Walmart
First Quarter Fiscal Year 2025 Buyside Investor Call
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Presenters
Steph Wissink - Senior Vice President, Investor Relations
John David Rainey - Executive Vice President and Chief Financial Officer
Kary Brunner – Senior Director, Investor Relations

Q&A Participants
Ben Bienvenu - Stephens

Operator
Greetings. Welcome to Walmart's First Quarter Fiscal Year 2025 Buyside Investor Call. At this time, all participants will be in listen-only mode. Please note that this conference is being recorded.

I'll now turn the conference over to Steph Wissink, Senior Vice President, Investor Relations. Steph, you may now begin.

Steph Wissink
Thank you, Rob, and good morning, everyone. I'm going to begin with our legal disclaimer and then I'll turn it over to our host, Ben from Stephens. Management may make forward-looking statements during this call. These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements.

These risks and uncertainties include but are not limited to the factors identified in our filings with the SEC. Please review our press release and accompanying slide presentation for a cautionary statement regarding forward-looking statements, as well as our entire safe harbor statement and non-GAAP reconciliations on our website at stock.walmart.com.

Ben, we're ready to go.

Ben Bienvenu
Thank you, Steph. And thanks so much to everybody for joining us. I'm Ben Bienvenu. I cover the food, agribusiness, and grocery industries here at Stephens. I'm grateful to have Walmart on the call with us today, and thrilled to have from the company John David Rainey, EVP and CFO, who'll be answering our questions.

I'll be taking the lead on the fireside chat. We won't be taking any live questions on the call. I have had some inbound questions via email. Feel free to submit those to me if you'd like and we can try to work them into the discussion, ben.bienvenu@stephens.com.

First want to say, John David, thanks so much for being here.

John David Rainey
Well, thank you, Ben, and we appreciate you hosting the call and for all of our listeners attending.

Ben Bienvenu
Great. Okay, let's jump in. So, John David, I think maybe a good place to start, the market obviously received the quarter and your results well yesterday. If you were to give a grade for the company on this last quarter relative to achieving your intermediate to long-term goals, what would that be? And then maybe what are the things where you feel like Walmart's operating on all cylinders versus areas where you feel like you can do better?

John David Rainey
Sure. You know, there's always room for improvement, Ben, in any quarter, and that includes this quarter. But I think that the team did an excellent job overall. You know, and as much as, you know, they're--you know, I want to be modest here and not get ahead of ourselves, I think they Walmart team really probably deserves an A for what they did this quarter.

This is one where very much we made things happen versus happen--things happen to us. And you can see that probably just in the composition of revenue growth. This is coming primarily from units and traffic in stores versus higher prices.

In terms of where we're firing on all cylinders and opportunities for improvement, I could probably list quite a few in each category, but for purposes of time I'll focus on one each. Where we're hitting on all cylinders right now is in e-commerce broadly. And that would include what we're doing in Fulfillment Services, what we're doing in advertising, membership, and importantly, the reduction of our losses in e-commerce.

And a big driver of that is the net shipping expense that we have from our stores and fulfillment centers. We had really, really good progress there. And I think that's why you've probably detected a little bit of a tone shift in our messaging around that. So, that is one thing that stands out.

The opportunity for improvement, again, there are several, but one that stands out to me is what we're doing on SG&A. We--we'd like to get our SG&A down around that 20% range. I know we're only talking basis points above that. But on our revenue base, those are big numbers, and we clearly see opportunity around that.

You saw some decisions that we announced in the last quarter that are related to that. There's a clarity to our strategy right now. There's a discipline in the way that we're operating. And we recognized as a team that this is what got us here, EDLC. And despite all these higher growth parts of our business, we've got to be true to EDLC going forward.

And the team would tell you we've got some opportunity here. And we've already made some decisions in this area that hopefully will bleed through to our P&L over the balance of the year and coming years. But this is an ongoing journey. And the way that I think about this, just to be clear, you know, having spent almost two decades in the airline business, I am very familiar with cost-saving initiatives.

And I've seen those done well and I've seen them done not well, and frankly, more often in the latter category, because very often companies focus on some target, call it $1 billion, and those targets have a beginning and an end to them. And when you approach it that way, sometimes, in particular like when you're reactionary around that versus operating from a position of strength, you make short-term decisions like freezing marketing dollars or freezing heads, and those costs have their way of eking their way back into the system.

That's not what we're doing here, and there is no beginning and an end to this. This is a durable program that will exist for years. And it doesn't have a target associated with it because it's something that we need to build that muscle for every single day. And so, I know I'm getting long-winded here, but I recognize that that's an opportunity. You probably all do too as listeners. And so, I don't want you to think for a second that we're not losing our focus on that.

Ben Bienvenu
Okay, very good. John David, in some of the conference calls, you and the team highlighted a few figures. I just wanted to run through a few of these, if we could, quickly. We've had a number of follow-up questions, and maybe if we could just pick through each of these topics. First, starting with you mentioned incremental margin of e-commerce was 12.5%, maybe if you could just expound on that for us and give some context on that comment.

John David Rainey
Yeah. Let me--I'm glad you asked that question, Ben, because we throw around a lot of terms like gross margin, contribution margin, operating margin, so probably makes sense to clarify that.

So, what I'm talking about when I refer to incremental margins are incremental operating margins. So, a fully loaded cost that includes the SG&A associated with that. And the way that I look at that is, when I'm focused on e-commerce, I'm taking the incremental e-commerce revenue year-over-year, the growth, as the denominator, and the change in the operating income related to that as the numerator.

And we were really pleased to see 12.5% incremental margins on our business. Now, I want to pause there for a second because we don't have an expectation of performing at this level every quarter. In fact, when I look at our forecast for the year, it's not at that level. But we made really strong improvement in the first quarter largely around shipping costs that drove some of that improvement.

And so, I--as the CFO and, frankly, as an investor, like this is--given that our business is changing, I want to make sure that we're--the changes we're making, the growth that we're having is profitable growth, and profitable growth that is accretive to our overall enterprise margin. So, I look at this very closely each quarter, and I think it's a good indicator of our success and also where we're going. So, hopefully that clarifies what I'm talking about, Ben.

Ben Bienvenu
Yeah, that does. Thanks. Point number two, maybe if you could break apart the segment contribution of your global advertising growth of 24%, and then also on the global membership growth, if you could break apart the segment contribution to the overall growth.

John David Rainey
Yeah. On advertising, the U.S. was at around that same level, around 26%. When we look at international, particularly like Flipkart, Walmex, and some of the other international markets, they're also at that mid 20s percent. Sam's was in the low double digits in growth year-over-year. So, hopefully that helps there.

We actually don't break out our membership programs by segment, but we give you a little bit of data on the membership growth for both Walmart Plus and Sam's. So, hopefully that helps.

Ben Bienvenu
Okay. On SG&A deleverage, can you talk about the timing of tech spend and how that's impacting Q2, and then maybe we should--how we should think about the back half as well?

John David Rainey
Yeah. So, I think we've indicated that, for the year, we--we're not expecting much leverage overall. That--some of the investments we've made around that really become more pronounced in 2Q. And I think you should expect to see some of those investments continue into 3Q and 4Q, but they don't present quite as much margin pressure in the back half of the year as they do in the first half of the year.

We also have higher depreciation expense based upon some of the cadence of capital spend over the last year, and this was contemplated when we built our plan. We're a business--like, you know, it's--I wish every quarter could be this great. It's not going to be that way, though, particularly when we're investing for the future.

And we're really managing this--when I say this, our P&L, and even more specifically the relationship between operating income growth to sales growth. We're managing this on a multiyear basis. I don't want to be a prisoner to achieving this every single quarter if it results in us making poor business decisions that will ultimately help us achieve our long-range goals.

And so, you know, as investors, you might expect a little bit of volatility there, for lack of a better term. And we've indicated that that was expected in the first half of the year. It just so happens, this kind of goes back to your first question, first quarter was just really, really strong. And, you know, maybe we shouldn't expect that every quarter, but it offset or muted some of the impact of some of those investments.

Ben Bienvenu
Okay. A few more clarifying questions here. You made reference to a split of a third of your kind of customer cohorts between low, mid, and upper income. Is that different than how you've talked about it in the past, or is a different perspective of kind of the same commentary you've given?

John David Rainey
It--well, we may have used some different measures in the past. And to be clear, I was talking about just our U.S. business. I think it's fair to say, if you were thinking about our international business overall, that's going to skew more towards the low and middle income versus the relative parity between those income cohorts.

And just for clarity for everyone on the call if you didn't have a chance to listen yesterday, I described them in three buckets that were less than $50,000 of income in a household. The second bucket, the middle income, is between 50 and 100, and then the higher income is above 100.

You know, we look at various things when we get into geographies of the world, but I think that's generally a good way to think about our U.S. business. And they're--I said roughly thirds, you know, but all of them have a three handle on them. So, you know, there's--it's not perfectly thirds, but they're pretty close.

Ben Bienvenu
Okay, understood. And finally, maybe just if you could revisit your comment about the third of EBIT coming from business mix in the first quarter.

John David Rainey
Yeah. One of the things I--and I just spoke to the team here this morning about this. But one of the things I really liked about our quarter is I think it showed this great reflection of our business of the core retail operation performing really well, but also complemented with these newer businesses that we talk a lot about that are still relatively small when you think about sales, but have outsized margin contributions.

And specifically, the groups that I was referring to when I was talking about these newer businesses were advertising, membership, Marketplace and Walmart Fulfillment Services, and Data Ventures as well, those, I guess, five areas, if I'm counting correctly. And what I was pleased to see is that, when I look at the year-over-year income growth, again, kind of going back to this incremental margin approach, fully a third of that growth came from these newer businesses. And it just shows that we're--continue to gain traction.

And I want underscore the importance of that, because we've talked so much about the interdependence of these. The more one grows, the more strength it gives to another area, you know, and Marketplace and Walmart Fulfillment Services would be good examples of that, or Marketplace and advertising.

The more eyeballs that we--come shop at our Marketplace, the more advertisers want to spend their dollars there. And so, the fact that we're seeing growth in these parts of our businesses that are newer than our core retail or brick and mortar business, it's exciting to me. And they're driving margin to the bottom line.

But of those areas, the one that probably stands out to me as the most significant improvement in the profit profile this quarter was Walmart Fulfillment Services, which is contribution profit positive now. So, really, really excited about that, and makes us want to just put our foot on the accelerator there.

Ben Bienvenu
So, there have been so many questions about the health of the U.S. consumer. Are you doing anything different in trying to meet your customers where they are, or do you think Walmart's business philosophy is just particularly well-positioned to offer U.S. consumers an experience that resonates and drives market share gains in this sort of backdrop?

John David Rainey
Well, let's talk about the backdrop first before I directly answer your question, because I think a lot of us are focused on the backdrop of what we've had in the last 18 months with higher inflation. And there's this sentiment that's out there that we're only benefiting because of that.

And I actually take exception with that, because, if you go back and you look at pre-pandemic trends and then through the pandemic, a lot of companies did really well with their online footprint, their online presence during the pandemic, and then you saw those trends revert back to pre-pandemic norms after we exited the pandemic. Want to be very, very clear. Walmart has not seen that.

And if you think about our business, we weren't great at grocery pick-up or grocery delivery prior to the pandemic. Those were things that the team here really focused on and accelerated that during that period of time, because that was the way that people had to shop or wanted to shop. What's great about our business is, those trends have not reversed. And so I -- yeah, I think about my own shopping behavior. I was probably reluctant to buy online groceries before the pandemic, because, you know, I wanted to hold the avocados. I want to make sure I didn't get wilted lettuce, or whatever it was.

And many customers probably were like me. But when they've gone through that experience, and moreover, had a very good experience doing that, they've continued to do that. So this is a behavioral change that we've seen. And frankly, if you go back and you look, historically, going back to, like even 9/11, at black swan type events, they tend to result in permanent changes in consumer behavior, in one form. This is one of them. And we've really been, I think a beneficiary of this.

And so what we're doing today, to, I think, keep a hold of this consumer, whether it's a higher or lower income demographic, is we're providing convenience for them, in a way that they haven't before. We are now a consideration for many things that we weren't before. And as we continue to improve in areas like marketplace, as an example, where we're no longer just offering first party assortment, we offer third party assortment.

So you can get 420 million different items on our marketplace, that you couldn't prior to that, when you're getting groceries. Those are great ways for us to retain these customers, because of this convenience aspect.

Ben Bienvenu
John David, you've talked a lot about contribution from, you know, a number of these higher margin revenue streams. And generally, as the business is performing really exceptionally well, how do you think about balancing the trade-off of managing near- to intermediate-term return on invested capital and margin expansion, your need to strategically position the business to skate to where the puck is going, as the retail landscape shifts, over time. and technology continues to evolve?

John David Rainey
Honestly, Ben, this is kind of one of the more challenging parts of a CFO's job, I think, is you want to continue to invest for the long term. But you can't ask your investor base to just sit there and wait, and with this promise that, yes, in five years we're going to have margins or returns or ROI that is going to be better than what it is today. And so I think it's a balance. Operationally, like we're building a company, we're building a part of a company that we have a lot of conviction in. And it's going to take some time.

And so the focus is on that -- on the long term. But we're trying to balance that with showing progress, in the near- and intermediate-term, so that we don't have to ask investors to trust us or believe us, that they can see that progress, as we go along. And so there's -- there's a fine balance to that. And I think, thus far, we've been able to strike that balance pretty well. We fully intend to, in the future. You've seen, over the last year, and our guidance this year, that we're at the upper end of the guidance that we provided at our investor community meeting last year.

That's better than probably we all expected at that period of time. And we're really pleased about that. But I think we've got to continue to show progress. One of the things that we've committed to, to the investor community, is that we should expect our return on investment to go up every year, even though we're investing more heavily in the capital in our business.

And so, to sum up that, because I feel like I'm rambling here a bit again, but we're focused on the long term. That's what's going to create value for our business, is to create a great company and do the things that are going to make us thrive over the next 62 years of our business. But we've got to demonstrate progress, in the short term, so that we can bring investors along for that ride.

Ben Bienvenu
John David, maybe continuing on this idea of these higher margin business streams, revenue streams, thinking about kind of contribution to operating income over the next few years -- how, really, you know, what has been, as you described, over the last 18 months of an environment that today is, you know, maybe stabilizing a bit -- how, if at all, does the competitive environment and consumer backdrop create variability? And how much of these revenue streams do you want to let flow through to margin expansion versus reinvest in the business?

John David Rainey
Yeah. Well, let me describe it this way. We anticipate, in our long range plan, a hyper-competitive environment. That's what retail is. That's what we've operated in. We don't expect things are ever going to get any easier. And part of that is we know that we need to be a leader in everyday, low prices. And so our plan contemplates price reinvestment, it contemplates the appropriate level of investment in our associates, so that we can make sure that we have the very best associates serving our customers, in the way that they know how. It's not an either-or.

We know that things are only going to get more challenging. But we're fortunate in that, by executing on the core basics really well this quarter, and over the last year, as well as these newer parts of our business, it allows us to compete in that environment, in that dynamic, competitive environment, but also have those returns fall through to the bottom line. And so, I don't really view it as a -- as an either-or. Like, these are -- like, there are necessary things that we need to do, to be successful in retail. And one of those is everyday low prices.

And so those are table stakes in our game. We manage and monitor our price gaps of the competition all the time. And so, we're very focused on that. I don't want investors to think that, because maybe we've changed our posture about operating income growth, that it means that we're not going to invest for price, or we're not going to continue to pay our associates appropriately. We're absolutely going to do those things.

Ben Bienvenu

We didn't hear a ton of conversation yesterday around store remodel programs. I'd love to hear how those programs are progressing, from a returns and sales uplift perspective, recognizing it's still early in the process.

John David Rainey
Yeah, we're really pleased with this. And, I hope this isn't just a moment in time. But, like the returns that we're seeing, the uplift in sales in these stores, is pretty compelling, which is why we were doing this at the pace that we are. We're not actually talking about a lot of capital, when you think about a particular -- on a unit level, on a store level. But what's exciting about this, is the returns aren't just in the stores themselves. When you look at the geographic areas surrounding these stores, we see an overall uplift in e-commerce activity, as well.

Which underscores this point that we've been emphasizing around the importance of an omni model in our business, going forward. And we see the benefits of that. So we did -- correct me if I'm wrong, Steph -- but I think 650 stores last year, 700 stores last year -- 700 stores last year were -- in the U.S. We're on pace for 650 this year. And, you know, this is one of those things, if you have questions, like I would ask you to go to one of our stores. Like it speaks for itself. And the step change improvement that you see, it just makes one think about Walmart a little bit differently.

Ben Bienvenue
Yeah, understood. Thinking about e-commerce sales -- can you kind of unpack a little bit of some of the key drivers that you're seeing and where we are in the maturity curve of those key drivers, to sales and profitability growth of e-commerce? You made a number of comments, obviously, around recent incremental margins and some of the contributions. But any continued discussion there would be helpful.

John David Rainey
Sure. There are a few things to mention here. But I'm going to focus on two that I think are probably driving most of the improvement. One is delivery costs; the second is density. The -- and I mentioned the delivery costs. And just to - it says context here -- we shared a number yesterday, that I think is pretty important, where we said that, over the last 12 months, we have delivered same day or next day, 4.4 billion items. And the breakdown of that is almost half, I think it's, like 44%, is within four hours. Over 20% is within three hours.

And what we're seeing is that customers are really responding to this express delivery, and showing a willingness to pay for this. So when you think about our delivery costs, this is on a net basis. This is inclusive of deliveries, where we don't get any revenue for that, but it also includes where someone's willing to pay us a certain fee to have this delivered in an hour, at their house, or two hours, at their house. And so, all in, the result of that is we've seen about a 40% improvement, year over year. And I feel very comfortable that this is a sustainable improvement, and will continue to improve, from here.

So that's the first point. That's a big cost of the e-commerce part of the equation. The second is density. We've talked about this before. Ben, I know you're very familiar with this. But when you're delivering a package to a cul-de-sac, and you -- you're only delivering one package to that cul-de-sac, that's a pretty inefficient delivery. But when you can drop it off at three houses on that cul-de-sac, then you're bundling the costs related to that delivery, and it makes it a whole lot less expensive.

And so this, again, goes to this interdependent nature of many of the things that we're doing. The more customers that we have that avail themselves of our delivery services, the more that we're able to spread that, call it fixed-ish cost -- if I could use that as a word, “fixed-ish” -- cost over that -- the number of customers. And that's really helping the economics around this right now. So, you know, we're quite excited about the progress here. You know, we -- you clearly saw a -- probably, as I mentioned, a tone change in the way that we're talking about e-commerce. And it's because of some of the progress that we've made recently.

Ben Bienvenue
John David, you know, fiscal ‘24 really jumpstarted a trend of pretty steady, meaningful, gross margin expansion for Walmart. What are some of the keys for ensuring that that trend continues? And what are the circumstances where you might think about sacrificing gross margin for betterment of the overall margin profile, or strategic positioning of the business?

John David Rainey
It's interesting, Ben. Even internally, we've really changed the way that we talk about gross margin, because we've seen the gross margins going up in our business. And, internally, we don't want to send the message that this is coming from raising prices. And so, we’ve -- we're starting to break out what we call merchant margin, and then we do it all in, gross margin. And that includes the items that are more e-commerce related, like advertising and so forth. And so, from a merchant margin or -- perspective -- so just think, you know the -- what we're selling it for, less cost of goods sold -- margins should probably stay in the range that they are.

We’re going to be aggressive on price. That's who we are. So by gross margins going up -- when we talk about that on our earnings call, I don't want people to think that that means we're raising prices. That is not how we're going to achieve our results. But that said, gross margins are going to go up, because of the improvements we're making and the contribution -- the growing contribution from areas like advertising, going forward.

And so you're -- you know, advertising, as a business, that has, you know, we'll call it 70 to 80% margins. And that's becoming -- as that's growing, like this quarter, 24%, you're seeing that have more of an outsized magnitude of that overall impact on gross margins. So that's the way that we want to make gross margins go up.

Ben Bienvenu

So the success of the U.S. business really continues to dominate the conversation, as it relates to the shareholder value creation narrative for Walmart. When you think about allocating capital and strategic priorities for Sam's Club and international, how should we think of how these businesses fit into the overall shareholder value creation mosaic? Obviously, you know, they both performed exceptionally well in this most recent quarter.

John David Rainey
Yeah. We love the portfolio we have. And if you just focus on the international portfolio right now, there are some real shining stars there, whether it's Walmax or our China business or what's happening in India. And, in terms of the allocation of capital, you know, some of the benefits that we get from -- take supply chain automation. They're not going to be as compelling, maybe, when you look at the unity economics of that in other regions. So they're not demanding as much capital as what the U.S. business is, just by virtue of its size.

But we've indicated that we expect both the top line and operating income for international to outpace the enterprise, over the next five years. What -- I can't help but mention Flipkart and PhonePe. Part of the improvement we saw in the international segment in the first quarter, was the improvement in those two companies. They continue to do extremely well. PhonePe, right now, is generating a level of total payment volume. So think, you know, GMV in our business, but in the payment business, is total payment volume, that is $1.5 trillion. Like -- these are like crazy numbers.

And they are the largest player in that market, and the largest market in the world, in what is a network business, that you know, that -- the more merchants you have on one side, the more customers on the other side, and vice versa. And so we couldn't be more excited about that. Walmax is another one, where, you know, I look at that business and how it's performing -- really, really excited.

Sam’s is one--look, I'll be quite honest here. I have multiple-envy when I look at Sam’s relative to the other club stores like this. And I would love to unlock that multiple and make investments in Sam’s to be able to realize that kind of earnings multiple, because we think Sam’s is an incredible franchise and can be a leader in this space. I think they're a leader in many ways right now, but I think there's opportunity there, and so we've talked about some store expansion. We're changing some of the things that we're doing at Sam's to be more competitive.

And Sam’s, for us is, it's almost kind of a test case or a pilot for a lot of our technology and the scan and go technology and the checkout technology that we're doing at Sam’s right now ,where you scan all the items with your iPhone, and then you walk out and you don't even have to talk to a human being because you go under this device that has all these cameras, that takes pictures of the items in your shopping cart, I mean, that's the leading edge. What's interesting about this is the customer response. The NPS scores on this technology are in excess of 90. I can't point to a lot of other type of experiences or technologies that have that favorable of a customer rating. And so we want to lean into those kind of investments there. But when you just look at our portfolio of opportunities, the US is where we're going to be spending a lot of money because of the type of initiatives that are driving the improvements there, being the supply chain automation.

Ben Bienvenu
That's a perfect, maybe dovetail into the next question. Just, you made some comments at your investor day about a year ago, as a relates to supply chain fulfillment goals that you wanted to achieve by FY '26. I think it was having roughly 55% of store service by automation, around 55% of the fulfillment center volume moving through automated facilities and unit cost averages could improve by around 20%. How much progress have you made there? And are we starting to see that manifest in the results?

John David Rainey
We're really pleased with the progress, and I would say we're on track relative to what we shared at our investor day but let me separate how are we measuring the progress there. So what I'm referring to that, I'm referring to the pace of implementation of this automation. So 36% of our fulfillment center volume is automated today. 1,700 stores in the US are served by automation. So that's right on track with what we said. But we need critical mass for this to drive some of the improvements we want and units per labor hour in the stores. And so we've got to continue to go along this automation journey. What's key for me, and frankly, key for all of you is we've got to make sure that we're getting the cost savings that results in the high ROIs that we've talked about around this. And that comes through units per labor hour, so we'll need to continue to drive towards that.

Ben Bienvenu
John David, when you think about your guidance for this year, financial goals for this year and the next few years, what are some of the biggest risks you see out there to achieving the guidance and your goals? And how would you rank order them, be they either internal organizational constraints or external factors?

John David Rainey
Well, I think a risk for any company, we're not immune, is macro. We all sort of turn on CNBC first thing in the morning, or pull up the journal, and we're looking for the latest CPI data or retail spend data, trying to see if there are creeks (ph) in consumer spending or creeks the economy. So we're very focused on that, but I don't think that is going to change anything around our long-range plan. We're a company that I think will be successful during more challenging times, and a company that will be successful during more expansionary times, and I'm eager to be able to demonstrate that to the investor community.

This is maybe a little trite, but I really think we've just got to execute. We know we operate in a hyper competitive environment. It's always been that way. It's not going to change. We're very focused on serving the customer, and I think we can control our outcomes if we execute on what we want to do. So that's what I kind of wake up and worry about, is largely the things that we can control, and I feel really good about that. And hopefully, this first quarter demonstrated how the team is doing there.

Ben Bienvenu
Yeah, very much so. Maybe two more questions here. One is revisiting some of the clarifier questions. So John David, the 12.5% incremental e commerce margin, does that includes the impact from advertising marketplace fulfillment, or are these two factors mutually exclusive from one another as it relates to the progress we're seeing year-over-year in operating margins?

John David Rainey
It includes it, to be clear. So that includes the entire suite of services that are attached ecommerce, data ventures, fulfillment services, marketplace, all of that.

Ben Bienvenu
Okay. Lastly, maybe, John David, you've now nicely settled into the role at Walmart, I'd be curious to hear what your impression has been of this organization after serving in the CFO role for the company versus maybe your perception of the business as you evaluated it from the outside before starting at Walmart?

John David Rainey
Well, one thing that stands out to me--I've worked at some large companies before, United Airlines is an example. And large companies tend to be typecast as slow moving, bureaucratic, lots of red tape, hard to execute on things in a quick way. And that's not really the case at Walmart. And let me talk about that, explain that. People talk about our culture. We talk about our culture, and how important that is. And while that sounds like a feel good thing, and like a collaborative work environment, how that translates into things that matter to investors, is having that culture, enabling us to operate with speed.

And so if you think about the clinic decision that we made recently, or some of the other decisions, once we align around something, this company actually operates more quickly than any company I've ever worked for, including the Silicon Valley company that I came from before this. And when I first came here, I had a hard time understanding that, but it's really because of the culture. We have a unanimous approach to something, and we all get on board, and we move and move fast.

Another example of that would be when we had the glut of supply chain issues last year, with all the inventory, and you saw how quickly--I guess that was two years ago, but you saw how quickly we moved on that. And arguably, I would say we came out of that quicker and better than anyone else. Those are examples of really moving with speed and clarity that belies a company of our size, and so that's something that really stands out to me.

The other thing and I say this almost selfishly, but I think we have a generational opportunity here. That's hard to say for a company that's been around six decades, but the types of changes that we're making, we should be very successful at. If you think about moving into ecommerce or some of the more digital businesses that we want to do, if we're starting a company in Silicon Valley, the challenge with any of those companies is customer acquisition, customer acquisition and having a brand that people trust. We're sitting here today at Walmart, and we have both those.

We have a brand, has been around for 62 years that people trust, stands for saving money and living better, and we have hundreds of millions of customers that shop with us each week. We're simply putting digital tools and technology in their hands to allow us to allow them to engage with us in the way that they want to. And so it's something a CFO gets excited about because we're serving our customers in a better way that is going to be accretive to our margins. That's pretty exciting for me.

Ben Bienvenu
OK. Awesome. I think that's a nice place to leave it. John David and Steph and Kary, thanks so much for joining us on the call. Thanks, everybody for joining in, who listened. Everybody have a great weekend, and we'll talk to you soon.

John David Rainey
All right. Thank you, Ben. We appreciate it.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.