

Doug McMillon, President and CEO, Walmart Inc., Remarks at 2019 Walmart Associate and Shareholders Meeting
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Image

The following are prepared remarks for Doug McMillon, President and CEO, Walmart Inc., Remarks at the 2019 Walmart Associate and Shareholders Meeting on June 7, 2019.

Solving problems together

At Walmart, we have our own vocabulary. We say things like VPI, ten-foot rule, and EDLP. We'll do a COE to help us drive OGP on our way to some place called Camp IV.

It takes a little while to understand the language. I remember when I first joined the company and was told not to say the word "problem." Doug, around here, we say "opportunity."

I get why we say that. We want to have a positive outlook. But the voice in my head says some things are just flat out problems. I think our customers say that sometimes, too. A long checkout line or an out of stock is a problem.

If I oversimplify our ability to thrive in the future, it comes down to one thing: our ability to solve problems together well enough and fast enough.

So, let's talk about problem solving. In the early 1900s, the Wright brothers wanted to learn how to fly. They called being stuck on the ground "the flying problem." They failed many times. But in 1903, they found the solution. They flew like a bird, and they changed the world.

People are always trying to solve problems. Don't want to visit a barber? Get a Flowbee and cut your own hair. Don't want to get up out of the recliner? The clapper is for you. Don't want to go fishing? Just hang a Billy Bass on your wall. He'll even talk to you. We've sold a lot of silly items over the years. Some of which tried to solve problems we didn't even know we had.

Sam Walton was a problem solver. Sam thought people who lived in smaller towns deserved low prices on a broad assortment of quality merchandise just like people who lived in larger towns. He saw the potential of solving the intersection of these three ideas.

As Sam worked to get the formula right, he tackled most of the perennial problems in retail, like driving customer traffic. You could see him working on that problem in one of my favorite Walmart stories from our former CEO David Glass.

David was working for another retailer, and he went to check out Sam's second store in Harrison, Arkansas. It was grand opening day in 1964. As Sam was learning to drive customer visits and grand-opening excitement, he bought a few truckloads of watermelons and provided donkey rides for the kids. He put them both on the parking lot to create a carnival-like atmosphere.

Well, David says it was about 110 degrees that day, so the watermelons started to pop, and the donkeys did what donkeys do. And it all got tracked into the store. David says it was the worst retail store he'd ever seen. He told Sam what he thought and went back home. But Sam was learning, and he not only figured out how to drive traffic, but he figured out how to hire David Glass.

Sam, David, Rob, and the team kept improving the discount store, and then they decided to tackle grocery. They believed there was a way to lower prices on food for America. In his international travels, Sam had seen these giant stores with groceries and general merchandise under one roof. So, they tried them here and called them Hypermarts.

Let's just say those didn't work. They were way too big. But the team pivoted into Supercenters and, boy, did they work. Not only did we provide lower prices on food, but competition had to react. Just think about how much money we've saved for people over all these years.

The Supercenter is an amazing solution.

Just as in the past, our future depends on solving problems for customers. So, which ones should we be working on?

Solutions for customers

Has anyone seen *Avengers: Endgame*? One of my favorite scenes is when Tony Stark goes back in time and meets his father. He tells his Dad, "*No amount of money ever bought a second of time.*"

He's right. What's the one thing busy families can't buy at Walmart? It's time, right? Or is it? Lately, you've been solving problems that enable our customers to save time. They can kind of "buy" time by shopping with us. I'll tell you a few stories as examples.

A few months ago, I ran over a nail and ruined a tire, so I went to Sam's Club for help. It was a Saturday, and we were busy. At one point, I'm third in line with two members behind me. Our associates are working hard, but the process is time-consuming.

As we're all waiting there in the Bentonville club, I can tell that one of the members has recognized me. He doesn't say anything – but he doesn't have to. His facial expression says it all: "How does it feel to wait in line, dude? Surely you can do something about this."

So, that next week John Furner and I are catching up, and I suggest he might want to look at the tire-buying experience.

Well, check out what the team built. The app is called Sam's Garage. What used to be a 30-minute ordeal now takes less than five minutes. We're going from multiple systems, paper catalogs and a large desk to a user-friendly, member-grade app on a mobile tablet. We'll give hundreds of thousands of hours back to members.

This is what it looks like to be a digital company. Sam's Garage will be rolled out nationwide in July. From concept to design to rollout in fewer than nine months from that Saturday when I was buying tires.

I want to thank the team: Suchi Vakkalagadda, Ayan Akbar, David Nelms, and Chris Nuta. Great work! Thank you!

Here's another story.

About five years ago, our team in the UK captured our attention with their grocery delivery service. We studied the Asda process, systems and results. We copied them and launched grocery pickup in California.

Once we learned how to do pickup well, we knew it would unlock the ability to deliver. Take a look at how you've scaled pickup and delivery around the world. Our customers love it. This idea is a winner!

So, how could we build on our pickup-and-delivery capabilities? What if we not only cover the last mile to customers' homes but even the last few steps? What if we put their groceries away inside their kitchens or garages? And a step beyond that, what if they let us keep them replenished, keep them in stock, on the items they use all the time?

After all, an empty fridge is a problem, especially if you have kids at home. Check this out. (Video plays) Problem solved!

We think a lot of customers are going to love this. We've tested it in a couple of places and here's how it works. All deliveries are done by associates who have been with us for at least a year. The customer is notified when we arrive at their home. Customers can watch a live first-person view of their delivery or a recording of it later.

We're excited to announce InHome Delivery will start this fall, available for nearly 1 million customers, across three cities: Kansas City, Pittsburgh, and Vero Beach, Florida. We'll learn and scale from there. Imagine keeping homes in stock like we do stores. Think of a pantry like a four-foot section.

This team is led by Bart Stein. From the time he and the team joined Walmart through an acquisition, it only took them five months to conduct their first test. Two associates were selected as our initial delivery team: Debbie Grzyb and Quadira Sadler. They did a spectacular job.

Thank you, Debbie! Thank you, Q!

You all know we made a big investment in India last year. It was in an eCommerce business called Flipkart, with a payment platform called PhonePe. We loved seeing how they solve problems.

In India, there are approximately 12 million independently owned small convenience stores called kiranas. They've been around for generations, but they weren't equipped for digital payments. So PhonePe developed a new app that allows kiranas to accept digital payments without transaction fees or reimbursement delays. Four million of them have joined in the first 12 months.

At Flipkart, our team created Product Exchange. It solves a problem for smartphone customers who want to upgrade their device and get a higher value rather than selling it for scrap. The app tests the phone remotely to assess its value, which results in a larger discount toward a new device.

In each of these examples, notice that the solution required a combination of people and technology. Notice that the process required us to empathize with the customer and to truly understand the points of friction they are experiencing with us.

We're learning how to work in an agile way, with customer experiences designed thoughtfully from the start, and with technology doing more of the work so you can focus on customers and members.

I want to thank our technology teams. The partnership between business and technology is bearing fruit.

Working as a team

So, Sam, Rob, David, and our alumni here today put us in the problem-solving business from the start. And the secret was that we were all in it together, generating ideas and working as a team. That is still

happening.

A few years ago, we made some strategic choices together. We invested in you to raise pay, build academies and provide better technology. As you improved our store experience, we invested in lower prices. The strength of our stores gave us the room to invest more aggressively in eCommerce. Sam's Club and Wal-mex got focused and stronger. As these results built on each other, it gave us the confidence to invest in Flipkart and PhonePe.

Putting these pieces together is enabling us to transform into an omni-channel digital enterprise, which enables us to serve customers more effectively. By embracing change, doing things differently and taking on big challenges, you are delivering results.

Last fiscal year, we increased total revenue by 2.8 percent to more than \$514 billion. We generated \$27.8 billion in operating cash flow and returned \$13.5 billion to shareholders through dividends and share repurchases.

Solutions for the world

Your company is strong and those are big numbers, but our goal isn't to be the biggest. It's to be the best, to get better every day. And our goals aren't purely financial. We want to be a positive force in the world. We use the size of the company to do good and influence others. This isn't just about what we achieve but how we achieve it. We're out to earn trust.

Acting with integrity is a core value and it guides our behavior and our culture. We are designing compliance into our everyday work. We are creating shared value across our stakeholder groups.

That means we not only want to serve customers and associates well but also local communities, society at large, our shareholders and the planet we live on.

Let's take climate change, for example. It's a big problem, and we're taking a big swing at it.

We launched Project Gigaton in 2017. Our goal is to avoid 1 billion metric tons of emissions from our supply chain. We can't achieve that alone, so we asked our suppliers to partner with us. So far, more than 1,000 of them have signed on and, in the first two years, they tell us more than 93 million metric tons of emissions have been avoided. We have some great suppliers.

Our global supply chain is interconnected, with three main components: the natural resources and raw materials that become the products we sell, the hard-working people who make them, and the movement of those products to our customers.

Our efforts are aimed at making that supply chain more efficient and less wasteful. And, we want the people participating in that supply chain to thrive. We're out to improve the total system.

The size of the company enables us to make a difference globally, but all the work really happens locally. I could talk to you all day about the good work our associates are doing in our communities across the globe. But to save time, our numbers tell the story:

We are now powered by 28 percent renewable energy.

We divert 78 percent of waste from landfills.

Our Acres for America program has conserved 1.4 million acres since 2005.

We've hired more than 225,000 U.S. veterans since 2013.

We are a top 50 DiversityInc. company.

We donated \$1.4 billion in cash and in-kind gifts last year.

And we've provided four billion meals to those in need since 2014.

You are making a difference for the world. It's still true that our people make the difference.

Solutions for associates

It's still true that our people make the difference. So, let's talk about how we're solving problems for our associates.

You're starting to see new apps, new hardware, new forms of automation like pickup towers and floor cleaners with cameras checking inventory. Our goal is to design tools for you just as well as we design experiences for customers. And we want you to grow and be ready to use them.

So, over the last four years, we've invested an incremental \$4.5 billion in pay for store and club associates in the U.S. alone. Our starting wage rate is up 50 percent during that time. We've increased the number of full-time roles and we now stand at 60 percent full-time in the U.S., ahead of industry average.

We've expanded our parental-leave policy. A birth mom can now receive up to 16 weeks of paid leave. We created a benefit of \$5,000 per child to help families that are growing through adoption. Working with partners like the Mayo Clinic and Johns Hopkins, we have created centers of excellence for serious health procedures – such as heart and spine surgeries and joint replacements -- to ensure the best care.

We will continue investing in you. As technology changes jobs and the tasks that make up a job, we want you to learn and succeed.

This week, we announced the expansion of Live Better U – our debt-free, dollar-a-day college program -- adding technology degrees and more schools, and support for high school students entering the workforce. We also assist with college tuition for our full- and part-time associates in Canada.

The expansion of our academies around the world is an important part of our plan. We started them in the UK and, with leadership from Greg and Judith, imported them to the U.S., and now hundreds of thousands of associates are picking up new skills in the last three years.

Walmart represents *opportunity*.

My first two roles with the company were hourly roles. The vast majority of our management team started in an hourly role. Let me tell you a story about one of them.

I recently met Shabnam Ighani. She is our academy manager in Dulles, Virginia. She joined Walmart in 2004 after she emigrated from Iran, along with her family. When she joined us, she didn't speak English. Her support manager and a few associates offered to sit with her at lunch and help her learn.

As she picked up the language and gained more confidence, she has gone from being an overnight stocker, to managing a department, to being an assistant store manager and now to an Academy leadership role. Shabnam is an inspiration.

She recently interviewed for a promotion and, Shabnam, your next mission, should you choose to accept it, is to be our store manager in Fairfax, Virginia. Are you up for that? Congratulations Shabnam!

Walmart creates opportunity. We don't shy away from problems. They actually *are* opportunities. We embrace them. We grow and change. We adapt.

Our ability to thrive in the future comes down to our ability to solve problems together. You've seen from these stories today that you're doing it. Associates like Shabnam, John and Francisco, Suchi, Ayan, David, Chris, Debbie and Q. ... and all of you. You are making it happen!

You help busy moms and dads save time and money. You help people have a better day and live a better life. You see opportunities. You solve problems.

You are the solution.

Thank you.

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