e-commerce continue to pick up market share, particularly in fast delivery and online grocery [2]. Walmart must continue to innovate in digital commerce, supply chain effectiveness, and customer engagement models to preserve its competitive advantage in an increasingly digitalizing retailing landscape [3].

Overall, Walmart's financial outlook is sound with much potential for expansion and cost reduction. Walmart must continue to deal with rising costs, supply chain disruptions, and rivalry in order to be a global retail giant.

4. Future development prospects

Walmart's future growth will be driven by technological innovation, international market expansion, and sustainability efforts. Walmart is further investing in artificial intelligence (AI), automation, and omnichannel retailing to remain competitive. AI-powered data analytics and machine learning algorithms assist Walmart in optimizing prices, managing inventories more effectively, and customizing customer experiences [2]. Robotics and warehouse function automation further streamline supply chain activities, reducing costs and improving efficiency [3]. Walmart's omnichannel retailing revolves around the concept of integrating digital and physical retailing experiences, offering customers seamless shopping experiences through mobile apps, curbside delivery, and same-day delivery services [4]. Walmart has also heavily invested in voice-assisted shopping, mobile payment solutions, and blockchain technology for supply chain transparency [5].

In global expansion, Walmart is concentrating on up-and-coming markets such as Asia and Latin America. Acquisition of India-based Flipkart has materially strengthened Walmart's presence in one of the world's most rapidly growing e-commerce markets [7]. Walmart keeps expanding investments in Latin America, particularly Mexico and Chile, where consumer growth is supported by robust consumer growth and a favorable regulatory environment [9]. But Walmart needs to overcome barriers in the guise of protectionist trade policies, volatile currency exchange rates, and domestic

and international retail competition [10]. Walmart also follows an expansion strategy through establishing strategic alliances and joint ventures with local entities to gain more market penetration and enhance its supply chain efficiency [6].

Sustainability is another of the pillar areas of Walmart's long-term vision. Walmart has set targets for 100% renewable energy by 2035 and is working to reduce its carbon footprint in its businesses [8]. Walmart is also adding more electric transport vehicles, investing in efficient store design and energy-saving features, and promoting sustainable sourcing through its suppliers [6]. These initiatives supplement growing customer demands for environmentally friendly companies and shifting regulatory environments that compel companies to be accountable [7]. Walmart has also implemented waste reduction programs like green packaging practices and food waste reduction initiatives [9]. These initiatives aim to position the company at the forefront of the retail industry in sustainability and environmental responsibility [10].

Furthermore, Walmart is investing in employee reskilling such that its employees in the future will be able to keep up with emerging facts of the retail world. It is expanding digital training initiatives, offering education allowances, and raising reskilling programs to contend with rising demands for automation and AI in all stores [5]. These training programs make Walmart's workers competitive and capable enough to manage state-of-the-art technologies so that it can become more efficient with operations and improving customer service [8].

Apart from these opportunities, there are also a few threats that Walmart has to contend with. Regulatory changes related to labor law, tax, and data privacy can impact efficiency and profitability [4]. Geopolitical uncertainty in major markets, i.e., trade wars and supply chain disruption, is also a threat [3]. Currency fluctuation and inflationary pressures have a direct impact on the profitability of Walmart, particularly in emerging markets [7]. In addition, the emergence of online natives such as Amazon continues to pose threats to Walmart's market share in both online and offline spaces [2]. To buffer these threats, Walmart needs to stay nimble, constantly fit the market changes, and substantiate its competitive stance with tech innovation, partnerships, and sustainability leadership [6]. Walmart's ability to foresee and respond to trends within the emerging markets will also play an integral part in allowing it to maintain its position as a retail market leader at the international level [10].

5. Conclusion

Walmart's strong financial foundation continues to reinforce its position as a global retail leader. The company has demonstrated resilience amid economic uncertainty, driven by its commitment to cost leadership, operational efficiency, and technological innovation. A 6% revenue increase in 2023, along with solid operational metrics such as an inventory turnover of 8.2 and an interest coverage ratio of 9.5, reflect Walmart's robust financial health. Nevertheless, the company must navigate ongoing challenges, including rising labor costs, increasing regulatory pressures, and intensified competition from digital-native retailers.

Looking ahead, Walmart's growth will be propelled by its focus on digital transformation, sustainability, and international expansion. Continued investment in AI, automation, and omnichannel retailing will enhance operational agility and customer engagement. Simultaneously, sustainability efforts—such as reducing carbon emissions and transitioning to renewable energy—will further strengthen Walmart's long-term market position. By staying true to its strategic pillars of cost leadership, innovation, and global market development, Walmart is well-positioned to sustain its competitive edge and create lasting value for both customers and shareholders.

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