BIZCOMMUNITY

Buffett's Walmart sell-off is bad news for retailers

By Colleen Goko

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Billionaire investor Warren Buffett has dumped 90% of his Walmart shares, worth $900m.

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Walmart, which is also the parent company of SA-based Massmart, has seen disappointing sales results in recent years, as US consumers shift more of their spending online.

During his 2016 shareholders meeting, Buffett called into question Walmart's future within a market that had been fundamentally disrupted by the internet. He said the firm had not figured out a way to meaningfully participate or to counter e-commerce, especially with rivals such as Amazon around.

Julia Ahlfeldt, a certified customer experience professional, said this was not the first time that Buffett had challenged the ability of all traditional retailers to transform and compete with digital disruptors. "How many retailers have risen to the occasion and staved off erosion of market share in recent years? It may still be too early to know their fate, but big box retailers, such as Walmart and Makro, have their work cut out."

Ahlfeldt said Walmart's core value proposition was centred on low prices, access to a wide variety of products under one roof and convenience through its omnipresence in the suburban sprawl of the US.

"Amazon's value proposition is actually quite similar, vast product options on one site, real-time lowest price comparisons and convenient delivery options," she said. "Add product reviews and recommendations, one-click ordering and auto-replenish options into the mix and one can see how Walmart is facing a serious uphill battle."

Massmart will release its results later this week. Analysts at JP Morgan said the group had earnings growth potential, but prevailing economic conditions had led to a recent sales slowdown. They said they were adopting a "cautious" approach concerning earnings growth and the stock's potential upside.

Source: Business Day