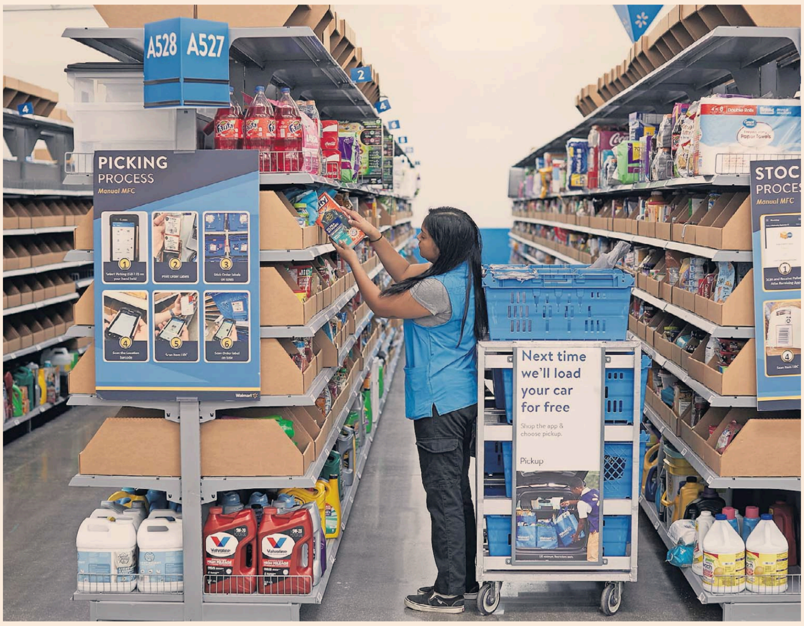
Walmart supercharges revenues while cutting back on workforce

Growth in automation at the retailer raises questions about the future of labour within the sector

GREGORY MEYER — NEW YORK



An employee gathers online orders at a Walmart fulfilment centre in Grapevine, Texas, reflecting a hard push into ecommerce
Dylan Hollingsworth/David Paul Morris/Bloomberg

The thousands gathering at Walmart's employee jamboree this week will celebrate record-breaking revenue, newly opened stores and a market-beating stock price.

One thing that is not expanding at Walmart is the number of employees.

Walmart, the largest US private sector employer, counted 2,165,465 staff worldwide as of the end of last year. That was almost 70,000 fewer than five years ago.

In the same period the retail colossus boosted revenues by more than $150bn, an increase that outstrips the total annual sales of most rivals. Walmart executives are aiming to grow sales by 4 per cent a year, but they do not expect to significantly increase headcount.

The employee figures raise questions about the future of labour in the US retail trade, which employs one in 10 American workers and provides broad avenues to promotion for those without university degrees. About 1.6mn of Walmart's employees are in the US, a figure that has also barely budged in the past decade.

Wall Street analysts say the company's expansion without job creation reflects a hard push into ecommerce and the automation of cumbersome tasks, from unloading shipping pallets to updating shelf price labels. Artificial intelligence is poised to supercharge these efforts.

Walmart executives say the technology investments mean new roles for workers, not fewer.

"Tasks will get automated. Jobs will change. And many years from now, we'll still employ a large number of people and be happy to do so," chief executive Doug McMillon said at an investor event in April. This week, Walmart is hosting 13,000 employees and shareholders at its Associates Week event, an annual ritual in its home of north-west Arkansas.

Critics say that workers are missing out. Net sales at Walmart US have risen by 36 per cent in the past five years, while average US hourly wages have increased 28 per cent, to $18.25.

"Walmart's jobless growth is a continuation of a pernicious trend that Walmart itself helped pioneer: squeezing more output from each hour of labour, and growing sales faster than wages," said John Marshall, capital strategies director at the Local 3000 division of the United Food and Commercial Workers, which ended an unsuccessful effort to unionise the company a decade ago.

Walmart's payroll trend stands in contrast to its peers. In the past five years the big-box retailers Costco, Target and Home Depot each added tens of thousands of employees. Ecommerce titan Amazon nearly doubled its worldwide workforce to 1.6mn.

"Longer term, the trajectory is very clear. I think most retailers want to automate a lot of different functions within their operations because labour is a very, very costly part of doing business," said Neil Saunders, a retail analyst at GlobalData. "We've seen Walmart really lean heavily on that."

Walmart in April showed off labour-saving technologies to investors and media at two new warehouses outside Dallas — one a cold-storage hub for foods, the other a fulfilment centre to enable speedy deliveries for ecommerce customers.

About 600 associates work inside the 730,000 sq ft refrigerated warehouse. The ratio amounts to one employee for every 1,200 sq ft, about the size of a small home.

Inside, a multi-tiered geometry of lifts, conveyors and sorting machines handles pallets of eggs, meat, produce and other perishables after they arrive from suppliers, storing them in racks as tall as 80ft.

Guided by algorithms, robots later sort foods to be bundled and dispatched to coolers at 175 stores in the region. The centres can ship more than twice the volume of traditional cold warehouses, while cutting costs by 20 per cent.

Rob Montgomery, Walmart's executive vice-president of supply chain operations, said the technology saved associates from walking miles and lifting tens of thousands of pounds daily. "Here, our associates are working with automation to achieve the job," he said.

Two miles away, Walmart's DFW-5 fulfilment centre stocks items for a US ecommerce business that grew by 21 per cent year on year in the latest quarter. The 1.5mn sq ft warehouse can hold up to 2mn individual products, both Walmart's own and those of third-party vendors that use its online marketplace. It employs 650 associates.

Inside, work that once took 12 steps has been condensed to five, helping to cut the cost by an expected 30 per cent at the end of this year. "What was a three-four hour process to fulfil an order now happens in a building like this in less than 30 minutes," said Kieran Shanahan, chief operating officer at Walmart US.

Among the jobs being automated is building cardboard boxes. A machine uploaded with data on the dimensions of each product wraps it snugly with cardboard for shipment.

"In the past, an associate was using some of their judgment for how big a box or small a box," Shanahan said. "Now the algorithm builds that box specifically for your order."

Local Texas governments approved millions of dollars in tax breaks for Walmart to build both the fulfilment centre and the cold-storage warehouse, which opened in 2023 and 2024, respectively.

In return for the proposed subsidies, the city of Lancaster and surrounding county of Dallas each required Walmart to employ hundreds of people at the locations.

While the employment promises are on track, neither facility received subsidies from the city of Lancaster after failing to meet a separate threshold for valuation. The cold-storage warehouse also lost its county subsidy after falling short of a valuation target of $250mn, according to public records.

The tax break requirements did not account for any job losses related to the projects. DFW-5 replaced a warehouse in Fort Worth, Texas, named DFW-1, where Walmart cut more than 1,000 jobs before shutting it down and offering $7,500 bonuses for remaining workers to transfer to the new site, according to the Dallas Morning News. Walmart US's dedicated ecommerce fulfilment centres today number 29, down from 40 in 2020, annual reports show.

Automation "is going to just dramatically reduce the headcount at some of these supply chain locations", said Steven Shemesh, a retail analyst at RBC Capital Markets.

Inside stores, shipments that arrive from robotic warehouses already sorted can go directly to store shelves, instead of needing to be pulled apart by hand in back rooms. "Automation upstream has allowed us to free up five full-time associates to work in other areas of the store," said Paul Lewellen, senior vice-president operations at Walmart.

Other moves had held down headcount without a significant impact on revenue, said Bryan Gildenberg, managing director at Retail Cities, a consultancy. Walmart divested its Argentina business in 2020 and sold its majority stake in Japanese retailer Seiyu in 2021. The two operations were the least labour-efficient at Walmart and employed 50,000 people. Gildenberg added that the strong inflation of the past several years pumped up sales.

In the tight labour market since the Covid-19 pandemic, Walmart has sought to retain workers with pay rises and bonuses. About 92 per cent of US associates are paid by the hour.

"Walmart sets the de facto wage for service-sector employment in many parts of the country," said Nelson Lichtenstein, professor of history at University of California at Santa Barbara and author and editor of books about the company.

Walmart will add frontline workers as it carries out plans to open 150 US stores and dozens of members-only Sam's Club warehouse stores. A Walmart Supercenter that recently opened in Cypress, Texas, brought 300 jobs, the company said.

However, some employees have quit as Walmart centralises corporate functions at a new headquarters campus in Bentonville, Arkansas. Walmart last month cut about 1,500 global tech, US operations and US advertising staff. The company's home delivery business relies heavily on drivers who are independent contractors.

Walmart executives said they expected the company's total payroll to stay roughly constant even as its business evolves.

"Many of today's jobs didn't exist just a few years ago, and we expect the pace of change to continue," Donna Morris, chief people officer, said in a statement to the Financial Times.

"As we become even more tech-powered, it will be our more than 2 million associates, their passion and commitment, who will continue to drive our success and fuel our future."

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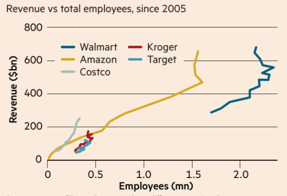
Chief executive Doug McMillon

Walmart's revenue has increased while its headcount has decreased

Revenue vs total employees, since 2005



Source: company filings • Companies have different reporting dates

Technology

New spying claims emerge as feuding start-ups trade allegations

GEORGE HAMMOND — SAN FRANCISCO

A bitter fight over alleged corporate espionage involving two of Silicon Valley's hottest start-ups took a new twist yesterday after $12bn HR software company Deel claimed that arch-rival Rippling had directed one of its employees to "pilfer" the company's assets by posing as a customer.

The latest claim comes after Rippling alleged earlier this year that a staff member had been spying on behalf of Deel. The employee locked themselves into a bathroom and smashed their phone with an axe when confronted with allegations, according to their own testimony.

In new legal filings seen by the Financial Times, Deel has countered that "Rippling has been actively engaged in a carefully co-ordinated espionage campaign, through which it infiltrated Deel's customer platform by fraudulent means and pilfered the company's most valuable proprietary assets".

The case has exposed the increasingly heated rivalry between the two San Francisco-based groups, who are competing in the usually staid world of workforce management software.

The unicorns are backed by some of America's most prominent start-up investors. Andreessen Horowitz, Altimeter Capital and General Catalyst have invested in Deel.

Founders Fund, Baillie Gifford and GIC have financed Rippling, which was valued at $16.8bn last month. Coatue has invested in both companies.

'The highest levels of Deel's leadership are implicated in a brazen . . . espionage scheme'

Deel has sought to dismiss Rippling's initial claims of directing corporate espionage and has filed a lawsuit in Delaware alleging that its rival is trying to impugn Deel's reputation. Its latest filings were lodged yesterday as an amendment in that case.

It alleges that Brett Alexander Johnson, Rippling's "competitive intelligence manager", posed as a customer and accessed details of Deel's products and business practices over the course of six months. That information was in turn used to build one of Rippling's products, Deel alleges.

Deel's investigation "remains in its nascent stages" but the company nonetheless claims it has "unequivocal proof" of Johnson's alleged activities. It also alleges that Rippling chief executive Parker Conrad encouraged Johnson's activities with the intention of uncovering "the secrets by which Deel has achieved years of profitability".

Rippling originally filed a suit against Deel in California in March. Deel has filed motions to dismiss that and move the case to Ireland. It has separately filed a civil lawsuit against Rippling in Delaware.

The dispute stems from Rippling's claim in a March court filing that Deel had cultivated a Rippling employee, Keith O'Brien, to steal information.

"The highest levels of Deel's leadership are implicated in a brazen corporate espionage scheme and they will be held accountable," said Alex Spiro, legal counsel for Rippling, at the time.

When first confronted by solicitors acting for Rippling, O'Brien locked himself in a bathroom. He has later admitted in an affidavit unsealed in an Irish court to destroying his phone.

O'Brien also said in his testimony that he was operating for Deel at the direction of chief executive Alex Bouaziz,

Deel has suggested O'Brien was in fact a whistleblower concerned about Rippling's business practices.

Rippling did not respond to a request for comment.

Aerospace & defence

EU clears joint venture to develop fighter jet

BARBARA MOENS — BRUSSELS
SYLVIA PFEIFER — LONDON

The European Commission has approved a deal between Britain's BAE Systems, Italy's Leonardo and the Japan Aircraft Industrial Enhancement Co to govern the production of a next-generation fighter jet.

The joint venture comes as key US allies such as Italy, the UK and Japan rethink their historical reliance on US defence equipment in light of Donald Trump's presidency and his pullback from long-standing US security guarantees for Europe.

The project will seek to create an alternative to the US's next-generation fighter jet programme. The existing F-35 fighter and its predecessors are a mainstay for Nato air forces, but this has prompted concern in some capitals about their over-reliance on Washington. Brussels concluded the deal did not raise competition concerns in the bloc.

The joint venture, which will be based in the UK, will manage the design, development and delivery of the next-generation combat aircraft under the Global Combat Air Programme.

Unveiled in 2022, GCAP aims to have aircraft flying by 2035 and to expand each nation's defence capabilities to address rising security threats from Russia and China. The EU is actively encouraging industrial co-operation in the defence sector, for example via joint procurement through a new fund that will allow for the participation of companies from third countries such as the UK and Japan if they sign co-operation agreements.