

Cowen Future of the Consumer Conference

Company Participants

- Janey Whiteside, Executive VP & Chief Customer Officer

Other Participants

- Oliver Chen, MD & Senior Equity Research Analyst, Cowen and Company, LLC, Research Division

Presentation

Oliver Chen {BIO 15320650 <GO>}

I'm pleased to welcome Walmart to the stage. Today, we have Janey Whiteside, Walmart's EVP and Chief Customer Officer. She's responsible for looking after Walmart's brands and thinking through the customer journey for both Walmart stores and eCommerce.

Janey joined Walmart in 2018 after spending more than 20 years at American Express. Walmart is the biggest retailer in the world. The company operates 3 segments: the U.S., International and Sam's Club. In the U.S., Walmart operates over 3,500 supercenters as well as neighborhood markets and other small format.

Cowen has an outperform rating on Walmart with a \$120 price target and 24x. It's one of our top ideas this year. So we are thrilled to have Janey here from Walmart. And also, this is a unique experience, given that it's the first time Walmart has spoken with a Chief Customer Officer.

So Janey, thank you for joining us.

Janey Whiteside {BIO 20679101 <GO>}

You're welcome.

Oliver Chen {BIO 15320650 <GO>}

So for starters, there's another slide.

Janey Whiteside {BIO 20679101 <GO>}

There is, my favorite slide. I'll discuss it. All right. So I am relatively new in my job. And I want to keep my job so the lawyers require me to just remind you all that I may

make forward-looking statements. But please visit our website to validate anything before you invest. So.

Questions And Answers

Q - Oliver Chen {BIO 15320650 <GO>}

Thanks, Janey. So Janey, what does it mean to you to be Walmart's first Chief Customer Officer? And the theme here is future of the consumer. What's really important for customers' scope in terms of what you're focused on?

A - Janey Whiteside {BIO 20679101 <GO>}

So we had a lot of discussions before I decided to join. And I did a lot of reflection about what it would mean to be the first Chief Customer Officer and why Walmart would have one and what it would mean. And at its heart, this is about how do we create the right series of consumer experiences for the Walmart customer? I -- and then we talked about this before. But when you go back in -- when you think about the most recent history of Walmart and perhaps what many of you know, it's about Walmart's focus on a great extended assortment, primarily driven through a bricks-and-mortar presence at great prices and everyday low cost and our focus on making sure that we have the lowest cost basket. But when you go back further and you think about the genesis of Walmart and the Sam Walton story, it really is one that was born out of the ultimate customer-centricity. And at the time, it was about making sure that we could bring the right assortment and product to underserved rural communities in America. That's now parlayed forward. But as we think about what it takes to compete in this highly transparent, highly rapidly evolving digital age and how we do that in an omnichannel way, making sure that we have the customer at the start of the journey is increasingly important.

Q - Oliver Chen {BIO 15320650 <GO>}

One of our themes at Cowen is the connected store and the connected customer experience. What are the pain points that customers are currently experiencing in retail and how is Walmart facing that challenge? What does that mean for the future of retail?

A - Janey Whiteside {BIO 20679101 <GO>}

So I think first, the first one, the ultimate piece is the recognition that there's only 1 customer. And when you have a lot of conversations with people, they talk about the online customer or the store customer. There isn't a store customer and an online customer. There's one customer. If you think about the way that any of you interact, I'm sure you buy things in stores and you buy things online. And you may also buy things via voice commerce or conversational commerce or text commerce. But you're still one customer. And the more that we can treat you as one customer, the more that we can connect all the aspects about you and make sure that you're having an interconnected experience, the better we can serve that customer and we can serve you. So it's really important that if you buy something online, we allow you to return that in the store, for instance, right. It is increasingly important for us to

make sure that we're solving the convenience and the friction components of what is involved to shopping. So we talked about this. If I think about the biggest pain points we have in customers in-store, particularly with Walmart, it's around, "The supercenters are so large, it's overwhelming. It's hard for me to find what I want." And so that's why we've introduced technology like Store Maps. People are increasingly -- they see -- they're looking for more convenient solutions. They don't always have the time or the interest to want to go to the store and do a big shop on the weekend. So that's why we've leant into, aggressively into online grocery pickup and we're looking at new services like online grocery delivery. We talked about delivery to the front door. We talked about in-home delivery. At some point, we've talked about what we're doing to think about even auto replenishments with devices in the home. People don't want to be in and out of the store. They don't want to be waiting in line. So we spend a lot of time investing in how do we have the right sorts of online checkouts that will allow us to have checkout for people or unattended checkouts. We're looking at how we solve each one of those problems.

Q - Oliver Chen {BIO 15320650 <GO>}

A related question is winning over the new generation, Generation Z of shoppers. What's your lens from which you're executing different strategies and approaching that? Some of these customers are very digitally native and they may not know the history of Walmart or care at all.

A - Janey Whiteside {BIO 20679101 <GO>}

Yes. You're right. And so I think that's a super interesting inflection point for us, right. You've got a whole new generation. There is a lot of feeling that comes with the word Walmart, right. When you say it, there's -- and some of that's great and some of that has some legacy to it. We've got a whole new generation who are experiencing Walmart in a new way. And that, for us, means a few things: One is it is about making sure that we have the right assortment to interest them. And that is continuing to make sure that we expand our fresh/frozen grocery offerings. And we continue to lean into the right sorts of products and categories that they're interested in. So we're doing a lot of work to make sure our fresh assortment is the best it can possibly be. We think about more healthy options and where we're going with brand, gluten-free and some of those components. It's about making sure we have the right general merchandise offering. And that's a combination of the right brands, online and in the store; and the right selection of items, whether that's through brands we acquire, brands we incubate ourselves, whether that's through partnership with suppliers to create new SKUs and new products; and then the right extended assortment, as it allows us to have more online, particularly in new categories like apparel, home, baby, health and wellness -- you've seen auto accessories and what we do there, all underpinned with an absolutely frictionless, seamless customer experience that allows people to interact wherever and whenever they want for them.

Q - Oliver Chen {BIO 15320650 <GO>}

Walmart is the biggest employer in the United States in other aspects. So the future of retail are a new generation that cares about value, about companies, too, as well

as employees that want to work for mission-driven companies. So how do you balance humanity and process and stakeholders in this algorithm?

A - Janey Whiteside {BIO 20679101 <GO>}

So it is incredibly important to us. And I would say one of the things that I am really passionate about and have been incredibly energized about and become more energized the more time that I spend at Walmart is the passion that sits underneath the humanity of who Walmart is and what we are and what we aspire to do in the lives of our customers and our associates. And our notion of being like a human-led, tech-enabled business, I think sets us apart. We're the biggest employer in U.S. It's important that we have the right employer brand, that we treat our people the right way. And frankly, that -- when you come into a store particularly and you interact with an associate, making sure that, that associate is happy and excited about coming to work is going to make sure that they give you a friendly and authentic experience. That's important for us as well as making sure that we remain really committed to the mission of using our scale and our operational capacity to extract everything that we can out of the supply chain, everything we can out of the operations in order to be able to bring the best prices to our customers in the best way, day in and day out. And that remains really important for us.

Q - Oliver Chen {BIO 15320650 <GO>}

Grocery is exceptionally innovative right now in terms of product and delivery and innovation. And it's very competitive with Amazon and others. What would you say really sets Walmart apart in terms of some of your key competitive advantages? And a related but different question is, what's the technology of the future that will really matter? Or how do you screen for that with so much that you're seeing?

A - Janey Whiteside {BIO 20679101 <GO>}

All right. Let me attack it in 2 ways. What sets us apart? I think what sets us apart is we've got close to 5,000 stores. We are within 10 miles of 90% of the population with forward-deployed inventory. Nobody has that bricks-and-mortar footprint and that is a unique differentiator for us. And our capacity to create integrated solutions to leverage that bricks-and-mortar presence, to be able to allow people to interact with us in those stores and online. But leverage those stores and that forward-deployed inventory to get product from those stores to those customers quickly and at the everyday low prices that you expect from Walmart, sets us apart. And we're working incredibly hard to provide the right solutions to be able to meet the myriad of needs that we know customers have in terms of the way they want to be able to receive that product. And I would say the technology that helps support that are twofold. So the ultimate technology, I think is the technology that allows us to solve the customer pain point and be operation-efficient in one. So our ability to be able to have all-automated solutions to help us pick product quicker. But allow us to have -- use the data that we know about for substitution. So if a product isn't in stock, how do we substitute the right product in the right way that solves the problem? We're not giving you potatoes when you ask for avocados. We're not substituting a raw chicken for cooked chicken. We know what people -- or what the right substitutions are. And our ability to get that product to you in the right condition as quickly as you need it is incredibly important to us. And that's going to involve technology in the

store as well as technology as we think about how to get the right kind of product to you quickly. And frankly, sustainably and how do we think about the sustainability aspect of that at that time as well.

Q - Oliver Chen {BIO 15320650 <GO>}

One of the biggest ideas we have at Cowen is this curbside pickup innovation. We have an 80-page report out on that. And Walmart is a real champion of what's happening here. What do you see happening with curbside adoption? And it's a very pleasurable experience because it saves people time. And people love it. So could you elaborate on curbside pickup and the future of grocery?

A - Janey Whiteside {BIO 20679101 <GO>}

Yes. So it's no secret. We've talked a lot about our lean into online grocery pickup. We are seeing consistent NPS scores, 80-plus, consistent. So it's clear that customers really appreciate the value that we can create doing that. What is incredibly important is that we make sure that, that is a really great, satisfying experience so customers do it. So we are very focused on making sure that wait times aren't too long. We're focused on, as I talked about, making sure that we have the right items in stock. If we don't have the items, we're substituting those the right way. Then we're getting customers in and out of the experience. It is not a delightful experience if we make you queue on the line and we don't have the right items on stock. You probably have to wait too long. We force you to have to come into the store for some reason. The whole point is to get you in and out. So there's a lot of focus on driving that. And thinking about what are the next iterations of that because don't always have the interest or the appetite to come and pick that item up from the store. So what's next? What are the next iterations that allow you to do that when you want. But also have the goods differently if you want that? Then how do you start to lean into the GM components of that and really fulfilling that whole store experience for you.

Q - Oliver Chen {BIO 15320650 <GO>}

So what do you think about the curbside pickup profile of that shopper versus what's been your heritage shopper. And how different or similar that may be and how that may evolve over time?

A - Janey Whiteside {BIO 20679101 <GO>}

So I would say that pickup customer. So we have seen and we continue to see new customers coming into the family through online grocery pickup, the people that weren't shopping Walmart before but now are because of the convenience aspect. So we're absolutely seeing that. And we're seeing a migration of customers who were shopping in-store moving to pickup as well. So it's a combination for us of both. And we're seeing a deepening of the engagement or a broadening of the basket of the customers that are engaging with us as well. We're excited about seeing both of those 2 components.

Q - Oliver Chen {BIO 15320650 <GO>}

That segues into thinking about marketing in a psychographic segmented way and also designing the assortments and products experience consistent with that. What's important to Walmart in thinking about your customer profile?

A - Janey Whiteside {BIO 20679101 <GO>}

So I think a couple of things. One is. And we talked about this in the Investor Day, there is a core Walmart customer who needs us and needs our focus on making sure that we have that basket of goods and that price is consistent and they know they can come to us. And we will continue to focus on ensuring we deliver for that customer day in and day out. And everyday low price and the right assortment is critically important for that customer as well as making sure that we don't disadvantage them in terms of being able come into the store. And we continue to make those stores engaging and exciting and inviting for them to be able to come into. And they deserve that experience. And we need to think about how we make sure that we are thinking about that next iteration of customers who are thinking about price and convenience slightly differently. And so that requires, as we said, to have grocery offerings that expand outside of the traditional store. That requires us to start to think about different ways of interacting with us and expanding our online assortment and thinking about the right price points and the right partnerships and the right assortment to allow us to have that much broader appeal. So the people start to take another look at Walmart. And there's a -- I'm really excited to have some of the new SKUs and some of the new brands that we're incubating that are going to start to help deepen and engage that customer, who perhaps has come to Walmart for grocery but haven't thought about the beauty; or has sort of a bulk item ship-in-home but hasn't thought about apparel, for instance.

Q - Oliver Chen {BIO 15320650 <GO>}

And I'll also segue to the Jet.com and the Jet.com brand and the customer approach to either Jet or Walmart. Could you elaborate the evolution of that and your thoughts on your strategies there?

A - Janey Whiteside {BIO 20679101 <GO>}

Yes. So the Jet customer -- the way that I think about the Jet customers, they are a sort of more urban Walmart customer, right. So they tend to be -- because they're more urban, they tend to be slightly younger, tend to be a slightly smaller family and they tend to be slightly higher income. And so when you think about the Jet offering, if you've experienced the Jet offering, what you'll see is it's slightly more fun, right. The colors are different. It's more fun. You'll see smaller pack sizes typically. And you'll see Walmart assortment. But you'll also see brands that are more relevant for that audience. So for New York, you'll -- and there's a deeper organic component. We have a number of New York-focused brands that are in there, Roberta's Pizza, others like that. We've got the (palate) for the meats. So you'll see that and you'll start to see some brands. Jet is helpful for us in that customer set to help us start to partner with new brands. So Adidas and Nike are on Jet. They're not on the Walmart site. But how do we inject in that customer base to start to think about how we introduce new brands and how do we wrap up the right way? What's important to a Jet customer, particularly a Jet customer in New York, for instance, is our capacity to get those groceries to you at a great price and speedily. And so you're starting to

see that on the city grocery delivery over the next day to compete there. So it is not extensively different from a Walmart customer but just a more urban profile.

Q - Oliver Chen {BIO 15320650 <GO>}

Also, congratulations on the announcement this morning with Google and voice. On that vein, could you speak to that. And also, the topic of innovation and technology and what's on the horizon and what you're doing along the lines of incubating some really interesting ideas?

A - Janey Whiteside {BIO 20679101 <GO>}

Yes. So I'd say, we're spending a lot of time trying to understand how do people want to shop in the future? And many of you in this room are writing pieces on it and will be reading pieces. And I think the honest answer is we're trying to figure it out, right. I mean so like, there are people who believe that shopping is going to happen through the TV. And there are others who believe very passionately in text. The conversations comes via text. There are others who believe very passionately that everybody is going to want to walk around with apples and bananas. Is it going to be Siri? Is it going to be Home Hub? What is it going to be? And so we are working through how do we start to pass and incubate solutions in all of those? What I think is particularly interesting for us in some of these is, how do we build the right back-end systems, the capabilities and technologies to be able to know that when you, Oliver, say apples, you want a 4 pack of organic Pink Lady apples. When I say apples...

Q - Oliver Chen {BIO 15320650 <GO>}

Those are good.

A - Janey Whiteside {BIO 20679101 <GO>}

Right? Those are brilliant, right? Those are my favorite. But I want a big pack of smaller apples that my kids eat. And we'll note like, we know that through the data that we've got and say, "All you'll need to say is apples and we'll be able to show you the 3 types of apples that you want." So how do we build the right back end to be able to do that? And we're testing different ways to be able to get into that engine and then how to incubate the technologies in the back end. You've heard us talk about Store 8 and some of the work we're doing there and Jetblack and those sorts of innovations, that the interaction between the customer and the device and then back end to be able to take that and be able to provide that for a curated experience.

Q - Oliver Chen {BIO 15320650 <GO>}

And Janey, your role is Chief Customer Officer. This discussion brings up so many topics that have opportunities for prioritization. How are you thinking about priorities? And what are you balancing at the top of your list when you're making decisions on how to spend your time and projects and investment of Walmart's capital?

A - Janey Whiteside {BIO 20679101 <GO>}

So look, the good news is we're not short of opportunities and we're not short of choices. So this isn't about filling the bucket. So right now, we are really understanding where have we got -- where have we created or where have we not solved pain points for customers, whether that's in the way that they interact with us in the store, whether they interact with us online or the combination of 2. And as we bring that together, what can we quickly do to solve those? So we talked about Store Maps. That's a very relevant example. We've talked about returns, now allowing people to do not just Walmart-sourced returns but also a third-party returns in the store. And those are examples where we knew that we were creating pain points and we've prioritized solving those. So we are working through how we solve those as well as looking where do we think we have unmet needs and whether those relate to -- how do we think about the customer journeys associated. Then how do you line up -- how do you put the customer first? But then how do you line up the organization in order to solve the various components of that in the right way and want the intended and unintended consequences of those solves. So you've got to think about lining up the data and the insights around the customer needs and then how do you have the right combination of product experience, digital design, the engineering and the technology to underpin that to create an experience. Then how do we market and articulate that in the right way and then measure the impact from the back end and then go back to the front and start that process. And so my job is bringing -- is identifying those and bringing those ideas to the company. And then we go through how we're going to prioritize those across the business.

Q - Oliver Chen {BIO 15320650 <GO>}

And related to that, what you're saying, when we talk to Marc, Marc Lore, it's also about we're moving towards a world where everything is available to everybody at all times. So the question is also about brands and the future of brands. There's a lot of characteristics we seen with added transparency and values and also a great value to the customer. What do you think about the future of brands, especially as we see massive disruption with historic brands versus digitally native new brands to -- and private-label. Amazon is launching so many private-label brands. So what's the future of brands?

A - Janey Whiteside {BIO 20679101 <GO>}

I've grown up in a world of brands. So I continue to believe that there is space for all of them. Well look, Walmart historically had been a house of brands, right. We continue to focus on ensuring that our customers have access to the right national brands. And we will continue to make sure they have access to the right national brands. And we seek to and we will use our talent in order to be able to extend the brands that they are able to get access to. And we want to be able to make sure that we're able to fill in the gap via private label. And I'm really excited about the developments we've made in the quality of the products and the packaging and the look and feel of our private brands to fill in gaps to make sure we have the right opportunities there. And we want to continue to figure out the right brand for us to acquire that allow us to round out our assortment with exclusive brands. And we need to continue to incubate the right digitally native brands. Andy Dunn and the team are doing great work there; as well as think about how we have the right sorts

of partnerships to develop our assortment with -- whether it's what we've done with SofÅa or Ellen or Drew Barrymore, or what we're doing with Kristen and Dax in the babies versus Hello Bello, or the (joy in raising). And so when you think about all of those, I see the need to develop those. And some of those will go to market through Walmart; and some of those, in as before, we'll look at where do we have opportunities to go direct-to-consumer with our own brands. But I see it as always having all of those within the family and providing that (access therefore).

Q - Oliver Chen {BIO 15320650 <GO>}

Right. When we do think about comps and traffic, you've had really great traffic momentum. The Walmart story has also been about traffic. Just on a long-term basis, what do you see as opportunities to keep up the traffic momentum? To keep up the shoppers and being customer-centric such that your traffic is very big?

A - Janey Whiteside {BIO 20679101 <GO>}

I think it's upping convenience, right? It's upping -- I mean, I think about when I was about a child, on Saturday mornings -- I grew up in the U.K., as you can tell, my mom would bundle me right into the car. We'd drive to the local Asda. And we do the shopping on a Saturday morning. I don't know the -- in the future that, that mindset we're talking about, that mindset is going to exist. And so how do we create the right and most convenient way for customers to be able to interact with us when and where and how they want, with the right assortment on the back end. And so I think traffic, which historically has meant traffic in the store, is going to mean traffic in terms of the interactions and the convenience and the way that they interact with us. And so we're working really hard to figure out what that is going to mean. And in some ways, that traffic might actually mean that you don't necessarily really do anything, right. If you've got a smart fridge that's figuring out that you're running low on milk and you need to have it, that -- it's figuring itself out and have -- and going to message Walmart, who's delivering that. And you may not even home, delivering that into your fridge. But when you're home, you're also replenished with the goods that you need. It's a whole new world of how we define traffic, right.

Q - Oliver Chen {BIO 15320650 <GO>}

Yes. Anticipating before you knew you need it.

A - Janey Whiteside {BIO 20679101 <GO>}

And the notion of anticipatory services, I think is a really interesting one. And I think a really interesting one for Walmart when you think about the broad basket of items and the ways that we interact with customers. And so our ability moving forward as well to use of our data in different ways to really lean into being anticipatory for people. And when you think about the grocery world, when you think about general merchandise, if you think wealth and wellness, when you think about financial services. So bringing all of that together and the use of the data to start to help people make choices and help them think about making smart choices is one that's super exciting to me.

Q - Oliver Chen {BIO 15320650 <GO>}

Well on the topic of data and artificial intelligence, what do you think about the promise of big data versus execution and also the reality of privacy versus being helpful?

A - Janey Whiteside {BIO 20679101 <GO>}

Yes. So the promise of big data has been out there for a long time, right. And I think there are a few examples of how people have done it really well. But I do think the nature of curated experiences to people that help -- look, everybody is -- more and more than ever, everybody is bombarded by information and has less time. And so having a world where you have a few providers who you trust to help curate that world for you, I think is going to be important. And I think Walmart is a brand, has a lot of trust within it. And there's a unique role for us to be able to play there. But we've got to do it in a world which is super respectful of people's privacy. It's not creepy in the way that we do it. And it's not commercializing data inappropriately for people. And so we -- there's a lot of time and effort going into being incredibly thoughtful about when and where and how would we, could we, should we use that data or expose our data externally. But also in the way that we think about experiences and services that we're building for people and how do we do it in a way that isn't disrupting the journey and bombarding people with information that they don't need. And so that's the, yes, the balance that we're at, at the moment.

Q - Oliver Chen {BIO 15320650 <GO>}

Our last question is what do you think is the most underappreciated about Walmart.

A - Janey Whiteside {BIO 20679101 <GO>}

I think it's -- I think 2 things. One is its absolute customer-centricity and its focus on the customer from the get-go, the beginning of Sam Walton and his ethos; and secondly, the true passion and nature of the humanity of the people of Walmart. The focus of Walmart is to really want to do the right thing for customers. And neither of those, I think I had the full appreciation for until I became part of the family.

Q - Oliver Chen {BIO 15320650 <GO>}

Well thank you for joining us. Thank you for being part of the future of the consumer discussion and customer centricity. I appreciate your time.

A - Janey Whiteside {BIO 20679101 <GO>}

You're welcome. Thank you.

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