

AI in Retail:

▲ 21.74

▲ 54.97

▼ 31.5

▲ 62.70

A \$65 Billion Distribution Revolution



AI in Retail: A \$65 Billion Distribution Revolution

By Ian King, Editor, *Strategic Fortunes*

AFTER 15 years in the Wall Street trenches, I was exhausted from the day-to-day demands of trading. I also wanted to understand the bigger picture. When I took a step back, I realized I knew nothing about economics. I never took an economics course in college — I was a pre-med/psychology major.

I learned everything about finance through a front-row seat in the financial markets. So, I decided to take some time off and educate myself.

For the next two years, I chained myself to the kitchen table, consuming every relevant economics book I could get my hands on.

I took notes and compiled a stack of notebooks that I still reference today. I sought out economists and financial analysts, asking them for book recommendations.

After thousands of hours reading a dozen notebooks and countless podcasts, I realized that pursuing economics is a journey — not a destination. The more you learn, the more you realize you don't know.

But there was one big theme that separated humans from the rest of the animal kingdom:

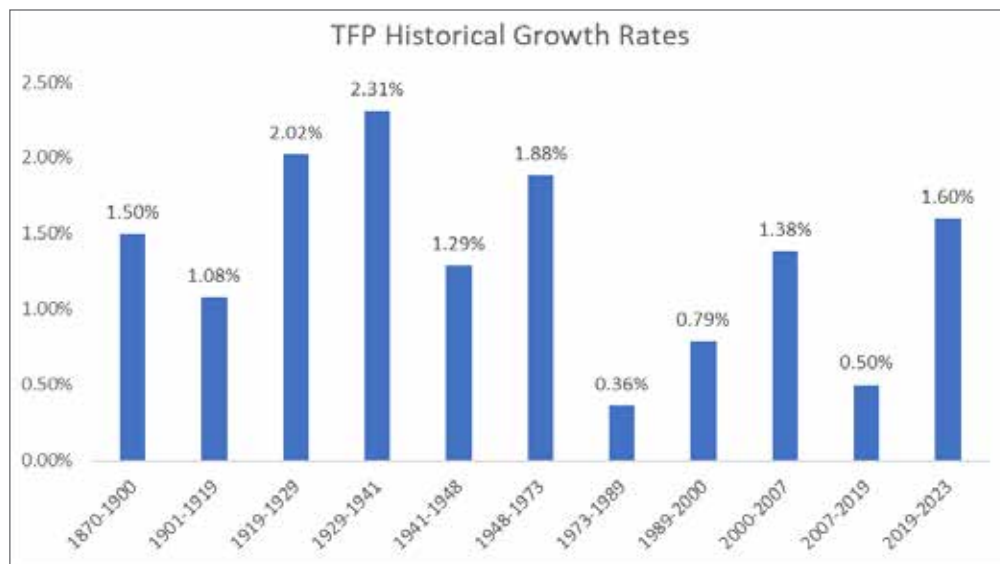
We are capable of doing more with less.

Economics, in its simplest form, is the study of scarcity. It also looks at how we optimize our behavior to improve our overall outcome. Think about that.

Every innovation centers on the idea that resources are limited. As a result, humanity becomes capable of doing more with less.

And there's no better measure for improvement than total factor productivity (TFP). This measures total output as a ratio of inputs.

As you can see in the chart below, our prosperity over the past 150 years comes down to a consistent increase in total factor productivity.



In fact, since the Civil War, measured TFP in the United States has grown at an average rate of roughly 1.6% to 1.8% annually.

Of course, that trend deviates when the economy falls off the rails. But even then, innovation and progress keep pushing us forward.

That's more important now than ever before.

In our uncertain economic environment, consumers and businesses are turning to companies that help us do more with less.

Of course, the most transformative technology these days is artificial intelligence (AI).

AI can already help us do more with less. Digital assistants can replicate many of the simple organizational tasks of a human assistant.

AI has recently come into focus with the launch of ChatGPT. This powerful tool allows users to enter a prompt. Then, using a vast database of knowledge, ChatGPT can answer that prompt.

That's a massive leap forward in potential productivity. I wouldn't be surprised if the next decade saw a surge in measured TFP that was at least on par with the benefits from the internet boom.

Why? Because when it comes to AI, we're still getting started.

One of the next major opportunities in AI includes integrating software with hardware, such as robotics technology.

I've also identified an innovative firm that has developed AI-powered robotics hardware and software that automates warehouses. Its clients are Target, Albertsons and Walmart.

Over the next few years, Walmart — which already deploys its systems in 25 distribution centers — will roll it out to all its distribution centers across the United States.

You don't get bigger clients than Target, Albertsons or Walmart.

Right now, its robotics systems operate in over 2,600 facilities.

What's interesting is, unlike most companies, it's very selective with whom it does business.

It only takes on the cream of the crop — one or two new customers per year.

Its solutions can help companies save up to \$250 million over the life of the system ... it's not surprising that this robot-maker has a \$23 billion backlog.

As competition among retailers continues to be fierce — and businesses continue to cut costs — demand will only continue to surge.

That's why I think this stock is poised to rise 300% in the next two years, which is why I'm recommending **Symbotic (Nasdaq: SYM)** today...

The Retail Automation Leader

Do you ever wonder how your local grocery store or big-box retailer receives its products even in a supply chain-pinch economy?

The answer is likely Symbotic.

Symbotic revolutionizes the movement of goods using state-of-the-art speed, nimbleness, precision and competence. As a result, the company is the self-proclaimed **backbone of commerce**.

Large retailers — like Walmart, Target and Albertsons — use Symbotic's technology to make sure their supply chain processes run at optimal levels.

Combining software and hardware, Symbotic's goal is to transform the typical supply chain — and make the most efficient warehouse solution on the planet.

It all comes down to Symbotic's high-density warehouse automation.

This process, called **The Symbotic System**, is powered by robotics and AI.

Every day, Symbotic's autonomous robots — known as SymBots™ — get food and merchandise to thousands of stores across North America.

Similar to a self-driving car, AI-powered SymBots pick and place tasks with robotic arms and lifts.

At its Massachusetts test center, the Symbotic's warehouse robotics system consists of more than 400 SymBots. These move along 10 levels of storage and can complete more than 30 transactions per hour.

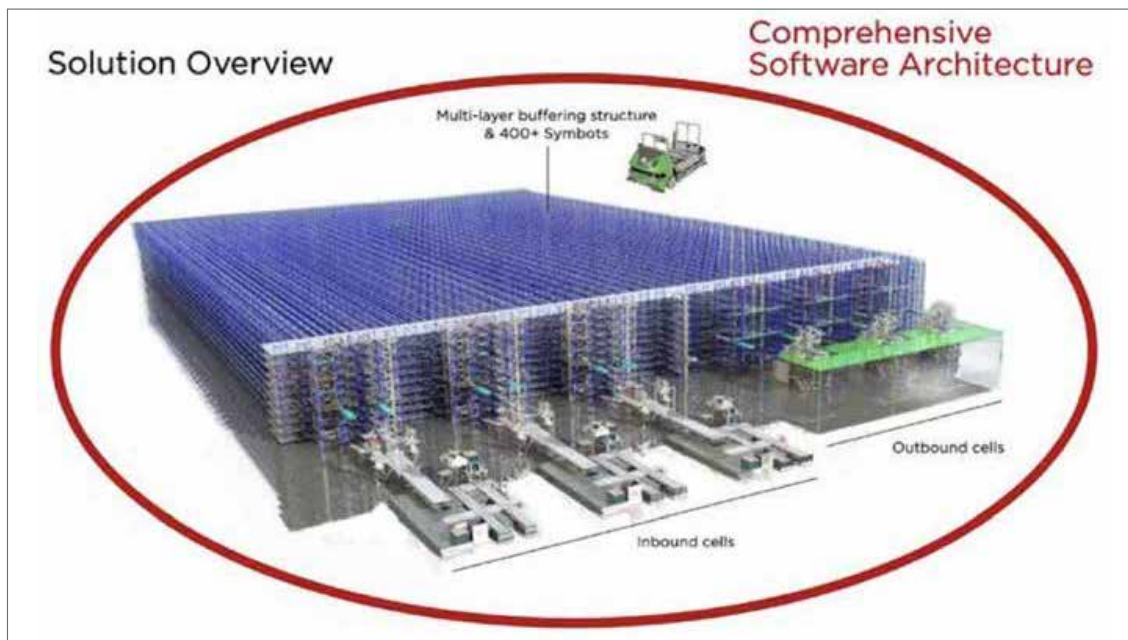
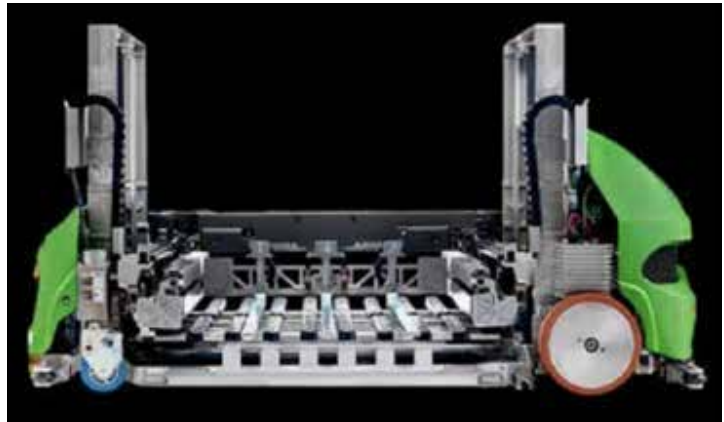
The SymBot can parallel operations while the robot still drives, increasing productivity.

Mr. Cohen describes these warehouse spaces as “a big Rubik's Cube, a big Tetris game ... [that's] the miniaturization of the warehouse.”

But these warehouse spaces aren't limited to Symbotic's test centers. They're flexible, end-to-end platforms that retailers can purchase and implement to fit their supply chain needs.

You see, Symbotics' warehouse robotics system is a modular design — meaning this system can be customized, moved and scaled to fit customers' needs.

The Symbotic modular warehouse system is flexible enough to be implemented into a new or existing facility. And that's great for retail companies of all sizes.



Boiled down to its simplest terms, the Symbotic System is comprised of four major elements:

- The inbound cell.
- The storage structure.
- Case retrieval.
- The outbound cell.

In the retail sector, pallets are essential. They're an easy way to transport large amounts of merchandise stably.

At Symbotic, its **inbound cell** system processes incoming pallets and sends them to storage. But with its AI system, Symbotic makes the process faster and more efficient.

Its technology is “capable of processing 1,700 cases per hour.” In fully manual operations, humans can realistically pick between 90 and 250 cases per hour.

The second process in the Symbotic System is called the **storage structure**.

After pallets are processed in inbounding, they are moved over to what's called the storage structure.

Here, SymBots — which can move at speeds up to 25 miles per hour — quickly retrieve cases from inbound cells.

These cases are picked up and routed across the warehouse storage structure. As a result, they're packed in a way that maximizes vertical and horizontal storage density.

This is one of the key features of the Symbotic warehouse structure — its ability to fit an enormous number of products into small spaces strategically.

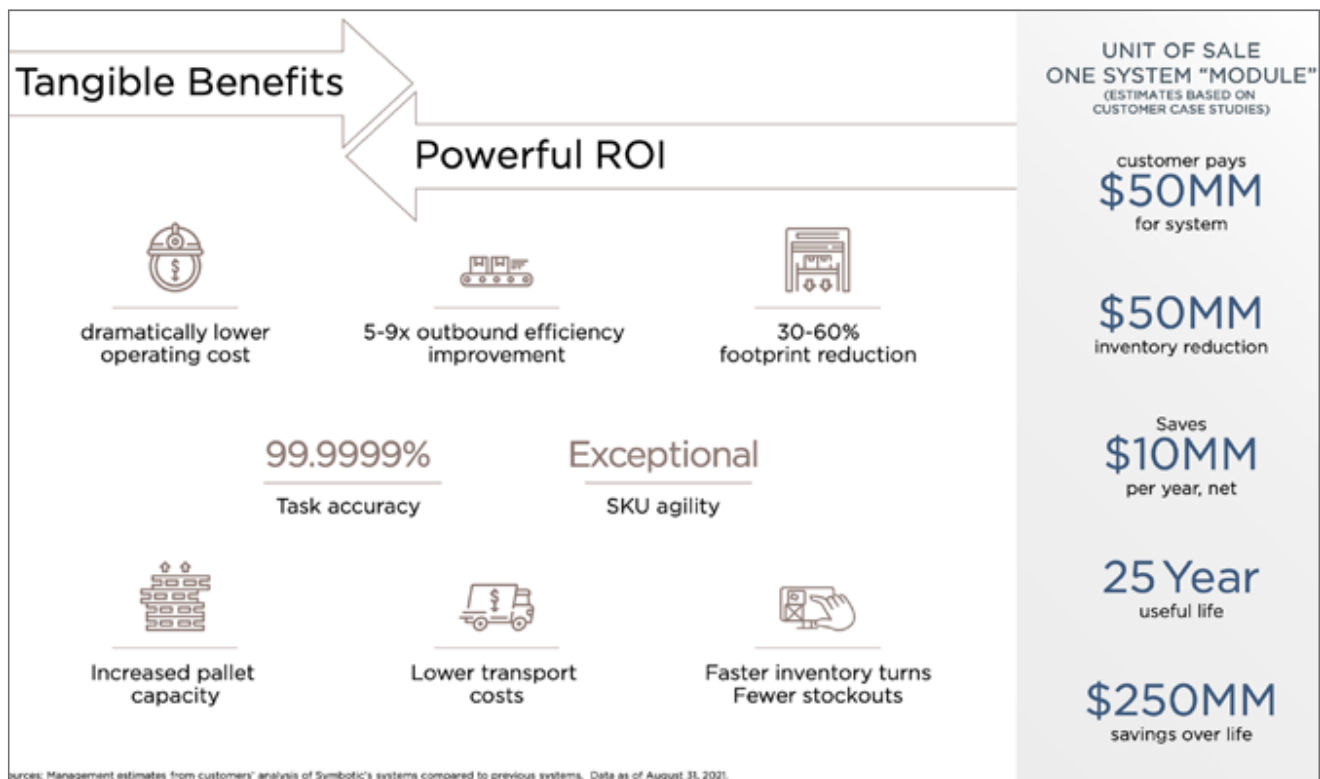
These tightly packed products allow retailers to increase their warehouse's storage volume — without increasing its real estate footprint.

Typically, a grocery warehouse holds about 10,000 items. But a grocer that purchases Symbotic's technology could pack up to 300,000 into two-thirds of the space!

The third process in the system, called **case retrieval**, delivers cases to outbound lifts. They are then intelligently sequenced for delivery to the outbound cells.

At this point, robots build pallets specifically designed for shelf-stocking efficiency unique to each store location. The outbound cell is the fourth and final process of the fully integrated, end-to-end Symbotic System.

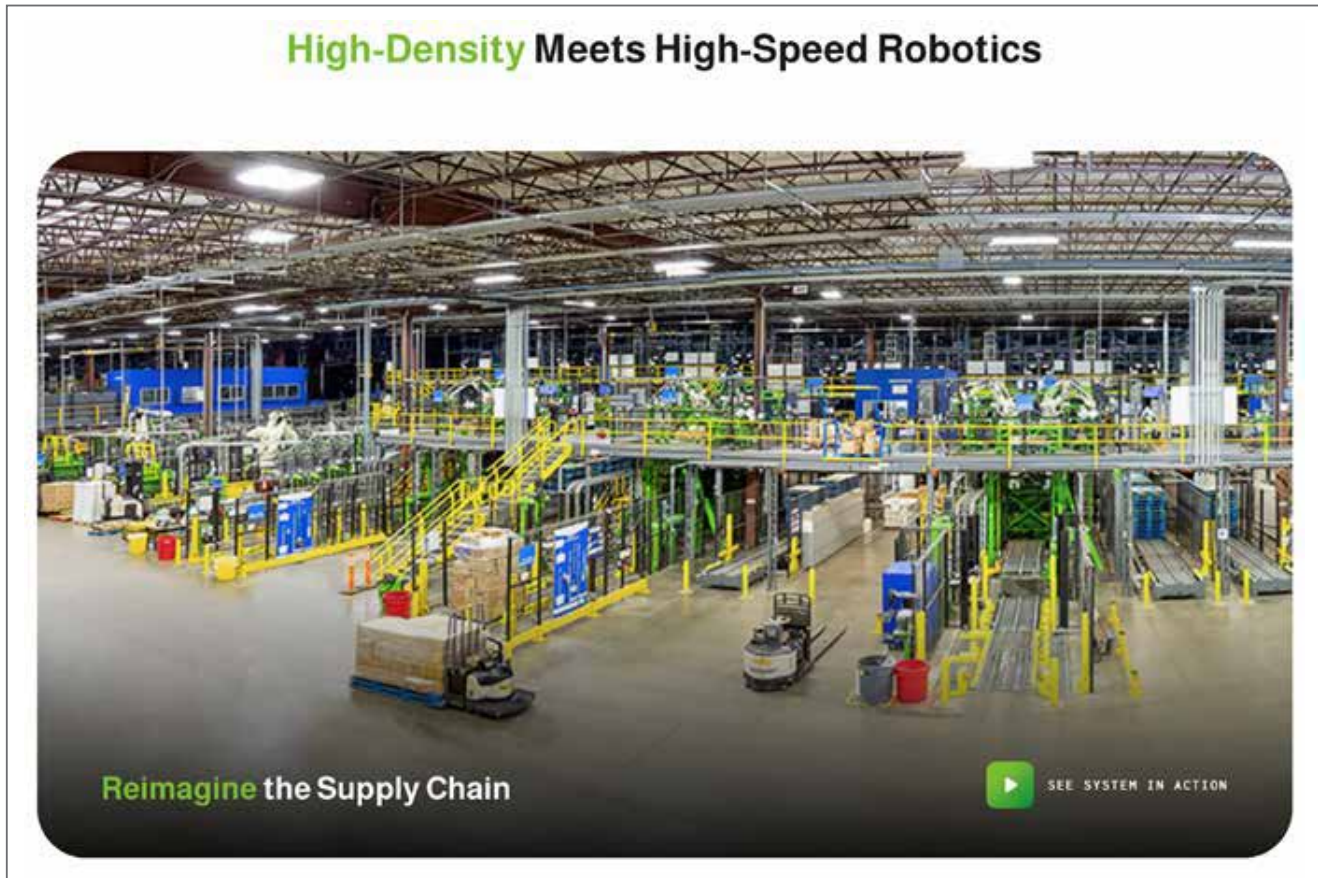
Retrieved cases are delivered to the outbound cells, which are intelligently palletized by density and stability at a cell rate of 1,350 cases per hour.



At first glance, all these steps can seem overwhelming. And just how much time and money is it even saving the customer? As it turns out — *millions*. For example, a \$50 million Symbotic System purchase can pay for itself in inventory reduction alone.

This system, which has a useful life of about 25 years, is estimated to help retailers save nearly \$10 million per year in operating savings.

That means customers could save *\$250 million* over its operating life. In other words, a Symbotic System pays for itself five times over!



Plus, these autonomous robots can travel 20,000 miles on a peak day. That means the cost of moving products can drop from \$0.55 to \$0.05. That's enormous cost savings of over 90%.

And, as it turns out, the biggest box retailer of them all took notice...

Walmart's BIG Stake in Symbotic

Today, Symbiotics' software is used by 2,600 stores.

Its customers are scaling across the grocery, retail and wholesale industries. Its roster includes Albertsons, C&S Wholesale Grocers, Giant Tiger, Target, UNFI and Walmart.

A testament to how well Symbotic's robotics warehouse automation system works is easily seen in its relationship with Walmart.

2017 Symbotic started working with Walmart at its distribution center in Brooksville, Florida.

In July 2021, Walmart introduced Symbotic robots to 25 of its regional distribution centers.

In May 2022, Walmart announced its plans to retrofit and install Symbotic's robotics and software automation platform in all 42 of its U.S. distribution centers. This process will take about eight years.

In the companies' joint press release on the deal, David Guggina, Executive Vice President, Supply Chain Operations at Walmart U.S., said:

The need for accuracy and speed in the supply chain has never been more visible, and we're confident that now is the time to move even faster by scaling Symbotic's technology to our entire regional distribution center network.

Using high-speed robotics and intelligent software to organize and optimize inventory, the Symbotic System helps us get products to our customers quickly and seamlessly by revolutionizing how we receive and distribute products to stores.

We love to see news like this for our recommended companies. With legendary retailer Walmart on board, it's only a matter of time before Symbotic becomes a household name for retail automation.

In April of 2023, Guggina announced that automated distribution centers would service about a third of its stores by the end of the year.

Within three years, that is expected to increase to 65%, according to Guggina, and 55% of volume at fulfillment centers will also move through automated facilities.

Your Trade for Retail's AI Needs

As the AI narrative plays out, especially here in the U.S., companies must become more flexible and technologically savvy to beat the competition.

Symbotic's warehouse robotics solutions help companies save up to \$250 million over the life of the system.

That's a business-changing figure.

Based on its current product portfolio, Symbotic could implement its systems in as many as 50,000 distribution centers worldwide. This amounts to an approximate \$500 billion total addressable market (TAM).

With a current company market cap of \$26.7 billion, Symbotic has room to grow.

Per Northland Capital Markets: "As Symbotic expands its technology portfolio, the TAM grows."

At last check, Symbotic has little to no demand issues as it currently boasts a \$23 billion backlog.

Considering its backlog level — and the fact that potential clients will have a greater need to cut costs in the future — Symbotic is well-positioned to thrive in the evolving retail landscape.

Simply put, its business has the potential to grow in the supply chain world across various industries.

I'm talking about from apparel to automotive to retail. But automating retail could drive massive cost savings, which keeps retailers profitable ... and can also help keep prices down for consumers.

That's a win-win with this AI retail play.

Action to Take: Buy Symbotic (Nasdaq: SYM).

Regards,



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