

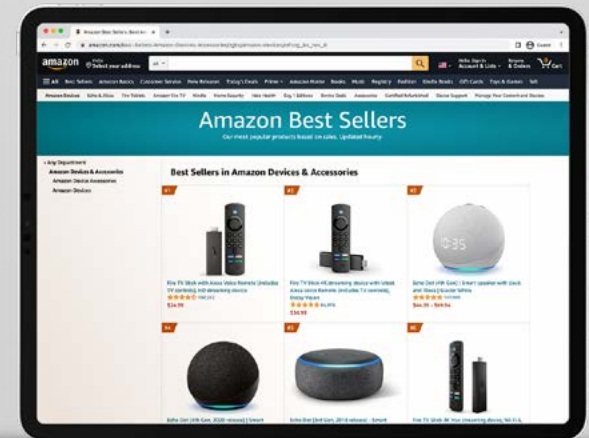
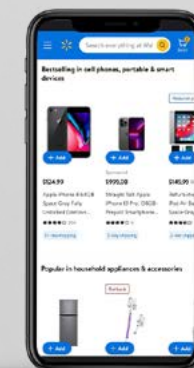
July 2022

PYMNTS.com

The Ongoing Battle For  
Consumer Retail Spend

# AMAZON — VERSUS — WALMART Q1 2022 The Grocery Wild Card

In The Battle for Consumer Retail Spend: Amazon Versus Walmart Q1 2022: The Grocery Wild Card, PYMNTS examines both Amazon and Walmart's quarterly earnings reports and goes back to the field for the latest consumer spending data to discover how much of consumers' total retail spend each retailer managed to win in the final months of 2021. The report also looks at how Amazon has managed to take and maintain its edge over Walmart and what it means for the future of this ongoing rivalry.





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# INTRODUCTION

When Sam Walton opened the first Walmart in 1962, his goal was to offer customers a variety of products at a great price with superior customer service. Walmart's roots were in Walton's early experience — and success — operating a small five-and-dime store in Bentonville. As Walmart expanded, so did its retail format and footprint. Its Super Store concept brought an even wider variety of products, including groceries, under one roof, making it a one-stop shop for the more than 100 million United States consumers who now visit a Walmart each week. Today, 90% of the U.S. population lives within 15 minutes of a Walmart store.

The rapid growth of the internet drew Jeff Bezos to launch Amazon in 1994. His goal at the time was to become the largest online bookstore on earth. Through the years, Amazon diversified away from just books, adding music and eventually a marketplace, which now accounts for more than 50% of the company's sales. In 2013, Amazon was recognized as the largest online retailer in the world.

These two retail behemoths have become the two fiercest competitors for consumer retail spend. The proliferation of mobile devices, apps and technology has blurred the physical and online worlds and made the online shopping experience more efficient and the physical shopping experience more friction filled. Each has moved aggressively into the other's turf: Amazon into grocery with Whole Foods, Amazon Fresh and Amazon Subscribe & Save, and Walmart into eCommerce with the acquisition of Jet.com. Both are expanding into areas adjacent to retail, in particular health and wellness.

Watching these two retail giants compete offers valuable insight into how each leverages their core strengths to capture market share in key retail categories — a competition PYMNTS has been tracking since June 2018. Each quarter, our analysts examine Amazon's and Walmart's quarterly earnings reports to unpack new consumer spending data, revealing who is winning the battle for retail and overall consumer spend. We also explore how Amazon and Walmart fare in comparison to each other in key retail segments and explain potential implications for both competitors.

In *The Battle for Consumer Retail Spend: Amazon Versus Walmart Q1 2022*, PYMNTS finds Amazon leading Walmart in both overall consumer and retail spend, a lead Amazon first captured in Q3 2020 as a result of Walmart's declining share in nearly all retail categories. That includes grocery, where the gulf between Walmart and Amazon is big enough to sail an aircraft carrier through and where Walmart's share is slipping slightly quarter over quarter as other rivals intensify their bid to capture more of consumers' grocery dollars.

As we await their Q2 earnings reports, here are the nine key takeaways from Q1 2022 consumer and retail spending trends and where the ongoing battle for retail and consumer spend and marketplace dominance now stands.



**PART I:****THE BIG PICTURE**

**AMAZON ACCOUNTED FOR 8.8% OF GROSS RETAIL SPENDING AND 3.4% OF ALL CONSUMER SPENDING AT THE END OF Q1 2022. THESE BOTH OUTPERFORM WALMART'S 8.2% AND 2.8%, RESPECTIVELY.**

While Walmart has transformed its business strategy in recent years to include bold innovations — like the drone delivery that Amazon pioneered — Amazon continues to lead the 60-year-old retail mainstay.

While the two companies' overall market shares are close, Amazon's dominance of gross retail spending has slipped since Q4 2021 from its high of nearly 11%. This may change as both companies compete to earn a portion of "revenge travel" funds reentering consumers' budgets and reclaim spend now diverted away from products to experiences like travel and dining out.

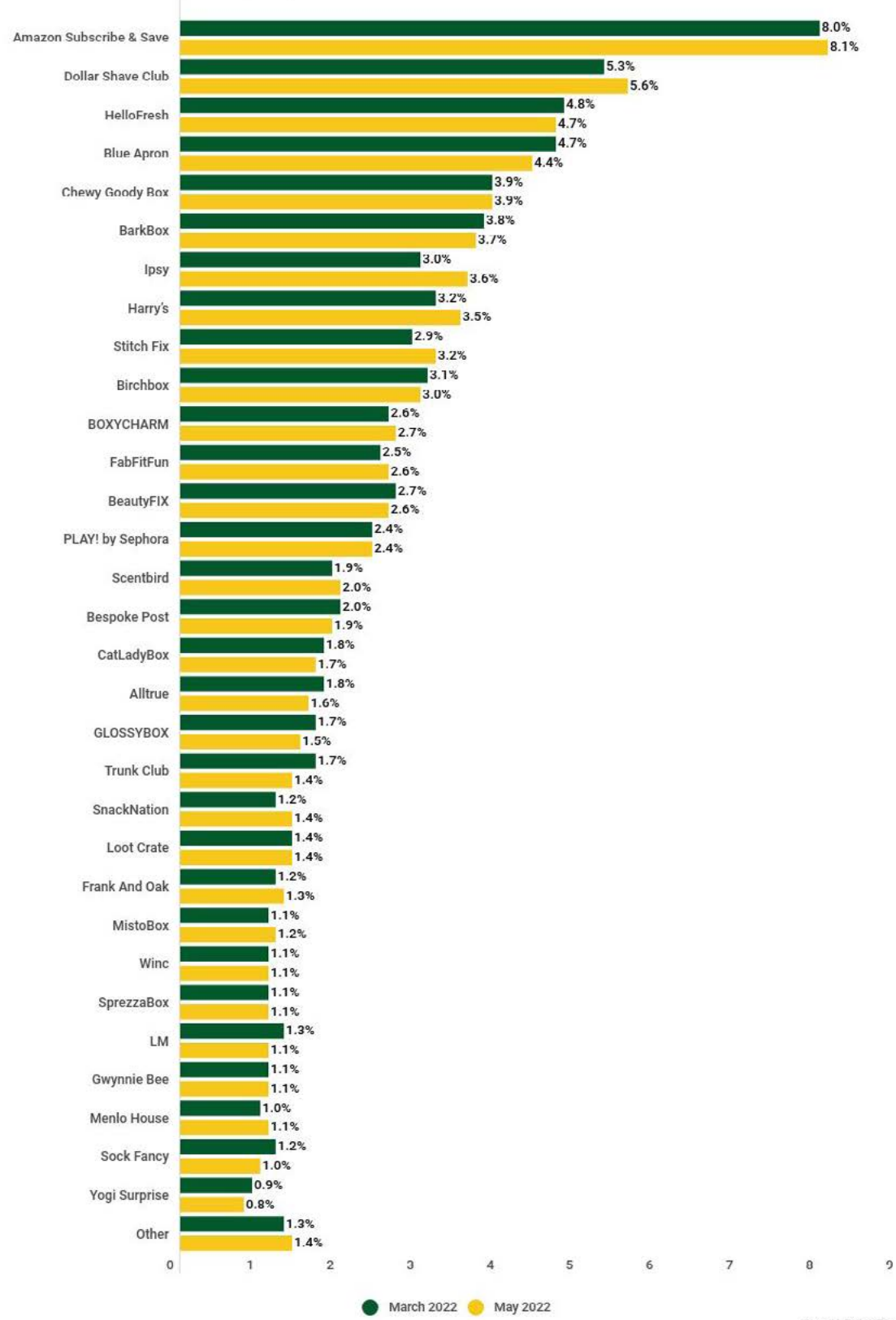
Both Walmart and Amazon saw a dip in revenue. The promise of everyday low prices or a frictionless subscription bundle that handles grocery and adds savings for

plan-ahead purchases, such as Amazon's Subscribe & Save, may help both companies drive new sales. Nonetheless, Amazon is the unchallenged eCommerce leader, holding 51% of the market in Q1 2022 and notably dominating the sectors for clothing and apparel as well as electronics and appliances. Amazon's Subscribe & Save currently has a membership equivalent to 8% of the American adult population according to recent PYMNTS data and leads among retail subscriptions. The prospect of continuing inflation is amplifying Amazon's appeal to Walmart's customers. As consumers factor in rising prices at the gas pump and in stores, Amazon's Subscribe & Save may draw consumers ready to shift weekly purchases to digital.



Figure 1: Consumer retail subscribers

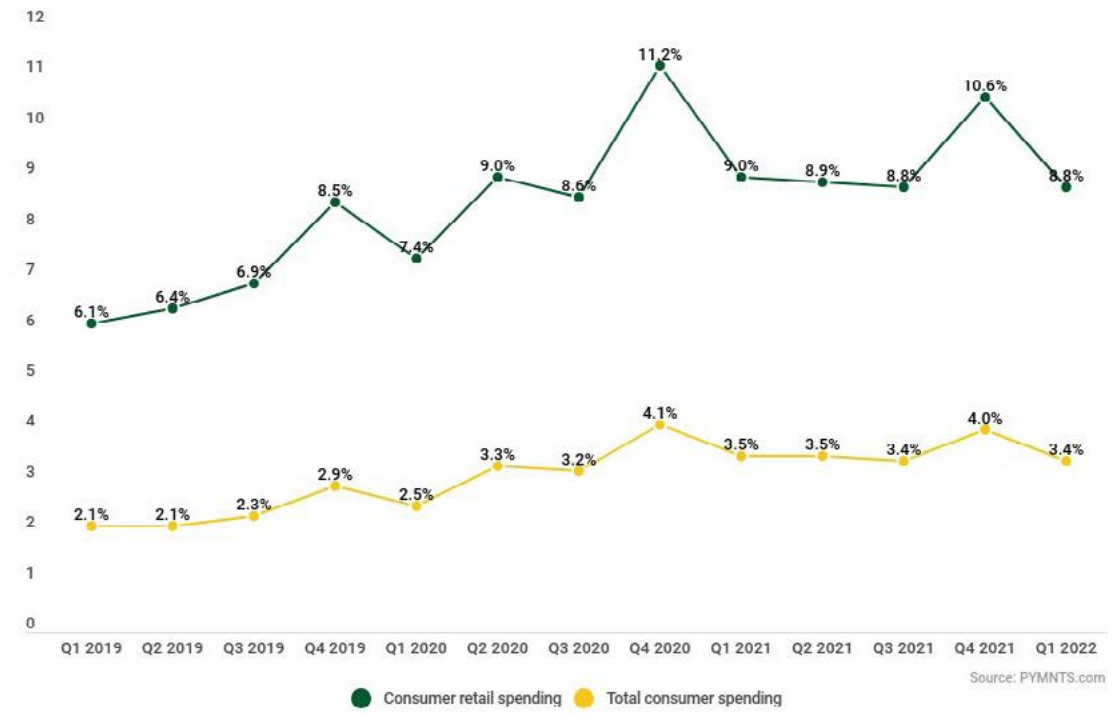
Share of consumers with active subscriptions



Source: PYMNTS.com

Figure 2: Spending at Amazon

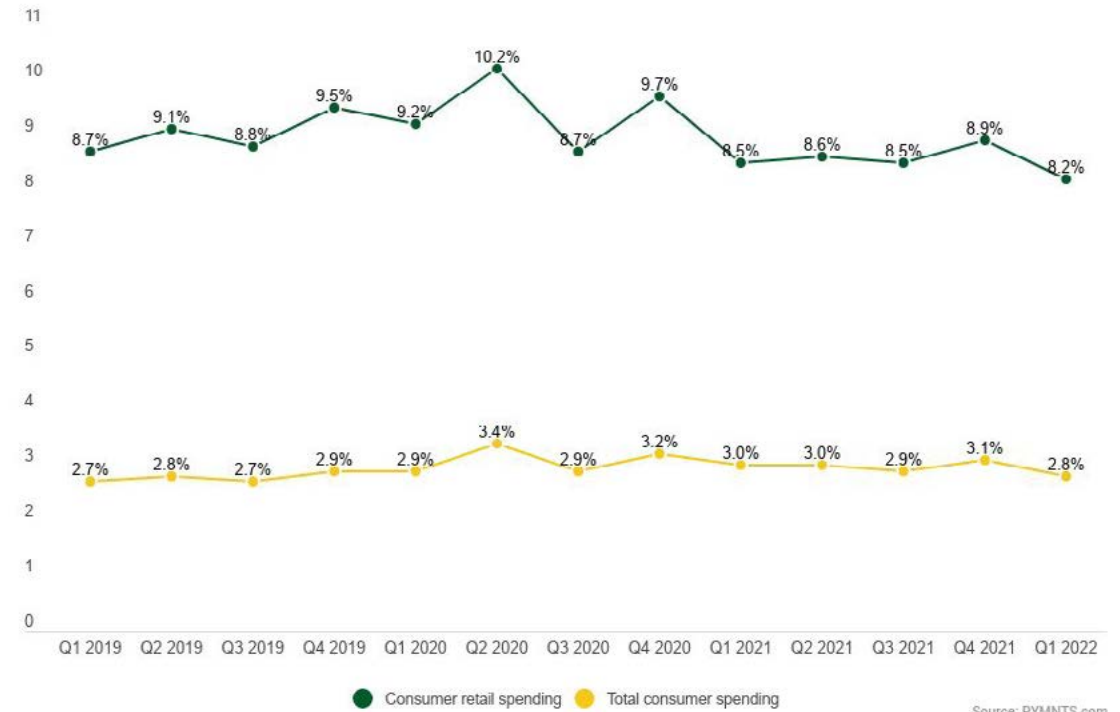
Share of consumer spending at Amazon, by quarter and type of spend



Source: PYMNTS.com

Figure 3: Spending at Walmart

Share of consumer spending at Walmart, by quarter and type of spend



Source: PYMNTS.com



**PART II:**

# AMAZON DOMINATES CONSUMER SPENDING

Amazon remains the preeminent eCommerce destination for American consumers, accounting for an estimated 51% of all eCommerce in the U.S. in Q4 2021 and 53% in Q1 2022. Walmart represents just 5.6% of online sales.

While it lags far behind Amazon in market share, Walmart is adding new features to its service roster to peel away Amazon's competitive advantage, such as drone delivery services available from its stores' parking lots for buy online, pickup in-store customers and new food delivery options. Amazon's ability to run the market goes back to its fulfillment expertise and vast resources: They control shipping, ordering, packaging and delivery of their products. In 2020, Amazon delivered 4.2 billion packages

compared to FedEx's 3.3 billion, an amount equal to 21% of all the packages shipped in the U.S.<sup>1</sup> This makes Walmart's efforts to catch up with Amazon's eCommerce leadership a David versus Goliath tale. Unless Walmart can quickly approach Amazon's logistics advantage through partnerships or reliable third-party services while luring its customers away with better features and prices, it is facing a long, uncertain campaign to become a serious competitor to the company in eCommerce. Walmart must not only raise awareness of its online offerings to gain Amazon customers' attention but entice them with features that they do not already enjoy.

<sup>1</sup> Hartmans, A. Amazon says it will ship more packages than UPS and FedEx by 2022 at the latest. Businessinsider.com. 2021. <https://www.businessinsider.com/amazon-surpassing-ups-fedex-by-2022-dave-clark-2021-11>. Accessed July 2022.



**Amazon holds more than four times the appliance and electronics market share of its closest competitor, Walmart, with all signs of continued growth in the category.**

Even during the early stages of the pandemic, Amazon's control of the **appliance and electronics** market surged. It rose from 21% in 2019 to 25% in 2020, while Walmart's market share remained flat at 5.7%. Though both saw a dip in market share in 2021, Amazon's market share was nearly five times that of Walmart's.

Though Amazon has a drastically smaller physical footprint, it has managed to outpace Walmart in a segment that was once the exclusive domain of big-box retail giants like Sears and in-person purchasing. Perhaps because online retailers like Amazon offer detailed product information and reviews, consumers have confidently bought durable goods online. The shift means they can make purchases based on their informed product preferences without having to visit physical stores and quiz salespeople about features, and it shows no signs of reversing.

Figure 4: eCommerce market share

Market share per quarter for eCommerce sales at Amazon and Walmart

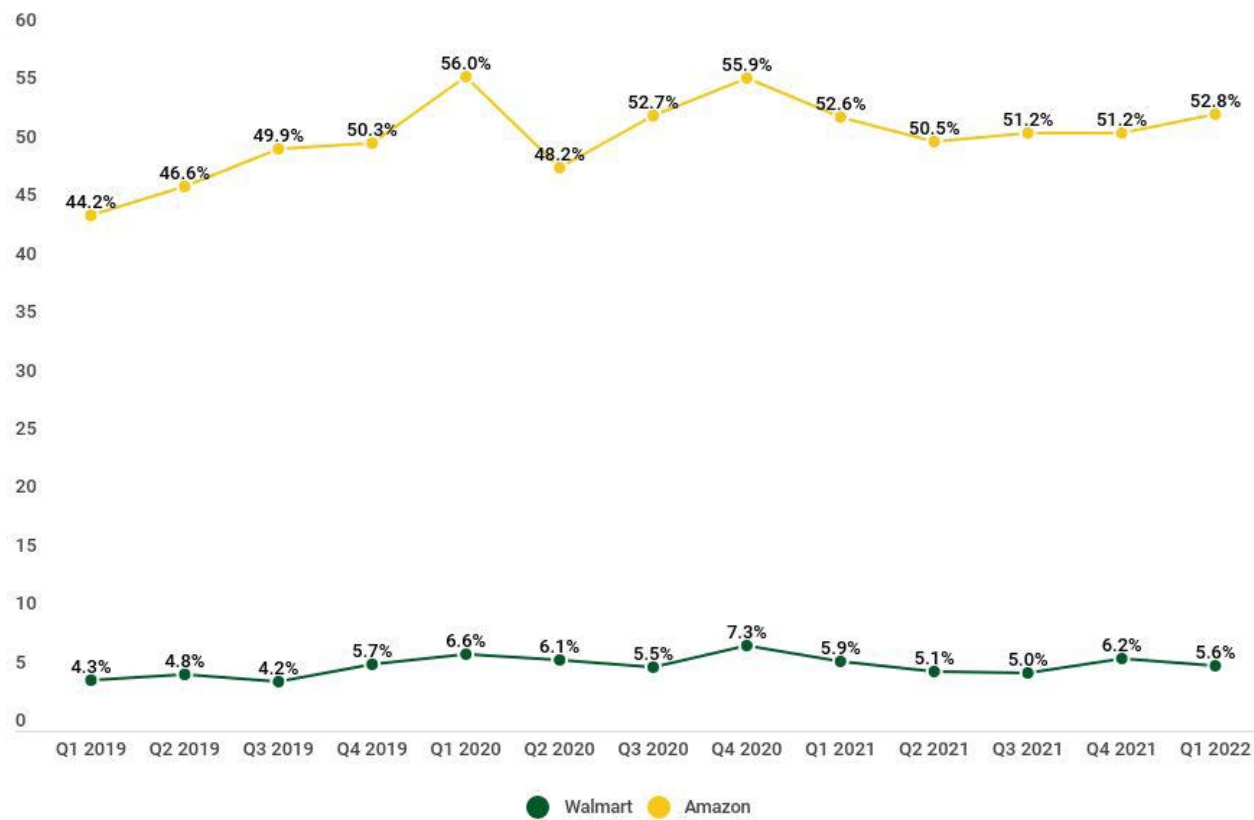
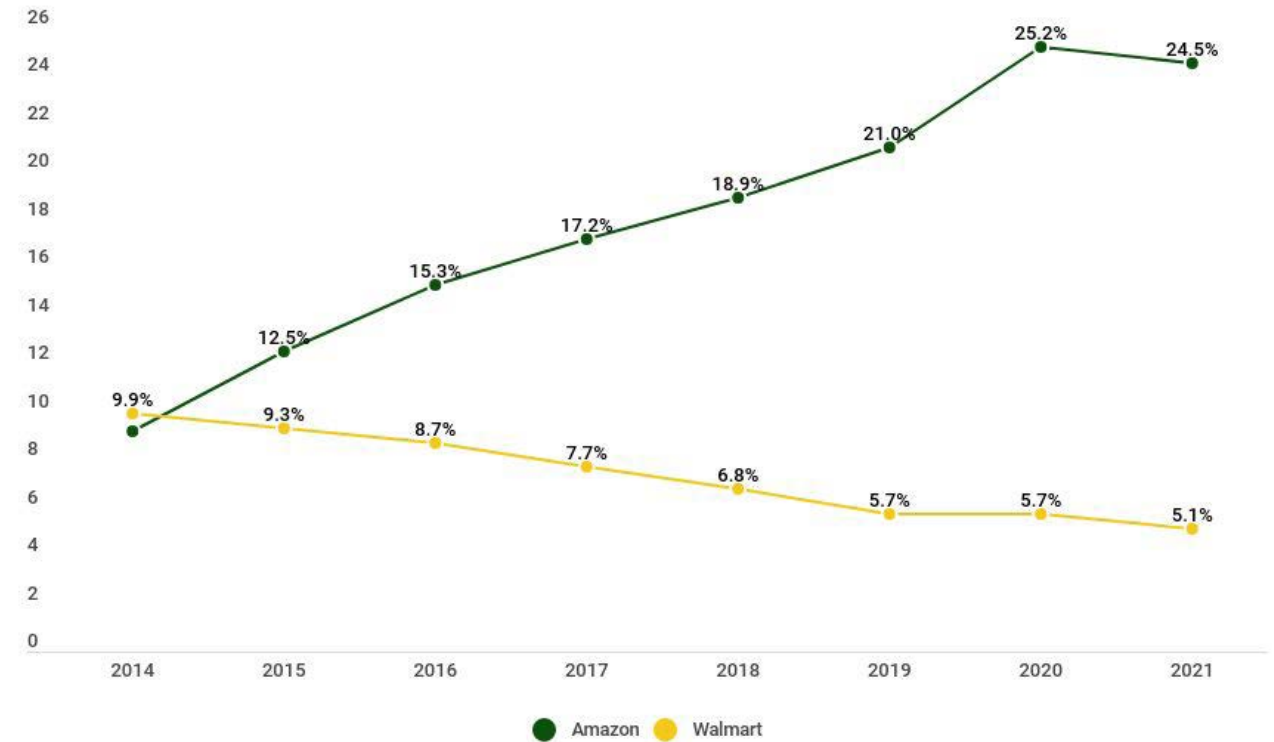


Figure 5: Electronics and appliances sales

Market share per year for electronics and appliances sales at Amazon and Walmart



**Amazon has also demonstrated agility in wresting market share from an established leader in a category often considered a “go and see” segment of the marketplace: home furnishings.**

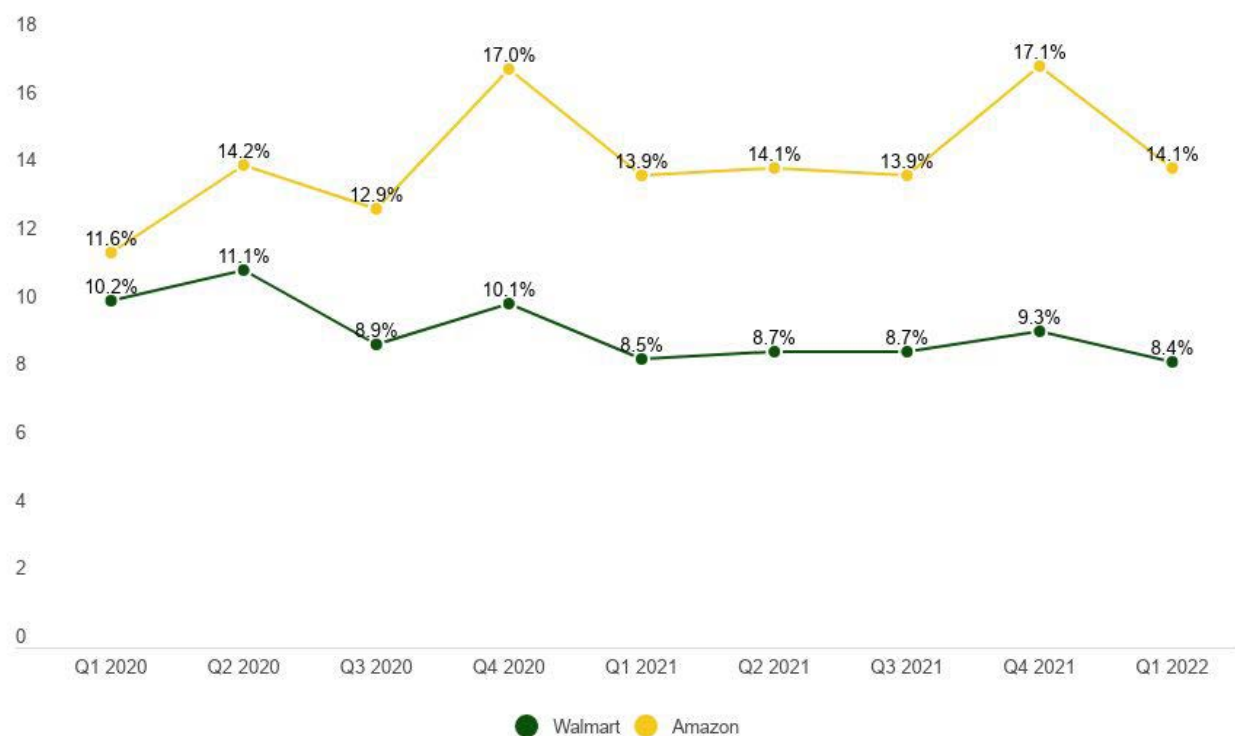
Amazon’s hold over the **furniture and home furnishings** market has grown from a respectable 9.9% second-place share in 2019 to a leading 14% in 2020 and 15% in 2021, leaving former leader Walmart well behind.

As of Q1 2022, Amazon’s current market share in this sector is at 14% — a significant decline from 17% in Q4 2021 — yet still well ahead of Walmart’s current 8.4%.

The convenience of Amazon, which often includes free doorstep delivery of furniture for Amazon Prime members and a wide selection of price tiers and furniture brands, represents a seismic shift in how Americans shop for furniture. Amazon offers a broad range of product choices without friction: no long lines, no wandering through aisles in search of a misplaced item and no unwanted extras such as traffic and high prices at the pump. While delivery costs for furniture can reach hundreds of dollars for consumers shopping at local stores, Walmart’s delivery services are often less than \$10. Even such a relatively low fee, however, may seem exorbitant to Prime customers accustomed to free delivery.

**Figure 6: Furniture and home furnishings sales**

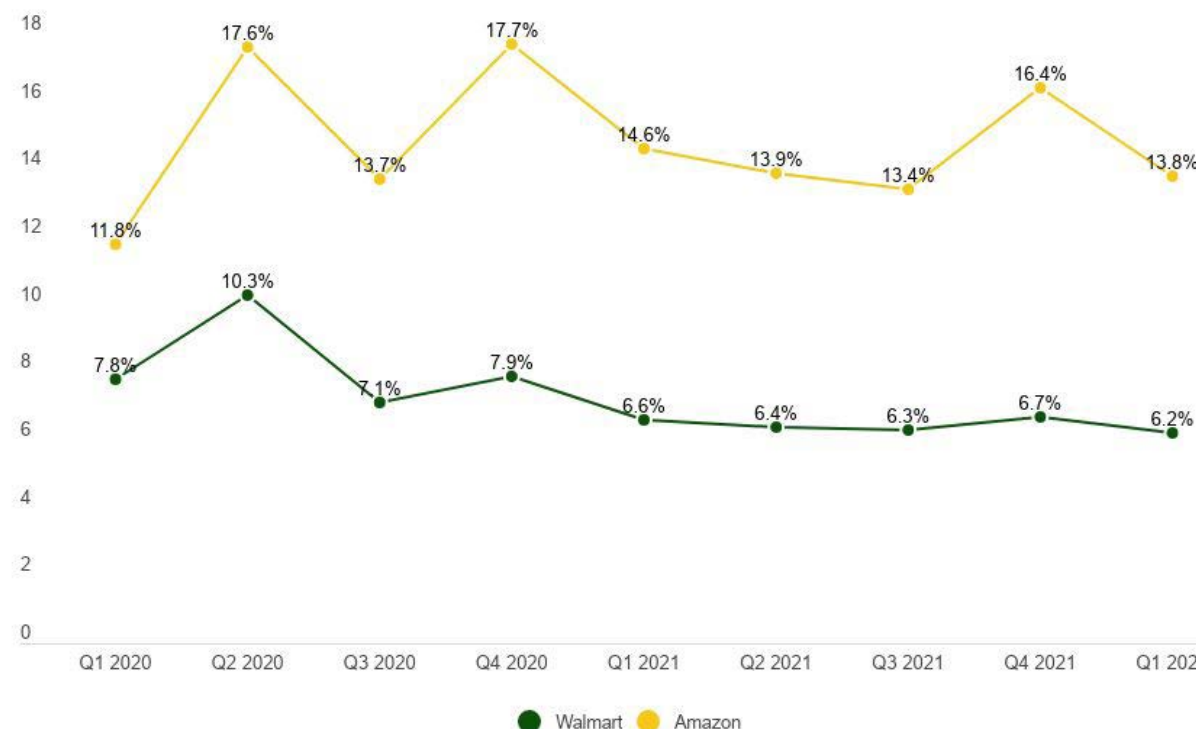
Market share per quarter for furniture and home furnishing sales at Amazon and Walmart



Source: PYMNTS.com

**Figure 7: Clothing and apparel sales**

Market share per quarter for clothing and apparel sales at Amazon and Walmart



Source: PYMNTS.com

**Amazon’s share of clothing spend, 14% in Q1 2022, is more than double that of Walmart’s, at 6.2%.**

Amazon’s range of **clothing and accessories** may not be more extensive than Walmart’s, but the variety of brands available allows Amazon to appeal to a broad demographic. Amazon owns more than 50 in-house fashion labels and also counts

Zappos and ShopBop among its retail brands. Walmart is making its own significant push to rebrand as a fashion-forward destination, introducing shoppable videos and influencer-tied collections targeting millennials and Generation Z shoppers.<sup>2</sup> Walmart’s recent partnership with online thrift giant ThredUp allows consumers to browse thousands of items online and get free shipping on orders above \$35.

<sup>2</sup> Williams, R. Walmart expands shoppable video hub with celebrity cooking shows. MarketingDive. 2022. <https://www.marketingdive.com/news/walmart-expands-shoppable-video-hub-with-celebrity-cooking-shows/595689/> Accessed July 2022.



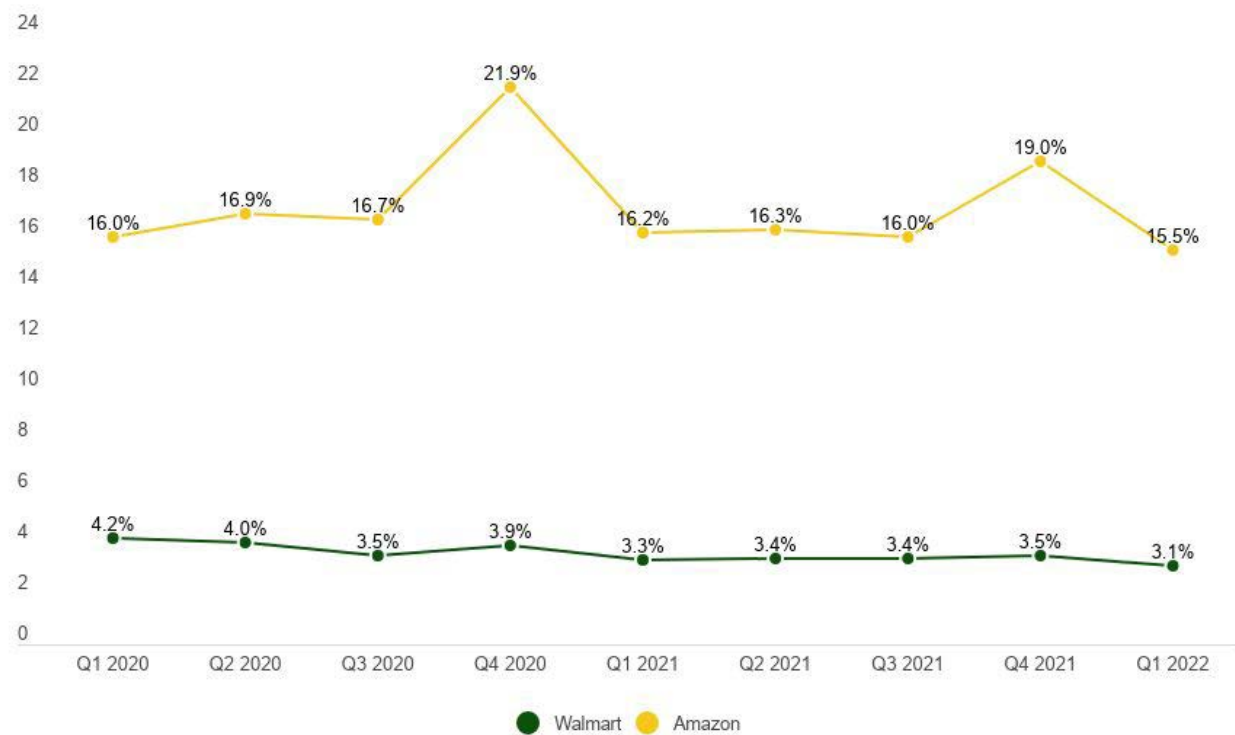
**Amazon continues to dominate, with nearly five times Walmart's share of books, sporting goods, hobby and music categories.**

Amazon's ability to maintain its edge over Walmart in **books, sporting goods, hobby and music** categories reflects not only the company's long-term advantage in

these areas but also its fine-tuned user experience. Amazon can suggest books and related items to consumers shopping for sporting goods, for example. While Walmart can theoretically do the same, Amazon's subscriber base has provided extensive data that aids in delivering insightful suggestions.

**Figure 8: Sporting goods, hobby, music and book sales**

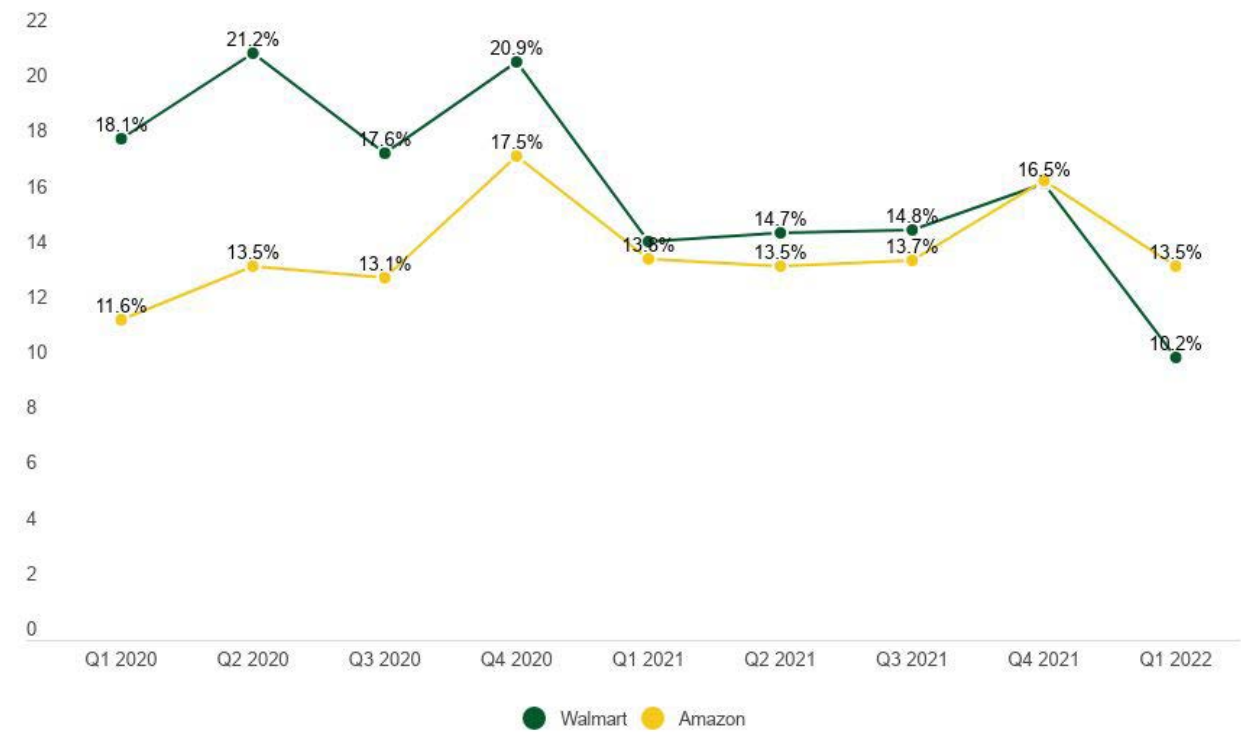
Market share per quarter for sporting goods, hobby, music and book sales at Amazon and Walmart



Source: PYMNTS.com

**Figure 9: Auto parts sales**

Market share per quarter for auto parts sales at Amazon and Walmart



Source: PYMNTS.com

**Amazon also led Walmart in its share of the auto parts market, at 14%, versus Walmart's, at 10%. This represents a significant margin of victory for Amazon, as the two companies were separated by just 0.1% in their Q4 market share.**

**Auto parts** represent another highly documented product type that today's digital shifters have begun to purchase online since the start of the pandemic. While Amazon's market share is just slightly greater than Walmart's, it may prove to be a significant growth area as Americans travel in the summer.

## PART III:

# WHERE WALMART OVERTAKES AMAZON

Walmart's high foot traffic has not resulted in a massive rise in its retail spend: Alternatives like Amazon provide consumers with a range of appealing choices. Walmart shoppers are likely Amazon shoppers as well, and that means new vulnerability to customer loss as shopping enjoyment and convenience become more important to customers who may calculate rising gas prices into their decision to shop in-store. Walmart, at least for the moment, remains the leader in food and beverage.

**Walmart's food and beverage dominance is substantial but at risk:** Walmart's 18% segment share is slipping steadily. Amazon currently holds a 1.9% share, which includes Amazon's sales via Whole Foods Market. However, it has other formidable challengers in the space like Target and Costco, offering low-cost general merchandise, rapid delivery and convenient local retail outlets.

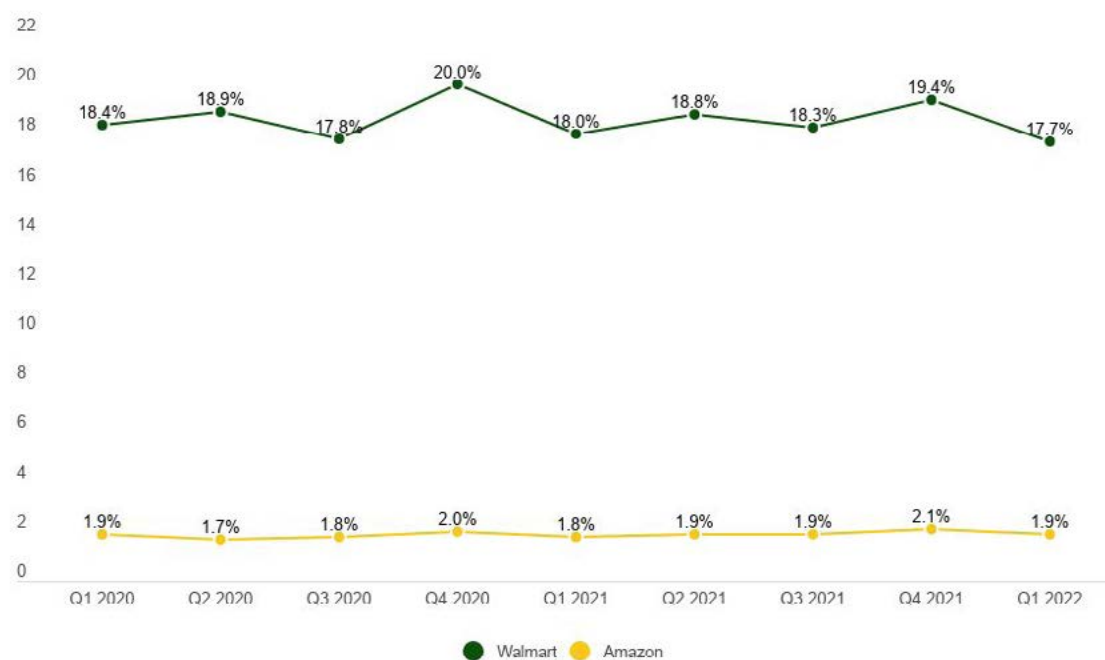
Walmart's declining share of the market segment that provides 56% of its revenue is significant.<sup>3</sup> As competitors like Kroger, Target and Costco aim their sites on their market share, Walmart is under enormous pressure to transform its high levels of foot traffic into consistently increasing revenue, something it has not yet achieved. Walmart's shoppable fulfillment center concept may amplify its leadership in this segment if the big-box giant can manage to blend seamless online ordering with rapid delivery.

<sup>3</sup> McLymore, A; Kumar, U.S. Walmart posts record holiday sales as spending remains firm. Reuters.com. 2022. <https://www.reuters.com/business/retail-consumer/walmart-forecasts-full-year-profit-above-expectations-2022-02-17/>. Accessed July 2022.



Figure 10: Food and beverage sales

Market share per quarter for food and beverage sales at Amazon and Walmart



Source: PYMNTS.com

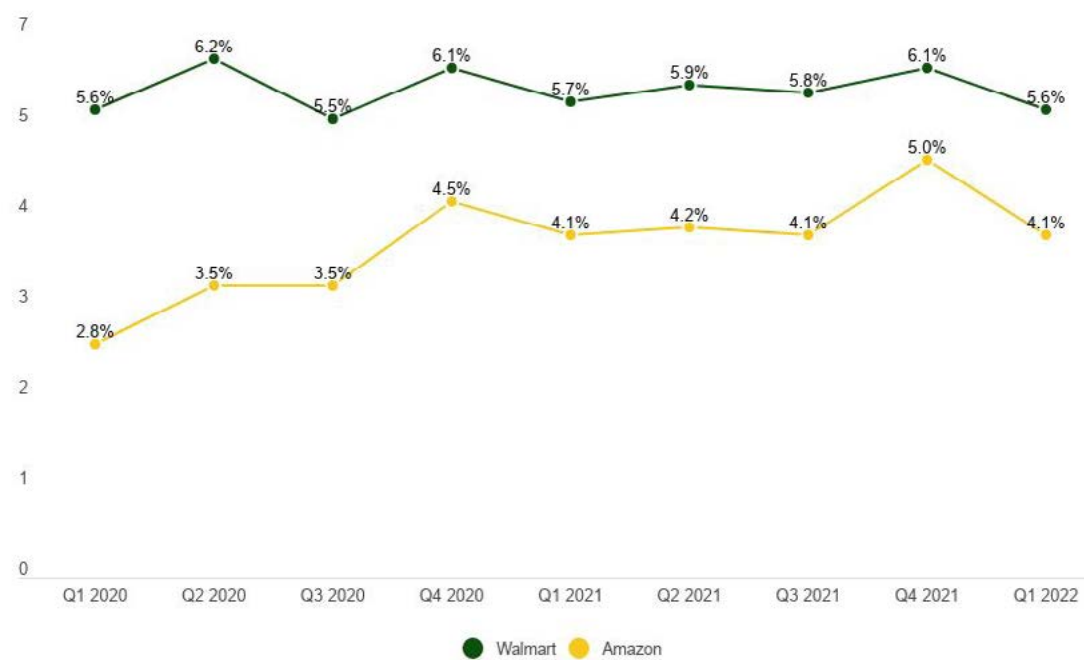
Nonetheless, according to some estimates, Amazon’s 2021 food sales in the U.S. were more than \$239 billion. It stands as the number two retail grocer in the country, outpacing Costco, Kroger and Target despite having just 662 physical stores.<sup>4</sup>

<sup>4</sup> Unknown author. Who are the top 10 grocers in the United States? Foodindustry.com. 2022. <https://www.foodindustry.com/articles/top-10-grocers-in-the-united-states-2019>. Accessed July 2022.

Walmart also has a slight lead over Amazon in health and personal care. Amazon’s relatively new pharmacy service, launched in 2020, offers a range of over-the-counter personal care products in addition to general goods within this segment, but it has yet to overtake Walmart. It has been stuck for nearly two years with a market share of about 4%.

Figure 11: Health and personal care sales

Market share per quarter for health and personal care sales at Amazon and Walmart



Source: PYMNTS.com

## AMAZON AND WALMART: THE NUMBERS

### Amazon

- Amazon’s gross sales in the U.S. have increased from \$272 billion in 2018 to \$566 billion in 2021.
- Amazon’s eCommerce retail sales, excluding Amazon Web Services, in the U.S. have increased from \$235 billion in 2018 to \$493 billion in 2021.
- Amazon’s compound annual growth rate (CAGR) for total sales and eCommerce sales is 28%.

### Walmart

- Walmart’s gross sales in the U.S. have increased from \$394 billion in 2018 to \$472 billion in 2021.
- Walmart’s eCommerce retail sales in the U.S. have increased from \$18 billion in 2018 to \$54 billion in 2021.
- Walmart’s compound annual growth rate (CAGR) for total sales is 6.2% and 43% for eCommerce sales.

# CONCLUSION

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The world in which Walmart and Amazon launched has changed many times over, and business strategies are evolving to match not only profit benchmarks but the changing global marketplace. As Walmart adopts new consumer experience features designed to match and even exceed Amazon's strengths, and the latter maintains and even grows its market share in many categories through efficiency and product availability, competition will only become more intense — and consumers will benefit regardless of the victor.





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