

Walmart Taps Store Employees to Test Last-Mile Delivery Initiative



- 1) Walmart's latest initiative in its ongoing competition with Amazon is to test a new delivery program that sends store employees to deliver online orders to customers' homes at the end of their shifts.
- 2) The new program is designed to solve the challenges associated with the last mile of delivery, which include cutting shipping costs and getting packages to their final destinations faster and more efficiently, according to Marc Lore, President and CEO of Walmart eCommerce US.
- 3) The company began testing the package-delivery program a month ago in three stores—two in New Jersey and one in Arkansas—but it did not offer details on when or where it might expand the program across the US.

Walmart Testing Store Employee Delivery of US Online Orders

In its latest initiative to compete with Amazon, Walmart is testing a new package-delivery program that sends store employees to deliver online orders to customers' homes at the end of their shifts. The new program is designed to solve the challenges associated with the last mile of delivery, which include cutting shipping costs and getting packages to their final destinations faster and more efficiently, according to Marc Lore, President and CEO of Walmart eCommerce US. According to the company, last-mile delivery adds \$5 to the cost of an online order, while shipping an item to a store costs just \$0.75.

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According to Lore, since Walmart already has trucks moving orders from fulfillment centers to stores for pickup, those same trucks could be used to bring ship-to-home orders to a store that is close to the customer's home. A participating associate at that store could sign up to deliver the order to the customer's house on the drive home after work.

We view this initiative as a positive for Walmart, its customers and participating employees.

- **Benefit for Walmart: It leverages the company's physical footprint.** Walmart says that 90% of the US population lives within 10 miles of one of its 4,700 stores. Using those store locations as shipping hubs can reduce last-mile delivery costs and get packages to customers more efficiently.
- **Benefit for Walmart: It leverages the company's employee base.** By leveraging existing employees who drive their own cars, Walmart could create a vast delivery network with little upfront cost. Unlike crowdsourced delivery services such as Instacart and Postmates, where drivers have to travel to pick up packages before they can deliver them, Walmart associates who make deliveries after their shift ends start at the same location as the packages, so no extra trip is needed.
- **Benefit for employees: They can earn extra money.** Employees are offered overtime pay to make deliveries and they can set their own preferences, including how many packages they can deliver, the size and weight limits of those packages, and which days they are available to make deliveries after their shift ends.
- **Benefit for customers: It makes it even more convenient to shop online.** Customers will be able to place an order online and receive the order that night or the following day. Walmart does not currently offer next-day delivery.

How Does It Work?

Walmart has built a proprietary app to test the delivery service. The app matches online order delivery addresses with employees' driving routes home from work. The system is built to allocate delivery assignments based on where employees live, so that the delivery route aligns with their commute home, the company said. If there are not enough employees to deliver packages, carriers such as UPS and FedEx will fill in.

- Once employees finish their shift, they pick up the packages they will deliver from the stock room, load them into their car, enter the delivery address into the GPS on their phone and head toward the delivery destination, which is on or close to their route home.
- Employees will be paid extra for the voluntary program, and offered overtime pay as necessary to make deliveries, according to Walmart.

Walmart's Aggressive Online Strategy

Over the last year, Walmart has been aggressive in enhancing its online customer experience and delivery services in order to better compete with other online players. The company has acquired smaller e-commerce pure plays and tested and implemented several omnichannel initiatives designed to provide customers with convenient options.

- **Acquisitions:** Walmart has acquired a number of online retailers, including Jet.com (for \$3.3 billion), shoe retailer ShoeBuy (for \$70 million), outdoor retailer Moosejaw (for \$51 million) and women's clothing retailer ModCloth (for \$50–\$75 million).

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- **Buy online, pick up in store discount:** Customers can receive discounts on roughly 10,000 items if they choose to pick up their online order at a local store instead of having it shipped to them. The number of eligible items will grow to 1 million by the end of June, according to Lore. The discounts range from just a few dollars to \$50.
- **Free two-day shipping:** Walmart recently announced that it would offer free two-day shipping to customers' homes and to stores on more than 2 million items, with no membership fee requirement, as long as the customer spent a minimum of \$35 (the previous minimum was \$50).



Source: Walmart.com

- **Online grocery pickup:** With online grocery pickup, customers order groceries online, select a pickup time and collect the groceries in their car upon arrival at the designated store pickup location. The service is now available at 600 stores and will be added to another 500 locations this year.
- Walmart has also been testing a **Pickup Tower**, which is an automated vending machine for picking up online orders. The retailer says that the test has been successful, and that it is rolling out Pickup Towers to additional locations in the months ahead. Walmart declined to share how many locations will have a Pickup Tower, but there is already one in use at its Rogers, Arkansas, store.



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