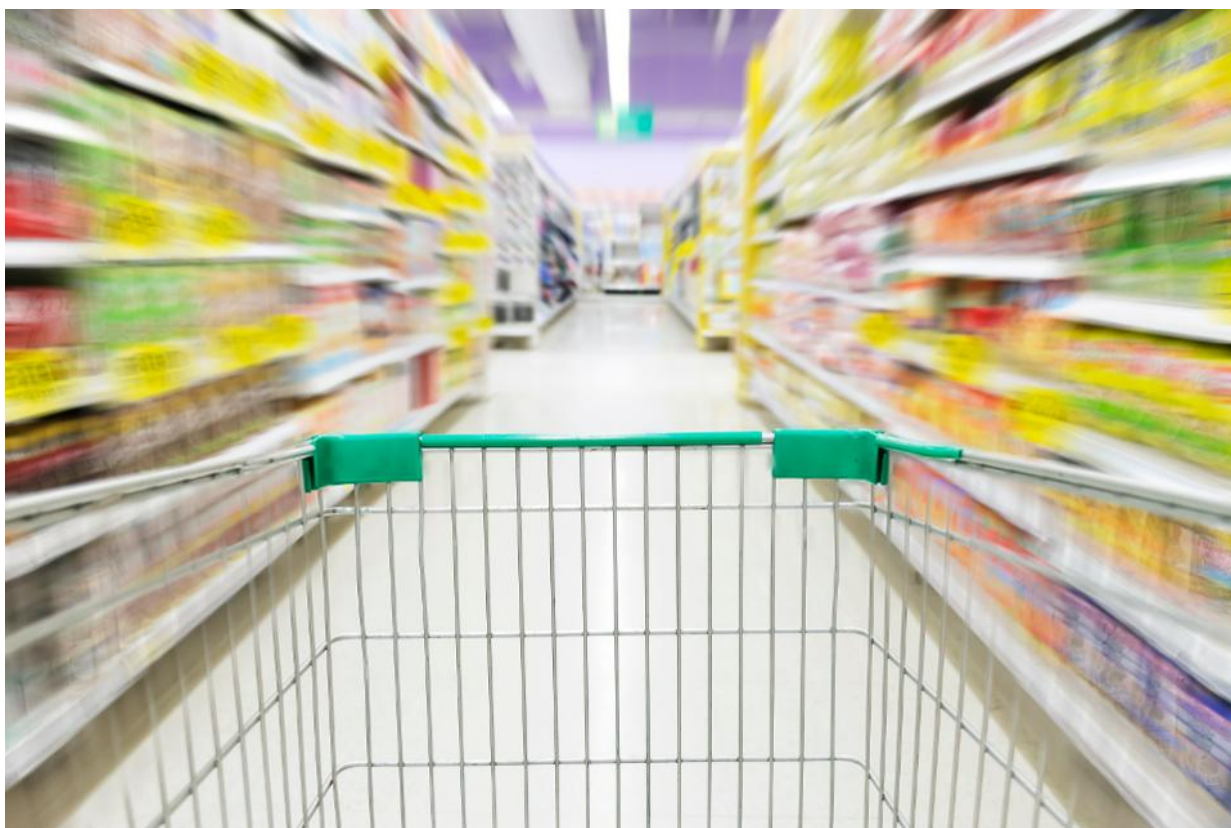


# Walmart's New Microsoft Deal, Not Amazon Prime Day, Was The Most Important Event In Retail Last Week



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Prime Day, Shmime Day.

Amazon dominated the headlines this week with its annual July holiday. But I, for one, did not give it much notice. It has become de rigueur for Amazon. In fact, whatever hiccups Amazon did encounter this week will only make it stronger in the long run and possibly better prepare Amazon for what I fear more than

anything else in the world—a last-minute preemptive Prime Day a week or two before Black Friday somewhere down the line. Such a move would be the Death Star, planet-destroying blow to traditional holiday retail. Even a minuscule 0.000001% chance of this happening frightens the hell out of me.

So, until then, July is just an amuse-bouche and not a time to get overwhelmed with Amazon-related Prime Day shenanigans. It is far more important to keep one's eyes on the prize each week, to look past Prime Day, and to maintain focus on who (and who is not) planning ahead for the future and going after the next great innovation in retail—the personalized physical store—so as not to be left in a cloud (pun intended, as you will see) of dust ten years down the road.

The most important news of this past week was therefore not Prime Day, but Walmart's clear decision to throw its hat into the next-generation retail ring with its new long-term partnership with Microsoft.

As I wrote recently, [Amazon and Alibaba have both been doing their damndest to begin defining what the future world of retail looks like](#): Amazon with Amazon Go and Alibaba, most specifically, with its Hema grocery store in China. While the physical superstructures of these installations are almost irrelevant, the technical operating platforms for data capture atop which both of these concepts sit are vitally important.

Just as e-commerce debuted in the late 1990s, nearly 30 to 40 years after the last large-scale innovation in retail, quite soon a new technological operating system for retail will also emerge on the same time trajectory, sometime between 2020 and 2030. The race is on to see who cracks the code first and who then benefits from selling this system to the countless other retailers that could never develop something so advanced on their own.

Sound familiar? It should. It is the same mousetrap Amazon laid with its e-commerce browser at the turn of the century, when Amazon powered many

retailers' e-commerce businesses. No one should be surprised that Amazon is at it again and that Alibaba is thinking the same way.

Enter Walmart.

Walmart smartly realizes that it cannot lay dormant while Amazon and Alibaba chase this Holy Grail, which is why the announcement of its partnership with Microsoft this week was so important.

Walmart [inked a partnership with Microsoft for a five-year, full-suite cloud deal](#). According to Retail Dive, Walmart will "capitalize on Microsoft's artificial intelligence, machine learning and data solutions for cloud innovation projects, including building out its global IoT platform on Azure."

Effectively this statement means that the deal could begin to give Walmart the three legs to the stool it needs to compete effectively in the world of next-generation retail: cloud commerce, mobile applications and location analytics (aka the Holy Trinity).

The intersection of these three technological capabilities is what will give retailers an unprecedented level of data capture within a physical retail store. It is what will turn physical stores into the analytical equivalents of e-commerce browsers. It is what will enhance not only the science of physical retailing, but the artistic expression of it as well.

Harnessing these three technologies will give retailers, all things being equal, an almost regression-like understanding of the value or impact in real-time of every action and reaction within a store, meaning physical experiences will be able to be tailored uniquely to each individual who decides to enter a retailer's four walls.

The days of a "mass" experience will be over. Every experience from one individual to the next will be different.

Microsoft is a strong partner to help Walmart pull something off within this realm. Microsoft's Azure cloud services give Walmart the speed, scale and security to

process the data required in real-time; Microsoft's stable of mobile application partners, [often on display annually in Microsoft's booth at NRF](#), is incredibly formidable; [Microsoft's recently announced Partner of the Year, AVA retail .AI](#), also happens to specialize in location analytics and visual recognition technology, which, for those scoring at home, happens to be similar to the components within Amazon's Go concept; and Microsoft, unlike other cloud providers not named Amazon, actually runs its own stores.

Everything within this potential partnership just passes the smell test.

But keep in mind, Walmart is only through mile one of the next-generation retail marathon.

While partnering with Microsoft is the right move by Walmart, Walmart's next-generation life will only take shape once the company pushes itself to the edge of its current comfort zone. Amazon and Alibaba likely both have a leg up in the race because of their lack of existing physical retail operational, technological, architectural and cultural debt, so Walmart will, in many ways, have to work harder than the next guy.

The greatest barriers to entry for new retailers are physical stores themselves. Physical stores are expensive for upstarts to build. What matters, then, is not so much the Walmart stores that people know today, but the Walmart stores that people will know 10 to 20 years from now.

Future Walmart stores will need to look vastly different, regardless of how ready the Baby Boomers and Generation X are for the eventual transformation. Transforming Walmart stores for future generations will require thinking similar to how Apple designs its products. Just as Apple removes features that customers love in nearly every new product release—things like disk drives, earphone jacks, etc.—so too must current aspects of Walmart's business go away in the aim of long-term generational progress.

Will Walmart have the grit and determination to keep at it?

Yes.

Doug McMillon has thus far shown that he is the right man for the job. The partnership with Microsoft signals that he is taking the right approach and will not go down without a fight. While many retailers find themselves in a position unable to fight or are even happy treading water in the hopes of riding out what is, in reality, an insurmountable storm, McMillon appears to be willing to make the tough choices required to move Walmart forward.

McMillon appears to be playing the long game—selling off assets to sharpen the company's focus ([Asda](#)), bringing in new talent and perspectives (Marc Lore, [Valerie Casey](#) and others), focusing more on R&D ([Store No. 8](#)), and finding the right partners that could be essential to survival (Microsoft).

2019 could be the watershed year for McMillon and for Walmart. It could be the year that the seeds of his hard work, firmly planted in the ground, take root, begin to sprout and give the public a glimpse of Walmart's own Amazon- and Alibaba-like vision of what the future could be.

Until now, the public has seen only small, incremental tidbits of what Walmart's store of the future could look like, but this new partnership with Microsoft likely portends that there is far more on the horizon, that Walmart too will dream the American dream of entrepreneurship and do all that it can to lead retail through the next great innovation cycle in retail.

The clock is ticking. Now is not the time to follow. Now is the time to lead. America needs Walmart to do exactly what it appears to be doing.