Thanks, Dan. Good morning, everyone. We're happy to visit with you about another strong quarter. As this challenging moment in history continues, we've seen the best in our associates. They keep showing up and stepping up. They are adapting and becoming what we must become to thrive in the next generation of retail. Our leaders are learning and applying new skills at a new pace. We're grateful for and proud of how they're bringing our purpose and values to life.

With the outbreak of COVID-19, the retail world clicked to a fast-forward, and our ability to adapt quickly has been crucial. Changes in customer behavior have accelerated the shift to eCommerce and digital. We were well positioned to catch and ride these waves given our previous work and investments. Our eCommerce and omni-channel penetration continued to rise, accelerating trends by two to three years in some cases. We're convinced that most of the behavior change will persist beyond the pandemic and that our combination of strong stores and emerging digital capabilities will be a winning formula.

Customers will want to be served in a variety of ways, and we're positioned to save them money, provide the variety of product choices they are looking for, and deliver the experience they choose in the moment. Now, let me cover some quarterly highlights. Despite an unusual and softer back-to-school season and less benefit from government stimulus spending versus the first half of the year, revenue for the third quarter increased 6.1% in constant currency and adjusted EPS for the quarter was $1.34, an increase of 15.5% versus last year.

Walmart U.S. had another strong quarter. Comp sales increased 6.4% and we significantly reduced operating losses in eCommerce. Consistent with the second quarter, we saw customers consolidate shopping trips with larger baskets and fewer transactions. Comp sales accelerated from the beginning of the quarter, helped by food, consumables, and health and wellness. eCommerce grew 79%. Growth was strong in pickup and delivery as well as direct-to-home with the highest growth coming from marketplace.

We also launched Walmart+, and we're excited to have that important piece of the puzzle in place. We launched it with an initial set of benefits that we know are important to our customers. Over time, we'll evaluate the program against our broader set of assets with the aim of improving the value proposition and deepening our relationship with customers, including earning a greater share of wallet. Our merchant and replenishment teams are working hard to ensure we have products available for our customers. In-stock levels have improved from Q2, but we're still below where we want to be.

The team is being flexible when it comes to meeting demand. For example, we've turned on nearly 2,500 stores to fulfill online orders. We can quickly flex this number as the holiday season progresses to help relieve pressure on our eCommerce fulfillment centers, if necessary. This holiday season will obviously be unique. While many family gatherings may be smaller, we do believe families want to decorate, celebrate, and enjoy food and gifts. They want a sense of normalcy. And our traditions help bring some joy and comfort to this difficult year. With the importance of social distancing in mind, we planned several holiday shopping events this year, so customers can enjoy special items and pricing over a longer period of time and shop in a way that's best for them.

At Sam's Club, strong comp sales of 15.3%, minus fuel and tobacco, included a good balance of increased ticket and transactions. Great items drive the club business, and our merchandising offer is compelling. Our strength in fresh food and the uniqueness of Member's Mark continue to make it special to be a member. Membership income is vital for Sam's, and we're encouraged by our performance. New member signups were strong. Overall, renewal rates increased nicely and renewal rates for Plus members increased more than 350 basis points.

Consistent with the growing popularity of a contactless shopping experience, Scan & Go penetration is up more than 600 basis points and curbside delivery has been well received by members and is growing well above our overall comp sales. Outside the U.S., we had another solid quarter, performance-wise; and we announced additional portfolio actions to increase our focus on priority markets. Overall, net sales increased 5% in constant currency and comp sales were positive in eight of 10 markets.

In India, Flipkart and PhonePe had strong results for the quarter. The number of monthly active customers for these platforms is at an all-time high. At Walmex, we continue to see good results as comp sales once again outpaced the overall market. eCommerce is also accelerating with growth of more than 200% for the second consecutive quarter. Customers are increasingly looking for omni-channel solutions and we're providing it for them.

In Mexico, we completed the rollout of same-day delivery to all Sam's Club locations; and in Central America, we opened our first store with omni-channel capabilities. In Canada, we saw broad-based strength across categories, especially in food and consumables. We see strong growth in eCommerce in this market too with sales growth of 177%. We're focused on providing more digital solutions for customers to make shopping easier. With a national rollout, mobile check-in customers can now use their phone to check-in when picking up their online grocery order.

We continue a series of actions to increase our focus on priority markets. We've recently announced the sale of our businesses in the U.K., Argentina and Japan. These teams have been an important part of Walmart and we'll miss them. They will continue to innovate and grow under the new ownership structures, positioning them for future success. We're committed to our stated priorities and you can see it with these actions along with others in the U.S., including Jet and VUDU. We know where to invest, and we'll be aggressive where we should be, while taking action in other areas.

Before closing, I'd like to touch on a few additional points. The recent rise in COVID cases throughout the country reminds us we must remain vigilant. As we've done since the beginning of the outbreak, we will continue being disciplined about the safety protocols throughout our stores, clubs, distribution, and fulfillment centers. We're reinforcing our messaging to customers, members, and associates regarding wearing face coverings, social distancing, and other safety measures.

While the health and safety of our customers, members, and associates is our first priority, we realize the increasing cases will put more pressure on small businesses that have been heavily impacted by the pandemic. As various governments around the country tighten up to help keep people healthy, it will be imperative that elected officials in Washington work together to deliver the help so many small businesses need to get through this next phase of the pandemic.

Leading on social and environmental issues has become part of our core business for over 15 years now and so despite COVID-19 that work has naturally continued. ESG work is part of who we are. Across the company, creating economic opportunity for associates through jobs and advancement is something we're proud of. We were pleased to adjust our store structure and increased wages for around 165,000 associates in Walmart U.S., and more than 20,000 received increases in Sam's Club U.S. We're also pleased to have hired over 0.5 million new associates during the course of this year, globally, as so many of them need to work.

A few other recent examples include the work we're doing to increase racial equity and address climate change. We created shared value networks made up of Walmart associates, who are looking at ways we can make a difference in education, financial, healthcare and criminal justice systems. They are finding natural overlaps between our core business and opportunities to advance racial equity.

For example, we launched a new race and inclusion curriculum and we've seen hundreds of thousands of associates access it since August. We also have a new requirement for U.S.-based officers to complete racial equity training. And to drive further transparency on the progress we're making, we launched the first ever mid-year diversity report.

As for our environment, we've set a goal of becoming a regenerative company. We want to do more than slow down the damage to our planet. We want to reverse that process and actually add back and strengthen nature. We're working to restore, renew and replenish our planet and we encourage others, including our suppliers, to do the same. We've set a date of 2040 to target zero emissions without relying on carbon offsets in our own operations and fleet. This builds on our leadership as being the first retailer with a science-based target for emissions reduction.

Please take a few minutes to learn more about what we're doing by referencing our ESG report on our corporate website and accessing the Virtual Milestone Meeting we recently hosted, which you will also find there. Last, I want to wrap up by saying congratulations to President-elect Biden. We look forward to working with the administration in both houses of Congress to move the country forward and solve issues on behalf of our associates, customers and other stakeholders.

We thank you all for your interest in our company. Happy holidays.

Brett Biggs

Thanks, Doug, and good morning, everyone. Our third quarter results were strong and highlight the continued progress in our omni-channel strategy. We continued delivering solid results while positioning the business to win long-term. We also continue to allocate capital toward the most compelling long-term opportunities demonstrated by continued investments in supply chain, eCommerce technology and store innovation, while reshaping our global market portfolio.

Despite the challenges of this unique time, associates around the world continue to do an outstanding job, responding to the customers' need for greater shopping flexibility by accelerating omni initiatives. We're creating and launching new products and services such as Walmart+, helping us develop deeper relationships with customers. In fact, we've doubled the number of U.S. store associates supporting digital and omni initiatives this year. We believe we have the customer focused strategy to win long-term.

Now let's discuss Q3 results. Total constant currency revenue growth was strong, up 6.1% to more than $135 billion. Walmart U.S. comp sales increased more than 6%, international net sales grew 5% in constant currency, and Sam's Club grew comp sales more than 15% excluding fuel and tobacco. The health crisis continued to shape shopping behaviors with trip consolidation, larger baskets and growing eCommerce penetration.

Gross profit margin was strong in each segment and increased 50 basis points in total, aided by strategic sourcing initiatives and fewer markdowns, while eCommerce margins also improved.

SG&A leverage of 18 basis points in Q3 was aided by lapping last year's non-cash impairment charge of approximately $300 million or 23 basis points, but was negatively impacted by nearly $600 million or 44 basis points of COVID-related costs. We continue to see operating efficiency improvements around the company.

Adjusted operating income on a constant currency basis was up more than 16% and adjusted EPS of $1.34 was a 15.5% increase versus last year's Q3 adjusted EPS.

GAAP EPS was $1.80 which includes an unrealized gain on our investment in jd.com, partially offset by $0.34 loss on the sale of Argentina due primarily to foreign currency losses.

Operating cash flows year-to-date has been exceptional and was up approximately $8.3 billion versus last year to nearly $23 billion. Free cash flow was $9.7 billion higher due to increased sales, continued operating discipline and lower CapEx, some of which is timing.

Inventory increased about 60 basis points in Q3, due primarily to timing of holiday events. We resumed share repurchases in Q3 with more than $450 million repurchased during the quarter.

Now, let's discuss the quarterly results for each operating segment. Walmart U.S. had another strong quarter with comp sales, excluding fuel, up 6.4%, and eCommerce sales growth of 79%. eCommerce sales were strong in all channels throughout the quarter. Walmart.com traffic has been robust with solid increases in repeat rates and good momentum in marketplace sales, which grew in triple-digits.

As we noted when we announced Q2 earnings, third quarter sales started out a bit softer, particularly in the U.S., due to a delayed back-to-school season. However, sales picked up in September and the momentum continued through October. Consistent with prior quarters, we saw continued strength in home, electronics and sporting goods. We're pleased with market share gains in several general merchandise categories according to NPD.

Grocery sales also strengthened throughout the quarter, led by strong comp sales in food categories, helped by expanded store hours, improving in-stocks and strong price positioning.

We continue to see trip consolidation in significantly larger baskets in Q3, resulting in average ticket increase of about 24% and a transaction decrease of about 14%. Customer transactions began to improve after we expanded store hours and we expect this trend to continue as we further extend store hours this month.

Gross profit rate was strong, up 33 basis points due primarily to strategic sourcing initiatives and fewer markdowns. We continue to make progress on eCommerce margin rates as we drive faster growth of marketplace sales and improve product mix. Also, the phased reopening of the Auto Care Centers and Vision Centers during Q3, has alleviated some of the negative margin pressure experienced during the first half. The carryover of last year's price investment continued to negatively affect margin rate.

Incremental COVID-related costs of more than $430 million negatively affected expense leverage by about 50 basis points. As a result, the U.S. segment deleveraged nine basis points.

Operating income was up 9.9% for the quarter, including a continued reduction in eCommerce losses.

Inventory increased 5.5%, primarily reflecting the timing of holiday merchandise flow and the continued recovery of in-stock levels from earlier in the year. We're making good progress to get certain categories to higher in-stock levels and overall, we feel good about our position for the fourth quarter.

While it's still early in the quarter with big sales days in front of us, we expect it to be a good holiday season. International delivered strong Q3 results with net sales up 5% in constant currency, including 56% eCommerce growth.

Currency fluctuations were a headwind to sales of approximately $1.1 billion. eCommerce penetration continues to accelerate and grew nearly 500 basis points this quarter. Eight of 10 markets posted positive comps, with sales in Canada and Mexico, particularly strong, including triple-digit eCommerce growth in both markets.

Flipkart continues to perform well and recently completed its best ever Big Billion Days sales event in October. Their third quarter GMV continued to reflect strong demand post-COVID lockdowns, with significant growth in monthly active customers.

Canada comps increased more than 7%, with broad-based strength both in stores and online, and China saw continued strength with double-digit comp growth in Sam's Clubs and eCommerce growth of over 60% despite some softness in hypermarkets.

Comp sales in Mexico grew more than 5% as the omni-channel strategy continues to accelerate. International adjusted operating income was strong, aided by government stimulus in various markets, Flipkart's improved margin mix as well as cost savings initiatives in Mexico. The quarter included incremental COVID-related costs of approximately $65 million.

Operating income increased 70% on a reported basis and about 22% on an adjusted constant currency basis, excluding the benefit from lapping last year's impairment charge.

Sam's Club had another terrific quarter with comp sales growth of 15.3%, excluding fuel and tobacco with contributions from both increased transactions and average ticket. Strength was broad based across categories with food and consumables leading the way.

eCommerce sales grew 41% with strong demand for direct-to-home delivery and increased club pickup. We're pleased with the strong membership trends at Sam's as membership income grew 10.4% in Q3, the best quarterly performance in five years. This reflects higher renewal rates, robust new member sign ups and rising Plus penetration.

Strong sales in gross margins more than offset the approximate $80 million of additional COVID-related costs, resulting in an operating income increase of nearly 32%.

Consistent with prior quarters, we aren't providing FY2021 financial guidance due to continued uncertainty around the key external variables related to the health crisis and their potential impact on our business and the global economy. The health crisis continues to create both tailwinds and headwinds for our business.

In Q3, we saw strong sales aided by some stock buying and continued stimulus spending, albeit to a lesser extent in the first half of the year. Q4 will feel different from past years as customer shop differently and shopping events are spread out.

eCommerce and omni-channel penetration continue to accelerate and we are in a good position to serve customers this holiday season. We expect COVID-related costs to continue for some time, along with some general global uncertainties.

In addition, currency headwinds remain elevated. If rates stay where they are today, the top line impact would be around $1 billion in the fourth quarter.

Despite the unique challenges this year, Walmart's financial position remains rock solid, and our strong performance reinforces the advantages of our omni strategy. We'll leverage our scale, unique assets and financial strength to continue positioning the company for growth in the U.S. and in key markets around the world. I remain very optimistic about what this company can do in the future.

As always, thank you for your interest in Walmart and we'd be happy to take your questions.

Question-and-Answer Session

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question is from the line of Michael Lasser with UBS.

Michael Lasser

Good morning. Thanks a lot for taking my question. The Walmart U.S. grocery comps have been strong but increased half the rate as the conventional grocers have been reporting. So as you look towards next year when the grocery category retraces due to the shift back to food away-from-home, should the Walmart, who has grocery business slow less than others because it didn't rise as much this year?

And also if you could give us some sense has the Walmart U.S. eCommerce gross margin reached an inflection point where it can sustainably generate increases year-over-year because of mixed third party contribution and the impact of Walmart Plus subscribers? Thank you very much and have a good holiday season.

John Furner

He good morning Michael. This is John Furner with the U.S. segment. Let me take the question on food first. In the quarter, we were happy with the results. Our food comps in total were just in, call it the mid-to-high single-digit range. And we did see sheer improvements from the second quarter; and we think in the second quarter, our comps would have been influenced by shorter store hours. We were opened only till 8:30 in the evening. We've recently expanded to 10:00 p.m., and in some locations where we felt it was safe, we moved downwards to 11:00 p.m. at night. And those have had improvements. We're seeing a trend improvement on our food share in total over the two quarters.

Looking at the food business in general, our in-stock position is much better in the third quarter – was much better in the third quarter than was in the second. And then generally speaking, our price position has remained very strong in Q2 and Q3, which is at a better position than it was in the first quarter of the year. So, we are we're pleased with the improvements in share trends in the third quarter, from the second quarter.

And then the last thing I'd say is the team has also done a very nice job with the online pickup business. We've doubled the number of people that are working in that business, up to about 130,000 – 140,000, which is 2x of what it was a year ago. So overall the improvements in food share has been pleasant from the third quarter than the second.

I think your second question was on eCommerce margin specifically. And Michael, those results are a reflection of mostly mix as we described, our home business has been solid online, our apparel business has led, and then the overall winner in the eCommerce business was our marketplace business which led the marketplace or led the eCom comps in total to 79% for the quarter.

Operator

Our next question is from the line of Kelly Bania with BMO Capital.

Kelly Bania

Hi, good morning. Thanks for taking our questions. Also just wanted to ask about the reduced eCommerce losses and curious about just how Walmart Plus could maybe change the trajectory of that at all, I know it's still early days but just curious on how to think about that longer-term? And then also just in terms of capacity for eCommerce, is it possible that stores could become a permanent area of capacity in fulfilling online orders or given the significant growth this year, is there any need to expand fulfillment center capacity?

Doug McMillon

I'll start Kelly, this is Doug, and then John can jump in. I think, as it relates to Walmart Plus and losses, we're putting together an ecosystem, these parts are connected and I do think Walmart Plus can be helpful in a lot of ways over time and the information that we'll have about customers, the ability to personalize, I think we'll be able to serve them better in both sides, the stores and eCommerce will come to life in a way that helps make Walmart Plus even stronger.

But I wouldn't underestimate the significance of the other components as it relates to eCommerce losses and eCommerce growth, kind of the basic blocking and tackling, getting the contribution profit to a healthy level, things like mix that John just mentioned a minute ago, apparel and home mix in particular, the ability to leverage costs to pick efficiently, obviously getting things into one box as much as possible, getting shipping efficiencies, all of those kinds of things are going to generate a sustainable businesses as it relates to eCommerce as a channel over time.

We will keep an eye on eCommerce as a business, of course, but also remember we've got all these other levers where it's an omnichannel business, we've got a lot of variables on the store side, so when we think of how we blend the combination of revenue, expenses, and profitability together, we think of it in a holistic fashion. It is great to see how stores have been playing a role with fulfillment.

John Furner

And Kelly, at a certain point this year, in the second quarter, we had up to 2,500 stores working as fulfillment centers to handle demand and been in the last few months, we've been able to open more fulfillment center capacity, including staffing up to be able to pick orders and ship from store. So, I think the important note there is, as Walmart has so many assets that can be used to take care of customers in any way they want to shop, whether they shop in-store, pick up at the store, or have orders delivered.

Operator

Next question is from the line of Paul Trussell with Deutsche Bank. Please proceed with your question.

Paul Trussell

Good morning, and very solid quarter. You spoke confidently about the holiday season likely to be a healthy and strong one. Maybe just elaborate on your views on 4Q, maybe what you're seeing to-date and anything that we should keep in mind from a modeling standpoint. And then separately, would be really interested in you speaking to the specific transactions that have taken place in Walmart International and just how we should think about the overall strategy and the way you're managing that portfolio. Thank you.

Doug McMillon

Paul, I'll start out. This is Doug, as it relates to holiday, now let's keep in mind we've got multiple markets and a lot of different scenarios, but there are some common trends, people are at home more, they're eating at home more, and they've all been through a difficult year. So just emotionally, I don't know what you're thinking, but in my family while it would be a smaller group, we're really looking forward to Thanksgiving and Christmas and New Year's, and some sense of joy and normalcy. And I think we'll see that play out as it relates to consumption patterns in the U.S. and beyond.

John, if you want to add some things for U.S. and then we've got Judith on today, and we'll go to her for the International portfolio response.

John Furner

Sure. Thanks, Doug. Good morning, Paul. We planned for a good holiday season. As Doug said, we are planning for what we would describe as the new normal for customers this holiday, which will include staying at home, being in smaller groups. We think to be of course, more celebrations as groups are smaller all around the country.

Our events, which last year would have been more of a singular event, we have several events that are planned, a few that are behind us and more to come. We plan these events to be omni-lead. So they give customers the option of being able to buy online and pick up in store, buy online have shipped or shop-in the store. And we made it very flexible. So customers could do what is best for them. We've called this Deals for Days. We've had three events online already. We've had two events in stores, and then we'll have more as the season goes on and we're looking forward to the next 10 days of being ready for customers to shop further for the Thanksgiving meal.

But overall, we feel good about our plan for the fourth quarter. We feel good about our in-stock and our inventory position in general merchandise. And then I'll turn it over to Judith to talk about the International transactions.

Judith McKenna

Hi, Paul, clearly transactions in the last six weeks announced as the Argentina and Japan, completely inline based on the strategy that we set out earlier in the year, with strong local businesses powered by Walmart and our ability to be flexible in the ownership structures that we have, whether that are the public companies that we've got minority ownership or majority ownership around the world, all three of those, we think position those markets to be very successful.

In Argentina, we’re divested fully, but in the UK and Japan we’re retaining a stake in those businesses, as we help them continue on their transformation journeys as well. We're going to continue to focus market at the time. Our priority markets are clear India, China, Mexico and Canada, but actually every market that we have plays a role in the portfolio in some way. And I think that Japan is a really good example announced on someday, really how we can bring together people, not only to do a digital transformation for Japan, but more importantly, how much Walmart can continue to learn in that relationship as well. And we continue a relationship with them on a commercial basis in respect to providing global sourcing.

This is a really new type of model that we're creating for International, we said a little bit clear on our priorities and I think we are showing that we have done that, but at the same time we still really benefit from all of the good things about being a global retailer, not least a great sharing of products and innovation and talent around the world.

Operator

Our next question is from the line of Karen Short with Barclays.

Karen Short

Hi, thanks very much. A couple of questions just related to your U.S. comp, I'm wondering if you could give a little bit more color on what the impact would have been on your comp in this quarter, but I mean, probably applies to 2Q as well from the actual reduction in hours. And then you did mention that you've extended the hours by another hour, I guess, in some stores. Any thoughts on going back to 24 hours? And then the second question I had was with respect to Walmart Plus, would you be willing to provide a little color in terms of what the average ticket is on those transactions? Because I think there's some view that it could be very dilutive as the ticket is lower than you would have hoped for.

John Furner

Hey, Karen, good morning, it's John Furner. Let me take the first question on the hours first. Let me first say, I am really appreciative of the work that our associates have done this entire year. They have stepped up as Doug said earlier and served their customers, served their communities in taking care of each other. And I want to start with that because it's just an important to reiterate that our first priority all year long has been to do whatever we could to protect associates safety, customer safety and serve our communities.

And so the reduction in hours in the first and then the second quarter are primarily to ensure that associates were able to cover the stores as needed. We also had changed our leave of absence policy, which enabled associates to take off anytime they needed, if they weren't feeling well or they needed to stay at home. The hours did changed in Q3, so during the three, I wouldn't be able to give you a number that was saying how much it affected the results by, but we do know that the sheer losses in Q2 subsided and improved in Q3. So we played that this definitely has a part of it. We don't have any guidance yet on whether we'll go back to 24 hours at what point, at this point we'll operate 7:00 to 10:00 or 7:00 to 11:00, depending on what the store is able to handle in terms of staffing and whatever local regulations would allow for.

On the Plus program, as we said earlier, we're excited about the offer, we think it's an important part of the Walmart ecosystem for customers to be able to experience all of the benefits that Walmart has to offer. We want this to be a very friction-free experience for the customer and whether the customer is shopping in the store with Scan and Go or using our fuel discounts, which are available at our Walmart gas stations, Murphy, Murphy Express and now Sam's Club, and then finally be able to get unlimited delivery on food, consumables and general merchandise from the store. We think it's a really compelling offer that customers will enjoy being a part of and being able to benefit from.

The program is new, so we don't have a lot to share at this point and we're still learning. We're focused on the best experience we can possibly deliver for our customers. And we're looking forward to the impact that the program will have. It might be worth repeating the stat we've shared with you over the last few years that when a customer shops us in-store and online, they spend about twice as much and they spend more in store, those are pre-pandemic stats, we’re not updating those at this moment, but it is important to remember once they're engaged in a digital relationship and they're shopping as holistically like that, the value of that customer relationship goes up.

Operator

Our next question is from the line of Peter Benedict with Baird. Please proceed with your question.

Peter Benedict

Good morning guys. My question is just on the Walmart Health initiative, I'm just curious, kind of the near-term and longer-term plans, maybe how COVID has impacted that. I know it was a hot topic earlier this year, but certainly other things have come up. So just looking for an update there and what your strategy is? Thanks so much.

Doug McMillon

Hey, good morning, Peter. We remain excited about the opportunity in health and wellness in general, including Walmart Health, we haven't made any changes to our plan. We've opened few clinics since we most recently spoke, and we are excited about the demand that we saw in the first six months in the year including last year, since we opened our first clinic in Dallas, Georgia.

We continue to work on our mix and learn about the types of services that we want to offer customers. And there's no change that I would be wanting to make at this point.

Operator

Our next question comes from the Simeon Gutman with Morgan Stanley.

Simeon Gutman

Hi, everyone. Good morning. So I have two questions, the first one is on market share, the second, just another follow-up to Plus. On market share, I think stepping back, you're obviously having a very good year both top and bottom line despite the challenging in the – challenges in operating. The – you're growing above your normalized rates and your dollars are pretty big. But if you look across the rest of retail, you're starting – you are seeing robust results. And so, it suggests you might not be gaining as much share. I don't think you're losing.

I think in food maybe it's partly because the lack of promotions in some channels. But I want to ask you, if you – when you look at your results versus others, how do you explain the difference? You meant – John just mentioned some store hours, is it anything about inventory at this point or maybe the customer not having the same wallet share shift?

And then the question on Plus, maybe just a follow-up for John if you're willing to share, how it's performing versus expectations? And then anything on the percentage of new customers coming to the platform?

Doug McMillon

And let me take the share question, first, Simeon. As we said, our share in Q3, the trend did improve in total food. Our general merchandise share has gained in Q3 and also in the second quarter. Q3 did start slower in general merchandise and picked up as the quarter went along, so we were pleased with that.

As far as the average ticket and pricing, we are seeing across the entire box, what we describe as modest deflation, a little bit of inflation in some food categories, but no major change there. Our price gaps did widen in the second quarter versus what they had been in the first, and they remain wide in Q3. So certainly, there are less promotions around the market and I think our unit growth, as mentioned earlier and the transaction size, has benefited from those.

As far as the Plus business, we are excited about the results. It's really early on. We just launched this in the middle to the late – latter part of Q3, so we don't have anything yet. We're still learning. We're excited about the offer. We know customers are excited about the offer. We do serve about 90% of the population within a 10-mile radius and just in the last quarter we added another 230 stores that can do pickup that brings our total to 3,700 stores, then we've got 2,700 stores that are now offering what we describe as Express Delivery. And we have examples even just this week of customers who are getting their groceries, from the time of order delivery in under half hour. So, we're really excited about the ability to have services like that all across the country in big cities, in small cities and everything in between.

Operator

Our next question comes from the line of Robert Drbul with Guggenheim. Please proceed with your questions.

Robert Drbul

Hey, guys. Good morning. I guess the first quick question that I had, Doug and Brett, is it true that you guys were Tik-Toking this morning before the call started?

Doug McMillon

Brett was – I was just watching.

Robert Drbul

All right. But my second question then would be, can you talk a little bit about the consumer – what trends you're seeing with the consumer in terms of pantry loading again sort of move to value versus convenience and your ability to really manage in-stocks in this environment still today? Thanks.

Doug McMillon

Yes, I'll go first. I think Bob, as you look at what's happening in the U.S. in particular – and Judith, you may have comments about outside the US – I think the way to think of this is locally, it really does have everything to do with what's happening with COVID cases in any particular community. I was in stores last week and I saw variance from one state to the other, one location to the other, just depends on how people are feeling in that moment. But what the action is the same as what we saw before. They're just stocking up on paper goods, cleaning supplies and dry grocery, should they need them. And so, I think we're going to be able to respond in this instance better than we did in the first half of the year, although we're still – as a total supply chain – still stressed in some places.

It's disappointing to watch our rationalities and see as many out of stocks as we had in consumables right now, generally, although it's a whole lot better than it was earlier in the year. So, I think we'll manage through these curves. They'll be localized. We will respond. We got to keep these food and consumable DCs operating. Our logistics team is doing a fantastic job of doing that. But it feels to me like we'll work through this period of time better than we did in the first wave.

John Furner

And Doug, I agree, we do see big differences depending on the communities that you are in. I've also been out the last couple of weeks and including the last two weekends, and it really depends on what's going on in the state and the city that we're in. The specific categories where we have the most strain at the present time would be bath tissue and cleaning supplies.

Some of our inventory position on hand sanitizer, mask is very good; dry grocery has recovered in many cases, although there are still parts of supply chain that are stressed by components that just haven't been available, including things like aluminum and cans packaging. So those things have definitely had an impact. But overall, I'm pleased with the improvements in availability, including the fresh meat department. The team there is doing a great job of getting things back in stock. We still see some stress in things like daily bacon and breakfast foods. But in general, there is product available just in store fronts like how it was.

And then finally, I would just complement our produce team that has just done a great job of sourcing produce and maintain quality and fresh levels throughout the entire year. So, the teams are really working hard and I'm really thankful and grateful for the work that our inventory teams and merchandising teams have done at Walmart in the grocery departments.

Judith McKenna

And maybe just a…

Operator

Sorry, please go ahead. I apologize.

Judith McKenna

Robert, maybe just a comment from around the world, which is again, it varies deeply by country, so U.K. in full lockdown, China pretty much life back to normal there. Just the only things to add to John and Doug's comments, eat at home continues to be a trend everywhere, mainly which we are benefiting from. Supply chains around the world are hulk about. But overall, just seeing festival seasons, and I would take that as everything from on Christmas through to Diwali and staffing strongly and people being happy with, buying things for themselves and for their homes as they go through that period as well.

Operator

Our next question comes from the line of Oliver Chen with Cowen.

Oliver Chen

Hi, thank you. Happy holidays. Regarding advertising, we're seeing a lot of really great research for your advertising program. What's ahead as this may intersect with Walmart Plus, how it could impact profitability and your views on longer term share gains? I would also love your view on automation and micro fulfillment centers as well as the connected store, if you could update us on key thoughts in the midst of the pandemic and what you're seeing with the consumer and the connected store execution? That would be great. Thank you,

John Furner

Hey Oliver. Thanks for the feedback on the advertising. We are proud of the team and the work they're doing, and they're – I think they're doing a great job of getting the message out and the benefit of things like time savings and being able to spend more time with your family and do the things that are important. And we think those are key components of what the Walmart Plus offer has for our customers – being able to order your groceries and have them delivered without worrying about whether you have it delivered or not. It's just part of the program. Even saving time while in store with Scan & Go is a nice benefit as well.

So I think it's just part of mix. This is a service that we already offer. We've had a delivery business for some time now. That's been growing for some time. I'm really happy with the growth of delivery in the second quarter and the third quarter.

There has been growth in both quarters and that's exciting to see. I think the team is doing a nice job figuring how to leverage delivery costs and putting multiple orders in cars. They're building density all across the country and that's exciting to see.

I think the second point to make is our merchants are really focused on the omni customer, and so more and more I hear from our merchants, they are thinking of their businesses in terms of a customer strategy rather than a channel strategy, so the lines are blurring between e-Commerce and stores and it's all about serving the customer the way they want to be served, whether that's letting the customer – having the customer be welcome to shop in-store, pick up at the store or that – or delivery.

I mean as far as your question on automation, we're still excited about programs that we have going on a regional distribution centers and fulfillment centers. In both cases, we've got a lot of innovation and the team is doing a great job of figuring out how to deliver to stores and the customers, orders that are not only productive and our variable cost per unit has gone down even though the last quarter, as we mentioned with e-Commerce losses, but we're doing a nice job. Have been able to service stores more timely and more accurately.

And then finally, at the local level, we do continue to have innovations that are starting to really work and we're excited about what's in the future when it comes to things like our Alert program that's piloted in New Hampshire and we have other locations planned for that technology. And then we're also evaluating other technologies that would help us, of course, expand our capacity at stores to be able to pick and deliver orders as they come in.

Doug McMillon

It's been great to see some of the pilots that we've had, in terms of automation, start to really work. We'll be talking to you guys more about that in the future, but automation will be a big part of what we do. And it will play a role in helping the store experience get better as it reduces the amount of work the associates have at store level just moving freight around.

I hope, you can also see – Oliver, back to your first question – that the company is changing and shaping its business model, the way that we make money today and the way we'll make money in the future will be more multifaceted, whether it's marketplace or advertising, Walmart Plus, Walmart Fulfillment Services and other things to come in the future. We've just got this great opportunity, this asset, in terms of these customer relationships, any other fiscal assets that we have, to monetize it in a variety of ways. And we're building those capabilities and you can start to see it in our results.

Operator

Thank you. [Operator Instructions] The next question is from the line of Kate McShane [Goldman Sachs].

Kate McShane

Hi. Good morning. Thanks for taking my question. Just from a promotional standpoint, I think you noted last quarter that competitors, particularly in grocery, were not promoting as heavily because of the strong demand. I wondered if you could comment in terms of what you saw with regards to promotions in Q3 and now as we get into holiday for Q4? And just in general, how much price investment impacted gross margins in the third quarter?

Doug McMillon

Hi, Kate. Let me take the first question. In terms of the market, in Q2, we did note that we saw less promotions around the market and primarily that would have been caused by the number of stock outs that we're seeing nationally due to the run-up in what we call the first phase of stocking up at home, right when the pandemic began.

In the third quarter, in food and consumables, there wasn't much change that we noted from the third quarter to the second. So again in the quarter we definitely saw less promotions; as we said earlier, our price gap versus our competition wide ending the second quarter and remained wide in the third quarter. The difference in late Q3 and then into Q4 would be the different schedules that we're seeing all around the country regarding holiday events and gift buying.

We are excited about the plans that we have in the fourth quarter. As I said earlier, a number of those events have already happened, and we have more plans over the course of the month. And I'm really excited about the offer that our entertainment team, our electronics team has put together. We're excited about the game offers that they have. I'm excited about the items that we have in toys. We've got 1,300 new items in toys and 800 items that are unique to Walmart and the toy department this year.

And we've gotten great feedback from number of kids and our program that we call Walmart Camp Online has also been really successful this year. And that gave customers an opportunity to do things at home and spend time together. So I think that fourth quarter, while we don't have guidance on that today, I think the fourth quarter is definitely planned well. I think the team here at Walmart and have done a great job thinking about safety and being able to give customers options so they can shop to the way that they want to shop and be able to celebrate their holiday the way they want to and buy guests for Walmart, and I'm excited about the plan the team has

Operator

The next question is from the line of Ed Yruma with KeyBanc Capital Markets.

Ed Yruma

Hey, good morning. Thanks for taking the question. You guys have made some really good strides in improving the mix in e-com into adding more vendors to marketplace, I guess, how would you score, where you sit today and how should we think about the incremental opportunity that's still remaining? Thank you.

Doug McMillon

We're just getting started. I think that's the end. That's the question, I mean. We have made progress and I'm grateful for the job that Mark and John and the team has done to build a big marketplace business, but we've got a lot of upside in front of us and a lot of – a lot of things that we can do to improve customer experience and to drive income for the company.

Operator

Our next question is from the line of Paul Lejuez with Citi.

Paul Lejuez

Thanks guys. I'm curious how much the improvement in the international segment gross margin was driven by geographic or country mix versus improvements you're seeing in the specific markets. Maybe you talk about which market we're seeing the biggest increases in gross margin rate; what's driving that? And just high-level guys, I'm just curious how you're thinking about planning for 2021? Again, what is been a very strong year? Thanks.

Doug McMillon

Let's take the international question first, Judith.

Judith McKenna

Yes. Thank you. Yes. The improvement around the world in gross margin levels. Clearly, our biggest market has an impact. Roll Mat, in particular, the U.K. and Canada all showing improvements. They both benefited from [indiscernible], particularly in the U.K. to high-margin [indiscernible]. But also, there's a lot of work done by the teams looking at cost of goods savings, underlying initiatives. And then we've also seen in some of our eCommerce businesses a shift into marketplaces as well, which has really helped us. So around the world, it's a combination of factors, driven primarily by our markets, which has been very pleasing to see.

Doug McMillon

As it relates to planning we look forward to the memo that you'll send us to explain it all, but if we – if we were to think through it, we're optimistic as I'm sure all of you are about how the back half of next year should start to look a bit more normal. We still have a ways to go to get there and we'll manage through it as we have been managing through this year. We do have momentum in a number of key areas. And the way that I think about it is almost regardless of what the market number looks like or what the economic environment looks like. We're in control of a lot of our own destiny. We know what customers want, and we have capabilities and are adding to those capabilities to be able to serve them.

So we're on our front foot. We are thinking about this offensively, and next year, there'll be tailwinds and headwinds that we're up against. Our in stock will be better. Our ability to service customers through e-commerce including pick and delivery from stores will be better. We will have fewer COVID-19 expenses. We hope and pray, and so all of those things we'll navigate as we go through the year, but our mindset going in is an offensive mindset.

Brett Biggs

And there's, we've talked about it before, this is Brett. There is some, Doug mentioned earlier, so many levers we can pull as a company just given the – all of the business that we do in various parts of the world, but also the types of businesses that we have in the U.S. gives us, I think, more flexibility than some – than some competitors, and it's finding that balance of we've got a plan, John, with our merchants, but at the same time, just remaining flexible to deal with what comes our way. But I'm with Doug. I think we control a lot of that.

Paul Lejuez

I taught Michael's question to kick things off a few minutes ago was a really good one. We did see customers when we started running out of stocks in the first stage of the stock-up period, they ran to local grocers and that's totally understandable. They also tried to shop close to home and went to small stores more frequently. That's also totally understandable, and our in-stocks struggled. And so when I think about next year with our in-stock being there, the price gaps that we have, I feel like we got a great opportunity next year, as we look at what's in front of us.

Operator

Thank you. Our next question is from the line of Seth Sigman with Credit Suisse.

Seth Sigman

Thanks a lot. Good morning. I wanted to follow-up on a couple of those points focused on online grocery. I think there was a conventional view a couple of years ago that there was a ceiling as it relates to online penetration or penetration of online grocery when using the store, it would just be limited to a point before it becomes disruptive to the store. What are you guys learning about that? And if you could also discuss the progress in increasing capacity for online grocery, I know you held it back in Q1 because of the inventory. You discuss last quarter, a big pickup in the number of slots. So how is that progressing and any other efforts to increase the efficiency, so that you can support that incremental volume into next year? That would be helpful. Thank you.

John Furner

Got it. This is John. Thanks for the question. Back to your very first statement on online grocery where we've really reframed online grocery this year to just be online pickup and delivery and more and more – we're offering more items in the super center that are available for pickup and the super center, which is just a fantastic retail format is also at times in the year operated as a fulfillment center. We had up to 2,500 stores that were shipping from home. We still have hundreds going to the quarter, and the team has done – have done a very nice job using all parts of the supply chain to fulfill our e-commerce demand, which would be reflected in the results that we saw in the quarter of growth of 79%.

As far as picking itself, over the course of the year, the team did struggle in the first quarter, obviously, with the number of out of stocks that we had, and we pulled some capacity back as we focused on getting the stores back in stock. And then as the stores have gotten back in stock, as we said earlier, we've doubled the number of people that are working in our pickup department up to 140,000. So a very significant increase over the year before. We're using machine learning to figure out the best way to put a labor against the slots also when to pick the slots and then went to determine what we can fill. So we've got some nice productivity improvements there.

On top of our regular pick system, which is basically the slot system, we launched express delivery, that's live in 2,700 stores, and we're really excited about the results in the first three quarters of the year with Express. So that's been exciting. And then looking forward, every week now we've got literally millions of slots that are open and available for customers to select from, and we'll keep working on the things that can – we can do in the short-term to gain capacity.

And the final thing I'd say is we are excited about what we would call Micro Fulfillment Center. So these would be automated solutions. There's a storage and retrieval system live at a storage a few miles from here that we're optimistic about, including others that are planned around the country for the next couple of years. So I think the ability for Walmart to be a real leader in the online pickup and delivery space is real. And I'm excited about the opportunities that has for us the next couple of years.

Operator

Thank you. Our next question is from the line of Chuck Grom with Gordon Haskett.

Chuck Grom

Hey great. Great quarter guys. I'm sorry for the near-term question, but there's some news out there this morning from Amazon on the free two-day delivery on Rx. So I guess I'm curious what you think about this development? And if you could also remind us what percentage of your sales come from pharmacy? And I guess, bigger picture, how that business has trended recently in any tweaks you can make moving forward?

John Furner

Hey, Chuck. I'll just say in general, we're very excited about health and wellness at Walmart. And health and wellness had a good – a great quarter last quarter, it was one of our best businesses. The team have opened a number of clinics and we have more plans or optimism about the health and wellness space remains high. Throughout the year we've been delivering prescriptions via mail. We've done this for some amount of time.

And then we've expanded the capacity in the summer. So we've got really broad coverage on the ability to deliver prescriptions around the country. And then also during the pandemic in all stores – all supercenters that don't have a drive through, we also launched curbside pickup. So the customers who need their prescription could pick-up their prescription outside of the pharmacy. And then we've got 4,000 stores now in 30 States that have no contact delivery options.

So the team has done a nice job innovating and serving the customer, and we just opened another central fill pharmacy here in Rogers, Arkansas that services home and stores. So we're pretty optimistic about the ability for the pharmacy team to continue to innovate and grow as the customer needs over the next couple of years.

Doug McMillon

Sam's Club has been going through a similar innovation cycle during the pandemic, adding curbside, learning how to do delivery, things have all accelerated there. So kind of back to Peter's question earlier, we're building out an omni-channel health and wellness business, and it'll include the big pharmacy business that we have now, vision, hearing, OTC, the things that happen in-store and online, and then increasingly services as you can see through our additional clinics. So I think omni-channel, and health and wellness will matter every bit, as much as it does in the rest of retail.

Doug McMillon

Are we wrapping up there? So just as we're wrapping up here, thank you for your questions. Really appreciate your interest in the company. We're optimistic about the fourth quarter. I love the position that we're in and just grateful to our associates for a strong Q3 and a strong year. Thank you all.