Walmart Business Model

Idea In Short

Walmart generates more revenue than any other company in the world, and its business model still rests on the discount formula Sam Walton built in 1962: buy in enormous volume, cut operating costs and pass the savings to shoppers. The strategy has evolved well beyond that origin. Walmart U.S., Walmart International and Sam's Club now operate alongside a fast-growing advertising unit, Walmart Connect, and a membership program, Walmart+, that turn foot traffic and purchase data into higher-margin revenue. Grocery remains the anchor category, pulling in the repeat visits that other retailers cannot match. This profile examines how Walmart combines physical scale, supply chain discipline and a growing digital layer to defend its position against Amazon, Costco, Target and Kroger, and where the model's cost pressures and thin margins still bite hardest.

Scale Built on Three Segments

Walmart organizes its global business into three reportable segments: Walmart U.S., Walmart International and Sam's Club. Walmart U.S. supplies the majority of sales, running thousands of supercenters, discount stores and neighborhood markets across all 50 states. Walmart International operates in roughly 18 other countries, adapting store formats from hypermarkets to cash-and-carry wholesale outlets to fit local shopping habits. Combined, the three segments generated $681 billion in net sales for fiscal 2025, more than any other company in the world.1

Grocery Keeps Shoppers Coming Back

Grocery is the category that turns occasional shoppers into weekly ones, and Walmart leans on that habit to sell everything else stocked under the same roof. Food and consumables account for the largest share of Walmart U.S. sales, a position built on store density that puts a supercenter within a short drive of most American households. Roughly 280 million customers and members visit Walmart's stores and websites every week across 19 countries, a scale few grocers or general merchandisers can match.2 That weekly habit gives Walmart repeated chances to sell pharmacy, apparel and electronics to a shopper who came in for milk and eggs.

Everyday Low Cost Runs the Machine

Walmart's pricing strategy depends on keeping costs out of the system before they ever reach a shelf. Cross-docking moves goods from an inbound supplier truck to an outbound store truck within about a day, cutting the warehousing and handling costs that competitors carry. Buying at massive volume gives Walmart negotiating leverage that smaller chains cannot replicate, and that leverage compounds across a supply chain moving more than 100 billion items a year. The company still frames this discipline the way its founder did decades ago.

> Saving people money so they can live better

Walmart Connect Turns Data Into a Media Business

Every purchase Walmart processes generates data on what shoppers buy and when, and Walmart Connect sells brands access to that behavior through on-site ads, sponsored search placement and in-store screens. The unit's advertising revenue grew 46% in 2025 to reach $6.4 billion, a pace far ahead of Walmart's overall sales growth.3 Advertising carries software-like margins rather than retail margins, so each incremental ad dollar contributes far more to profit than an incremental dollar of merchandise sales. That gap is why Walmart, following Amazon's lead, has pushed advertising from a side project into a core strategic priority.

Sam's Club Sells Membership, Not Just Merchandise

Sam's Club operates on a different logic from the rest of Walmart: shoppers pay an annual fee for access, then buy bulk groceries, electronics and fuel at club prices. Basic membership rose to $60 a year and Plus membership to $120 in 2025, an increase management expects to meaningfully lift membership income going forward.4 Because renewal rates have climbed to record levels, that fee income behaves like a subscription business layered on top of a warehouse retailer, smoothing revenue in a way ordinary merchandise sales cannot.

Walmart+ Competes on Convenience, Not Just Price

Walmart+ bundles free shipping, fuel discounts and same-day delivery into one annual membership, positioning Walmart as a convenience option rather than only a low-price one. The program has continued adding subscribers at a double-digit pace, with growth concentrated among households that also shop Walmart's physical stores.5 Because thousands of supercenters already sit close to where customers live, Walmart can offer same-day delivery without building a separate last-mile network, a structural advantage Amazon has spent years trying to replicate through physical stores of its own.

Where the Model Strains

Cost leadership leaves little room for error, and Walmart's operating margins remain thin relative to the size of its revenue base. The company has faced recurring criticism over wages and working conditions for hourly associates, even as it points to internal promotion rates and wage increases as evidence of improvement. Competitors including Costco, Target, Kroger and Amazon all press on some part of the model, whether through membership loyalty, private label quality or delivery speed. Walmart's answer has been to add higher-margin businesses, advertising and membership chief among them, on top of a merchandise base that still runs on thin margins by design.

Key Partners

Walmart depends on a vast global network of manufacturers and distributors that supply the volume behind its low-price positioning. Third-party sellers on the Walmart Marketplace extend the assortment without adding inventory risk to Walmart's own balance sheet. Logistics carriers, trucking fleets and last-mile delivery providers keep goods moving between distribution centers and stores. Local franchise and licensing partners help Walmart International adapt store formats to markets it does not operate directly.

Key Activities

Sourcing and bulk purchasing sit at the center of everything Walmart does, since buying power is what makes the low-price model possible. Running thousands of physical stores alongside a growing e-commerce and app platform requires constant investment in store operations and digital fulfillment. Inventory management and distribution keep shelves stocked while limiting the working capital tied up in unsold goods. Increasingly, monetizing shopper data and advertising space has become a distinct activity that runs alongside the traditional retail business.

Key Resources

Walmart's store and club network, spanning supercenters, discount stores and Sam's Club locations, is the physical asset base competitors cannot easily replicate. Its distribution centers and trucking fleet move enormous volumes of goods with speed most retailers cannot match. Shopper data collected across stores, the app and Walmart.com underpins both personalization and the advertising business. Its workforce of associates, trained internally and often promoted from hourly roles, keeps stores and fulfillment running.

Value Propositions

Everyday low prices remain Walmart's core promise, delivered consistently rather than through short-term discounting. A broad one-stop assortment lets shoppers buy groceries, apparel, electronics and pharmacy items in a single visit. Omnichannel convenience, including pickup, delivery and app-based shopping, extends that promise beyond the physical store. Sam's Club adds bulk value for members, while a reputation built over decades gives customers a reason to trust the price and the product.

Customer Relationships

Walmart runs most of its customer relationship through self-service and automation, from self-checkout to app-based order tracking. Walmart+ and Sam's Club memberships create a direct, recurring relationship built on renewal rather than one-off transactions. Customer service teams and a money-back guarantee handle the exceptions when self-service is not enough. Loyalty here is built on consistent value rather than emotional branding.

Channels

Physical stores, including supercenters, discount stores and neighborhood markets, remain

Walmart's dominant channel by sales volume. Walmart.com and the Walmart mobile app extend the same catalog online, with pickup and delivery connecting the two. Sam's Club operates its own storefronts and site for members. Marketplace listings and Walmart Connect ad placements now function as channels in their own right, reaching both shoppers and the brands that sell to them.

Customer Segments

Value-seeking households make up Walmart's largest and most consistent customer segment, drawn by low prices on groceries and everyday goods. Sam's Club members form a distinct segment willing to pay an annual fee for bulk pricing and added perks. Small businesses and bulk buyers use Sam's Club and Walmart Business for supplies at commercial scale. A newer segment, brands and advertisers, now pays Walmart directly for access to its shopper base through Walmart Connect.

Cost Structure

Cost of goods sold dominates Walmart's expense base, reflecting its position as a merchandise retailer operating on thin margins. Store operations, logistics and labor costs make up most of the remainder, spread across thousands of locations and a large distribution network. Technology investment in e-commerce, fulfillment and advertising infrastructure has grown as a share of spending. Walmart's advantage comes from running this cost base more efficiently than competitors at comparable scale.

Revenue Streams

Retail and club merchandise sales, spanning groceries, general merchandise and fuel, remain Walmart's primary revenue stream by a wide margin. Membership fees from Sam's Club and Walmart+ add a recurring, higher-margin layer on top of transactional sales. Advertising revenue through Walmart Connect has become the fastest-growing stream, monetizing the traffic Walmart already generates. Financial services, including money transfers and prepaid cards, contribute a smaller but steady supplement.

- 1Walmart's Fiscal 2025 Annual Report On Form 10-K
- 2About Walmart, Company Facts
- 3Walmart's Ad Business Grew 46% In 2025

- 4Sam's Club Raises Its Annual Membership Fee To $60
- 5Walmart+ Paid Membership Continued Double-Digit Growth

Summary

Walmart's core business model has not changed in six decades: undercut on price, control costs relentlessly and let volume drive profit. What has changed is the layer built on top of that foundation. Walmart Connect turned shopper data into a media business worth billions of dollars a year. Sam's Club memberships now behave like a subscription product, with renewal rates at record highs. Same-day delivery from thousands of stores lets Walmart compete with Amazon on speed without building a separate warehouse network from scratch. The risk is that thin margins on merchandise leave little room for error, and labor practices remain a recurring point of criticism. Still, the combination of physical reach, supply chain control and a maturing advertising arm gives Walmart more ways to make money per customer visit than it had a decade ago.