09-Jun-2025

Walmart, Inc. (WMT)

Oppenheimer Consumer Growth & E-Commerce Conference

CORPORATE PARTICIPANTS

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Rupesh Parikh

Analyst, Oppenheimer & Co., Inc.

Good afternoon, everyone, and thank you for joining us at Oppenheimer's 25th Annual Consumer Growth and E-Commerce Conference. My name is Rupesh Parikh. I'm the Senior Food, Grocery and Consumer Products Analyst here at Oppenheimer. I'm very excited to introduce our next presenting company, Walmart. After major outperformance and gains in 2024, Walmart shares are up about 8% year-to-date, outperforming a modest increase in the S&P 500. We remain very upbeat toward the company's prospects, including the potential for outsized profit growth to continue in the coming years.

So, joining us are John David Rainey, EVP and CFO; and Kerry Brunner, Senior Director to Investor Relations. Thank you all for being here today. The format of today's session will be a fireside chat, where I'll go through a number of questions I prepared. And with that, let's get started.

QUESTION AND ANSWER SECTION

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

So, John David, I like to kick it off on the US consumer. So, in Q1, top line trend continued at Walmart US with the 4.5% comp increase. On the positive side, you saw momentum in grocery and health and wellness, and you noted that consumers are still responding to key seasonal moments and events. However, on the negative side, you did see some softness in the general merchandise category, particularly at the start of the quarter. So, how would you describe the overall health of your US consumer as we sit here today and what are you planning for on the consumer front for the balance of the year?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Sure. First, Rupesh, thanks for hosting this fireside chat and appreciate everybody that's listening, and it's a pleasure to have the opportunity to speak about Walmart.

The consumer has been very consistent, and I know everyone is looking for any detection of change in behavior. But by and large, if I were to generalize, just looking at the first few months of the year, it's been very consistent with what we've seen in prior quarters. That said, there was a little bit of choppiness in the first quarter. In particular, for us, February was weaker than what we had expected, and we believe that the majority of that was related to unseasonably cold weather, which affected store traffic. And so, we certainly saw the impact of that. But we were able to detect some other changes, potentially related to maybe negative consumer sentiment around at the time tariffs, looming tariffs, immigration noise, and we think that has some impact on our business.

March actually was more in line with what we expected. And then, with Easter moving to April, we saw really strong performance around that, and we're off to a good start this quarter. Overall, we continue to see that consumers are shifting some of their spending dollars towards food versus general merchandise, and that has contributed to maybe the sluggish rebound in general merchandise that we've been going through for a couple years now, since we had a bout of higher inflation a few years back. But we've been pleased with the things that we're doing around general merchandise to actually see the impact on our business as we're expanding our assortment and expanding our marketplace. And so, I feel good about the progress there. But overall, as a category, it's still lagging.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Okay. And then, it's impressive to see that eCommerce grew more than 20% across each segment of the enterprise, with consumers willing to pay for faster delivery despite the uncertain macro. So, do you view this as sustainable?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I do. I feel like we've got a lot of good momentum here. And one of the things that stands out to me that I think is most impactful or influences the performance here is our ability to deliver things at a faster speed and the consumers' willingness to pay for that. In the last year, we've almost doubled, from the first quarter of last year, the number of deliveries in under 3 hours. It's up, I believe, 90% is the exact number. But we continue to see that customers are willing to actually pay for that expedited delivery. If you want something within an hour or need ingredients to make a meal at your home within 3 hours or whatever it is, we can do that, I would argue, as well as anyone.

And we have some weeks here recently where as much as 40% of our deliveries were this Express Delivery, where our customers are willing to pay for it. In the last quarter, fully a third of our overall deliveries were this Express Delivery, and that is – it's really helped drive some of the economics of our eCommerce business. And so, speed and convenience is something that I think matters to everyone, regardless of what their income level is, and certainly, it's something that we're leaning into strongly and we expect this to persist.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

Yeah. That's impressive. Now, switching to the competitive backdrop. Overall, what is your team seeing on the competitive promotional fronts here in the US, and then how do you feel about your price gaps today?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

I would describe it as a pretty rational environment right now. We've highlighted in prior quarters that we did not like our price gaps or where they were relative to some others. And so, we've invested in some of that, both in our club format at Sam's as well as at Walmart in specific geographies. And we feel much better about how we're positioned there right now, probably still opportunities for us to address some of those price gaps. But overall, we really like where we are positioned right now.

We want to continue to be known for value as well as convenience for customers. But we're also going into a period that I think we'd all agree is going to be somewhat different, marked by tariffs, versus looking backwards in the rearview mirror. So, we'll need to play offense there. We want to continue to be that price leader for customers. I know there's been quite a bit of commentary and might even describe it as noise around how retailers are intending to address tariffs, but let me be really clear on one point. We'll continue to be price leaders. We're not going to lose that position.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

That's a great segue into my next question, the tariffs. Everyone's favorite question right now. So, versus your report in mid-May, have there been any changes in there or any new thinking in managing through the tariff backdrop?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Nothing really new, Rupesh. I mean, we continue to try to navigate this. It's week to week, in some cases, day to day, in terms of the changes. Fortunately, we have had the opportunity to have an ongoing dialogue with the Administration to help them understand what we're seeing around or what we would expect to see around consumer behavior, [ph] let alone (00:06:48) prices. But I think, all companies, whether you're a retailer or not, would love to get to a period where there's a little more certainty for the operating environment.

And so, hopefully, we can get to a resolution in a short period of time, around the level of tariffs that will be implemented and that will become the new normal that we'll need to navigate. But there's been nothing meaningful to report that has changed. We continue to keep an eye on port activity to make sure that there's –

we're not getting the kind of stoppage there or backlog. And so, we're being very cautious around that, and working with our suppliers, we continue to work with our suppliers as they're able to navigate this as well as we are.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

And then, how are you planning general merchandise category performance in the second half of the year, just given potential tariff induced industry price increases and the fluid macro consumer backdrop?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. It really depends on category. So, it's tough to generalize, but certainly, when you look at higher AUR items, higher priced items, let's use a barbecue pit as an example, that's coming – if that's been imported, it has a certain tariff applied to that. Given the elasticity expectations around that, we're going to sell fewer of them. And so, there are categories like that as an example, hypothetically, where we're going to be buying less, and in some cases, as much as 20% less of items to make sure that we're trying to ensure that we don't get into a situation where we can't sell through the inventory that we have, particularly related to seasonal items, items that you can't carry throughout the year. And so, we bought less of many of those items to make sure that we're not in that position.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Great. Now, I'd like to shift to some strategic question. So, starting with Walmart US merchandising efforts. We've seen strong grocery comp momentum in the mid-single-digit range for multiple quarters. And as we look at the category, grocery private brand penetration moved higher by another 60 basis points in Q1, and we've seen more of a push in your new premium brand, bettergoods in store. What are some of the bigger opportunities that your team sees going forward to sustain momentum in grocery categories and potentially drive further share gains?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. We've been really pleased with our grocery performance overall, but we still have an opportunity there to get even better. One of the things that stands out to me is just broadening the assortment. We want to be able to provide all those things that customers want for whatever household, and if you want a specialty cheese or a certain type of meat, like we want to be able to provide that. Maybe not just the typical assortment that you maybe have seen historically at Walmart. So, we've leaned into that, and bettergoods is – you mentioned private brand penetration, bettergoods has been a big success story for us.

We've launched roughly 400 different items, I think something like 70% are priced below the $5 mark and these are chef-inspired, healthy choices and over – since its launch, which has been in about year ago, we've had almost $0.5 billion in sales, but what's exciting to me about this is 40% of the customers that buy a bettergoods item are coming back, it's repeat customers. And so, I think it really speaks to the quality of the overall assortment, and we've done similar things in our general merchandise business, but specific to food, bettergoods is something that really stands out there. The fact is, if you want convenience, you want fresh food, and you want it at your house today or tomorrow at a certain time, we can do that as well as anyone. And so, we're leaning into that, but also in other parts of our business to complement that with maybe a general merchandise purchase or pharmacy or something like that.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

And then, on the general merchandise front, we also continue to see very solid store conditions as I do my checks around the country. I think the remodels hold significant longer term potential. What do you view as some of the bigger opportunities going forward to drive share gains over time? And then, within general merchandise, are there any particular categories where you see bigger opportunities at this juncture?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Well, I appreciate you doing your checks, and again, certainly, what we've done in terms of improving the overall experience in store has been focused on fashion and home. And we continue to expand our assortment there with brands like CamelBak, Dell, others to provide that broad expanded assortment for our customers. But marketplace is something that certainly stands out to me as a big opportunity for us with general merchandise as well.

Other categories that stand out would be like auto care, as an example, we've seen digital growth in auto care that's north of 20%. And so, we're really pleased about that. But marketplace is the one that I would really point to. We've – roughly half of our GMV growth for general merchandise has been in our marketplace business. And so, we'll continue to focus on that, because that also unlocks other opportunities, like advertising, Walmart Fulfillment Services, things like that, which are all accretive to our bottom line.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

Got it. I'm going to go back to marketplace later, because it's an exciting area for Walmart. Then finally, wrapping up with health, health and wellness. So, we've seen outsized momentum continue at both Walmart US and Sam's Club with high-teens comp increases on really difficult comparisons. So, remind us of some of the bigger opportunities your team still sees in this area? And then, how you think about your ability to sustain some of the recent momentum?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah. It's maybe a little bit unfortunate that the progress we've made in health and wellness has been overshadowed by the benefit we received from GLP-1 drugs. And we said that, given the high AURs around GLP-1 drugs, those have contributed to about a point of the top line growth there. But we changed leadership in our health and wellness business roughly six months ago and we continue to see really, really good progress there. If you were to exclude GLP-1, our sales in the most recent quarter grew about 10%. And so, we're really pleased with the overall progress of that.

One of the areas that we've really focused on the most during this period of time that I referred to is around pharmacy delivery. We will about – as sitting here today, we've rolled out pharmacy delivery into the majority of our stores. And so, we're really pleased around the progress that we're seeing around that. And what's great about that is pharmacy in general and certainly pharmacy delivery is a very sticky behavior among customers. If you think about having your prescriptions filled at a certain pharmacy, that's not something that you want to change every single month or every couple months. And so, there's a stickiness to that, and there's a recurrence in terms of shopping behavior to that.

And so, with pharmacy delivery, we can easily provide the opportunity for customers to add in additional food items or add in general merchandise or maybe there's other items within the pharmacy that they want to have delivered in addition to the prescription. So, there's no company that can do all three of those. GM, food and pharmacy for us. So, we're seeing really good progress there. And it's at a period of time when some of the other pharmacies seemingly are struggling more with stores being closed down, recent bankruptcy announcements, among other things. And so, we view this as an opportunity for us and we're leaning in strongly to it.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Great. And then, before I get into alternative revenue streams, we've read most topical in investor conversations outside of tariffs. I think it's important to highlight the Q1 milestone achieved in delivering eCommerce profitability at Walmart US. So, what were the main drivers here and do you expect these trends to continue?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Well, it's in some ways unfortunate that there was so much focus on the tariffs in the quarter, because I think it took away from what was a milestone moment for us, achieving eCommerce profitability for both the US business as well as the global enterprise. And just to pause there a second, we're roughly kind of breakeven to slightly positive at Sam's. We made a profit in the US. We still lose a little bit of money in the international segment, but when you combine, you add all those together that we're profitable at a global level. And that's been a long journey for us, from, suffice to say, billions of dollars of losses to where we are today.

I think there's a lot of things that have contributed to that, what are these alternative revenue streams that help augment the profitability of this business. I also talked about the fact that we have so many customers that are willing to pay something more for Express Delivery. That really helps us. But also the fact that we just have more and more customers that are taking advantage of this now and lowers our delivery costs. So, we look at something called batch density, which is the number of orders that we have per delivery truck, if you will.

And so, if you're delivering one or two orders every time a delivery driver goes out, you're spreading the cost over those two orders, versus if you're delivering 10 or 20, it spreads the cost over those orders and it overall lowers the unit cost of that. And so, we've seen continued progress there, where we continue to have more digitally active customers that are taking advantage of this. And so, all of these things working together are contributing to the progress that we've made around eCommerce profitability.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Great. And then, moving on to alternative revenue streams. At the Analyst Day, your team highlighted an expectation for about two-thirds of profit growth coming from alternative revenue streams, such as advertising, membership, marketplace, data, et cetera. Would this represent a key pillar for operating income growing faster than sales in the coming years? What is your overall confidence in these alternative revenue streams being able to contribute such a high level of growth?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. I feel really good about it, Rupesh, and it would be obvious for me to say that given the position that I'm in. But I just think that we have so many factors that are contributing to the success there, and these are largely digital businesses. And if you look at other digital businesses, scale really, really matters. And so, we focus for a long period of time – sorry about the background noise [indiscernible] (00:17:24). We are focused for a long period of time of trying to be contribution profit positive or contribution margin positive, and that's great. But you've got this base level of investment, the infrastructure that you've got to ultimately sort of overcome and we've done that now.

And these are businesses that you look at we have several hundred million customers that are coming to our properties, digital and physical, every week. So, customer acquisition is not a challenge for us. We're now allowing our customers to shop with us in the way that they want. And so, if you've got more eyeballs coming to our websites, you're going to have more marketplace sellers wanting to sell there, more advertisers wanting to pitch their products there, and more marketplace sellers that you have there, the more opportunity that we have to use Walmart Fulfillment Services [indiscernible] (00:18:18) 50% of those sellers are avail themselves of that today. So, I feel like this is all working together within the broader omni ecosystem that we have and I don't see this stopping. I think we'll continue to have the progress that we've seen here.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

And then, as we look at the different alternate revenue stream buckets, how we think about which could have the most – be most impactful for profitability?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Advertising is one that stands out to me there. I think we are still underpenetrated in terms of advertising revenue relative to our GMV levels, relative to what others are doing there, and I think we have a big opportunity. I don't think there's any reason that we can't get to the level that others have already realized. And in fact, I would argue that there are aspects of our business that might enable us to go beyond that, and an example of that would be the VIZIO acquisition. That gives us another channel to provide advertising to customers. And so, if you think about our business today, it's largely – the advertising that takes place is largely – it is a seller wanting to advertise for their product.

By having streaming media and the VIZIO acquisition, you can get into non-endemic advertising. So, think about Ford Motor advertising an F-150 Pickup Truck. We'll probably never sell an F-150 Pickup Truck on our website, but we certainly can advertise it through our streaming channels. And so, I think that gives us an opportunity to think more expansively about the opportunity that advertising has. And so, given the margin profile that we've had there, given the 30% growth that we've seen there consistently period after period, that has to stand out to me and it is one of the best opportunities for us.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Okay. And I'm going to sneak in one more question on alternative revenue streams. So, we saw earlier this morning Synchrony Financial become the exclusive issuer of OnePay credit cards at Walmart in the US, with the experience actually embedded within the OnePay app. Can you share with us the rationale to actually approach this agreement through OnePay versus going direct? And then, secondly, I know we haven't seen the architecture of the new credit card, but just curious what benefits you think this could bring to the Walmart US consumer and the company over time?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah. We're really excited to be launching this product. I'm not sure exactly what's being disclosed today, so I don't want to get in front of that. But I think the value proposition for Walmart customers is going to be best-in-class and we're super excited about that. And obviously, it's going to have some benefits that are a little extra for our Walmart+ customers, which I think is only going to enhance the value proposition of that, and potentially become one of the single largest acquisition channels for Walmart+ customer. So, we're really excited about that.

We launched this partnership with Ribbit Capital several years ago and we've been exceedingly pleased with the progress that we've made. We had an agreement with Capital One that we terminated and that slowed down some of the initial product around credit. But as you think about a digital wallet that One is providing, credit is a vital piece of that. Giving customers the ability to tap into more money via credit to spend is hugely important to this. And what this partnership has or this JV that we have has effectively done is allowed us to ring-fence a certain group of employees at One to just focus on financial services.

I think anyone could arguably look at Walmart historically and say that we punched below our weight in financial services. And this is an opportunity to really dedicate a group of employees, just on financial services, to help drive this to make it become something more meaningful for the Walmart Enterprise. And we're doing that in combination with Ribbit, which brings their best-in-class abilities and insights into financial services overall. And so, we've been really pleased with this, and I think this is the kind of seminal moment in the history of this partnership, and there'll be a lot more exciting things to talk about as we continue to grow this platform.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

Got it. I'm a credit card junkie, so I'm going to have to get the card eventually.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Really appreciate it.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

I guess just going back to the marketplace, so it's continue to grow in the mid- to high-20s from a GMV perspective. So, we see the assortment has material increase. I think now it's around about 700 million SKUs and we've also seen new brands, SKECHERS, Hill's Dog Food that you guys called out, La Roche-Posay join the platform. How do you feel about the SKU coverage today in the more discretionary categories? And then, are there still opportunities that you see remaining from here?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah. Well, we are pleased with the progress that we've made. You mentioned some of the new assortments that we've added, premium beauty, auto, collectibles, are ones that come to mind, but we definitely want to continue to grow the marketplace business. We're not necessarily content with the number of sellers that we have or the number of items that we're providing.

And again, I think this is a vehicle for us to continue to expand our assortment going forward. But you can look at certain areas like we've talked for several quarters in a row where there are categories of general merchandise that overall, both at an industry level and a company level, might be flat or even growing, down slightly. Then in our marketplace business, it's growing 20% to 30%. Tires and auto is an example. Like, this is an area where we have this new ship to store installation program that our customers are loving. And so, we've really gained in this category. We're adding share there. So, I think there's a lot of opportunity going forward.

And look, if you're a seller on the market – on any marketplace and you want to sell where people are buying. And as again, it goes back to my point I made earlier, as we have hundreds of millions of customers, this is effectively a two-sided network. And in a two-sided network, there's always a bit of a chicken and egg problem, but we've already solved the customer side. So, it makes it a lot easier to add the sellers on the seller side, and those become self-reinforcing. The more sellers that you have selling product, the more customers are going to come and take advantage of that marketplace. And so, this is a journey for us, but we're pleased with the progress. But there's much more to come.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

And then, lastly, I wanted to touch on just Walmart+. So, I've been a Walmart+ member since it launched. Commentary has been very positive on what you guys have been seeing there, the Walmart+ sign-ups. So, what does your team still see as a big opportunities to improve the experience?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah. Well, so to reflect, Walmart+ started roughly five years ago, and we're sitting here today at an all-time high in our NPS or Net Promoter Score. So, I'm really pleased with the – how that's resonated with customers, the value proposition, the value that you're getting out of it. And look, we're always looking for feedback on what we can do to improve that offering to customers. One of the more recent ones has been adding pharmacy delivery, which we've done, adding in-home, which is a service that we provide where a trusted associate can go into a member's garage, their kitchen or even their refrigerator and place the items that they've ordered.

And so, we'll continue to add amenities like that. But fundamentally, Rupesh, and you and I have talked about this before, I think we just need to continue to focus on the basics. The single best value proposition or the single most compelling part of the value proposition with Walmart+ is reliable delivery and having it fast. And so, we continue to focus on speed and we continue to get better, just grading ourselves and our ability to have the items that a customer wants when they come shop to us – to shop with us, and not have to substitute those, and then deliver them when they're expecting them. And so, we saw an opportunity for improvement there. We've made a lot of progress, but that is going to be – I think continue to be the single most compelling element of the value proposition.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.
Q

Okay. Great. And I was hoping to discuss your international Sam's Club businesses. So, in Q1, Walmart International again saw a very healthy momentum overall with strong double-digit comp growth in China, helping to offset maybe relatively softer performance in Mexico and Canada. How should we be thinking about the international growth for the balance of the year?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Well, we've been really pleased with the Sam's Club growth internationally, in particular in China. We talked about that at our Investor Day. We've got, I think, we said seven stores now that are roughly $500 million in annual sales, which is amazing to think about the level. And we've had a couple new launches there with Sam's Clubs in China that are just mind boggling, the number of customers that are going through the store on the first day. But pulling up and just more broadly thinking about the international business without respect to Sam's individually, the business continues to perform well. We said that we expect this segment of our business to be – to drive more growth on the top line as well as the bottom line over the coming years.

As I look at across the various markets that are in our portfolio, couple standout worth mentioning. I talked about Sam's. Sam's is – or I'm talking about China. China is roughly 50/50 in terms of its digital/physical penetration today, which I think is a little bit of an indicator for how some of these other markets can work longer term. India is another one that is extremely exciting. PhonePe has recently launched or announced their intention to do an IPO in the next year. We're excited about that. And our Flipkart business continues to have really strong growth. We've invested a little bit more in that business to certain aspects of their product offering this year, which contribute a lot of pressure to the bottom line, but the top line has been doing really well.

And then, [indiscernible] (00:28:21) being our largest market in the international segment. We were seeing some softness there towards the tail end of last year and the early part of this year, and we called that out. This is nothing new. We've talked about this on our earnings calls, but that's recovered a little bit in the more recent months. We've – that's kind of gone back to our expectation. So, we're pleased about the progress there, but we continue to invest in all of these markets, whether it's supply chain automation or an expanded customer value proposition, store formats, things like that, and it's a big part of our growth going forward.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

So, now on to Sam's Club in the US. In early-April, your team announced a new aggressive target to potentially double the membership base over the next 8 to 10 years. This includes ramping stores to eventual 15 unit openings annually. We expect even more crowded club channel with Costco continue to open about 15 units a year. BJ's are now accelerating growth. So, what do you believe represents the key differentiators and value proposition of a Sam's membership today that could help to sustain momentum at Sam's Club and drive towards these longer term targets?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Well, just to reflect on the last four, five years, last five years, I believe, we've grown the top line at Sam's about 50%, and that's really without adding any significant number of clubs at all. We've talked about our intention to grow more clubs with our enhanced and expanded value proposition, and we're remodeling clubs as well. And so, we're excited about that. But what stands out to me about this format for us, this segment for us is really what we're doing around eCommerce. And actually, it's far than just eCommerce, it's digital, because by saying just eCommerce, it really is limiting, because it doesn't refer to the in-club experience, and the in-club experience, you know, Rupesh, you've seen some of this firsthand, but scan and go penetration is a third of the customers that shop there.

We've got the new exit arches where you walk out and you never have to go to a cash register to checkout. Everything is scanned. And the NPS scores around this are fantastic. With scan and go alone, it's 90% NPS scores. There aren't a lot of other examples of 90% NPS scores. But importantly, we're also seeing operational improvements related with these improved customer member experience, and operational improvement would be a reduction in shrink. So, by not going to the checkout register and not having someone look through your basket and just go through the exit card charges, we're seeing a decline and shrink that is quite meaningful and helpful to our business.

The other thing that stands out to me, we recently launched this is Delivery from Club, and that has grown triple-digits in the last quarter, I think 160% growth, if I remember correctly in the last quarter, and it's emboldened us to think more broadly about Club Delivery in general. And so, we've started delivering rotisserie chickens, we started delivering pizzas. And you may hear that and think, gosh, that can't be very economical for you to deliver a pizza to someone from a club. Here's the thing. The average basket size of a pizza delivery is over $100. And so, members are taking advantage of the broad assortment that we have, and while we are getting a pizza delivered, providing general merchandise or other items to go along with that, which makes that eCommerce delivery very attractive from an economic perspective for us. And so, all of these things working together, I think, really help us to feel emboldened to continue to expand and grow our Sam's format.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Oaky. Great. We're going to try to fit in one more financial question. So, just on capital allocation, your team reiterated CapEx guidance. Your team has continued to increase returns to shareholders through dividends and buybacks even in this environment. Can you remind us of your priorities on a capital allocation front from here?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Well, we like having a balanced capital allocation plan, I'll start there, and we view that – and I've said this before, every dollar of capital has to compete for the best returns that are out there, and we continue to see very attractive returns related to investing in Walmart. Our supply chain automation is one of the things that stands out there. We also – look, we want to be opportunistic and respond to dislocations in our stock price, which we did in the most recent quarter. We bought back an amount of stock in the most recent quarter, roughly equivalent to the entirety of what we bought back last year.

And so, we'll continue to want to have some dry powder to lean into those moments when there might be a dislocation in stock price, and we want to continue to grow the dividend. We've grown the dividend in the last two years more than we have at any point in time in the decade before that. And generally, want to see that grow in line with our free cash flow growth. And so, we've been really pleased about the progress that we've made there, but I think there's more opportunity to seeing higher payout ratios, higher dividend yield going forward, and we're still buying back stock.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Great. I'm going to slip in one last question in the last minute-and-a-half.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Sure.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

So, Walmart emerged even stronger coming out of the pandemic. So, do you expect to see any potential positive changes in sourcing, supply chain, et cetera, that could position the company even stronger coming out of this new tariff backdrop?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Optimizing our supply chain is something that we constantly do. And so, it's not necessarily just a response to tariffs. And it's worth noting that maybe this is probably not well known, but roughly 60% of our suppliers in our US business are small businesses. And so, it's important for us to work with our suppliers and make sure that they're viable going forward, too, and that we can work together with them.

And so, with some of the tariffs, like if you use examples like some of the tariffs on steel and aluminum, we're working with some suppliers to change some components of the things that they sell to not have a tariff element related to that. And so, we work very closely with our suppliers to try to lower their costs, to provide more sales. And so, you're seeing some of that happening right now as we're responding to the current environment that we're in.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Great. We're out of time. So, thank you to John David and Kerry for joining us today.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

All right. Thank you, Rupesh.