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# To Catch Up, Walmart Moves to Amazon Turf

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SAN BRUNO, Calif. — A plucky Silicon Valley company, forced to compete for talented engineers, is trying it all — recruiting billboards on Highway 101; workplace perks like treadmill workstations and foosball tables; and conference rooms named after celebrities like Rihanna and Justin Bieber.

The name of that arriviste company?

Walmart.

The country's largest retailer, which for years didn't blink at would-be competitors, is now under such a threat from [Amazon](#) that it is frantically playing catch-up by learning the technology business, including starting @WalmartLabs, its dot-com headquarters.

The two retail behemoths, one the king of the physical store and the other the conqueror of the online world, are battling over e-commerce — competing for the most talented engineers, trying to gain the upper hand in the new frontier of [same-day delivery](#) and warring over online pricing.

They want to control not just Internet shopping but all shopping. Even as Walmart pours money into technology, Amazon is building a physical presence across the nation, adding warehouses and pickup locations. Both companies' moves indicate that they believe the future of commerce is not just stores and not just online but a combination of the two.

For the first time in decades, Walmart, which drove company after company out of business, has a competitor it sounds a little scared of.

“Don't think for a second that Jeff Bezos is not a capitalist,” Neil M. Ashe, chief executive of Walmart Global E-Commerce, said of the belief of Mr. Bezos, founder and chief executive of Amazon, in low prices and paper-thin margins. “They're just playing a game, which is, ‘We're just going to wait out the world.’ ”

Amazon declined to comment.

Although the fierce competition between Walmart and Amazon is occurring in all areas, to get the technological edge Walmart has to succeed in San Bruno.

The company has had a small presence near Silicon Valley for more than a decade, but until

recently, engineers in the area barely knew it existed. It signed a lease three years ago for the San Bruno office, north of the valley — and across the street from YouTube — and is opening another this fall in Sunnyvale, home of Yahoo, in the heart of the valley. It is trying hard to prove it is one of the cool kids.

For example, at press events in Bentonville, Ark., Walmart's headquarters, the menu tends to be ham sandwiches, chips and iced tea. At a recent event in San Bruno, it was white asparagus panna cotta with house-smoked salmon tartar, morel mushroom macarons and charcuterie from a whole pig. Borrowing a page from Google and Twitter, the company offers hack days when engineers can work on whatever they want.

The changes are more than cosmetic, though. This year, @WalmartLabs has gone on a start-up shopping spree, buying four companies — Torbit, OneOps, Tasty Labs and Inkiru — that build things like tools to crunch data and speed up Web sites. The acquisitions included some of the start-ups' founders and engineers, the [time-honored way](#) for Silicon Valley companies to hire the talented employees they need to build better Web and mobile tools.

Walmart has hundreds of open jobs at its office here. This summer, the company hired 150 people from companies like Yahoo and eBay.

The company's pitch to engineers is that Walmart moves quickly and has huge problems to solve, even if it is not a nimble newcomer or a buzzworthy start-up.

"There's big data and there's Walmart big data," said Ravi Raj, vice president for mobile and social products at @WalmartLabs. "Every week we release half a dozen features."

Rick Devine, chief executive of TalentSky, a Silicon Valley recruiting firm that has recruited for the company before, said Walmart's scale was attractive to young engineers. Still, he said, the competition is fierce.

"The kind of people they're going to be looking for — big data and e-commerce type of people — those are the same kinds of people Silicon Valley cares about," he said.

Amazon, which is based in Seattle, also has a Silicon Valley presence; its [Lab126](#) research company, located a few miles from Apple's headquarters, developed the Kindle and is working on other mobile devices. Amazon is a much bigger player online, with \$74.4 billion in revenue expected for 2013. While Walmart's total revenue is close to \$500 billion, it has said it expects just a fraction of that, \$10 billion, in e-commerce revenue for the year ending January 2014.

[Walmart.com](#) had 62.5 million unique visitors in August, compared with Amazon's 133 million, according to Compete, which tracks Web use.

"Amazon is the Walmart of the post-2000 period," said Matt Nemer, an analyst at Wells Fargo.

Walmart was slow to embrace online shopping, keeping its Web operations separate and haltingly adopting new technology. These days, though, it is trying to turn its 4,100 stores in the United States and many of its 6,200 stores overseas into e-commerce assets.

Two-thirds of the United States population is within five miles of a Walmart, according to the company, and more than 10 percent of items ordered online are shipped from stores. Countries in which it has a physical presence for e-commerce include Brazil, China and Britain.

It is also allowing customers to pick up online orders in stores or, in a test in Washington, in lockers. It is trying same-day delivery in five markets, and grocery delivery in the Bay Area and Denver.

Executives say Walmart wants to become almost as fast as Amazon, but for people who can't afford the \$79 fee of Amazon's Prime service, with its free two-day shipping.

Amazon has been building warehouses throughout the United States as it tries to expedite its shipping and conquer online grocery delivery. It has had lockers at stores like 7-Eleven for about a year, though in September, RadioShack and Staples stopped participating in the program. Abroad, Amazon has moved even faster with services like same-day delivery and groceries.

Following Amazon, Walmart has revamped its online and mobile technology. It has software to watch social media like Pinterest for popular products and to monitor online prices and lower them accordingly or alert merchants.

And it has created a mobile app that flips into in-store mode when customers enter a store and guides them to the milk or celery and offers digital coupons; customers can scan items as they shop for quick self-checkout.

Analysts say that while Walmart's scale and profitability give it an edge, its Web efforts still lag Amazon's. The grocery delivery test, for instance, has gone on for two years without expansion. Mr. Nemer of Wells Fargo called many of the efforts, like lockers and same-day shipping, "blocking and tackling" without real relevance to Walmart's dominance, or inferiority, in the new world of shopping.

Mr. Ashe of Walmart said of those efforts, "The question is whether people want them." Echoing Facebook's motto on risk taking, "fail harder," he said: "We fully expect, and want, to shut things down."

And, he said, the culture clash between Bentonville and San Bruno has not been as great as one might expect.

"We are of Walmart and Silicon Valley at the same time," he said. "So we have a great cafeteria, but we don't pay for all your food."

*Claire Cain Miller reported from San Bruno, Calif., and Stephanie Clifford from New York.*