

# Bernstein 36th Annual Strategic Decisions Virtual Conference

## Company Participants

- Brett Biggs, Executive Vice President and Chief Financial Officer

## Other Participants

- Brandon Fletcher, Analyst, Sanford C. Bernstein & Co

## Presentation

### Brandon Fletcher {BIO 19653159 <GO>}

Good morning, everybody. Hi. Welcome to the Bernstein's Strategic Decisions Conference. We're very happy today to have Brett Biggs join us for a second showing at the conference. Of course, he's master of ceremonies and the CFO for Walmart, Inc., the big boss job. And I've known Brett for a long time. I have utmost respect for him and the work that he and his team do, all the time. Obviously Walmart is doing incredible job now, and we're very happy to have them here as the country goes through such a difficult time.

Of course, as usual, we do want to make the disclosure that there are going to be forward-looking statements contained in this presentation that many times there will be phrases that will refer to events for which we are making guesses. One of the components that I think we're going to do is I'll flash the screen up in just a second. But be sure to realize that as you're in the Pigeonhole questions, please don't try to reach for those extra components that one that doesn't disclose. This is a Strategic Decisions Conference. And so, we're interested in those larger strategy issues, and not focus so much on the ticky-tacky of the dynamics of earnings and details.

And so, with that, I'd like to move on to a couple of opening questions for Brett. The first thing that we wanted to start with something kind of simple but I think very profound. We've certainly seen this incredible growth in the grocery business. It's been a necessity for the marketplace; it's been a necessity for people just to keep themselves running. But, I always think that Furner and Doug were general merchandise folks by training and their background, and every time I would hear Doug speak and Furner, when we worked with him in China, [ph] he would not forget that it's general merchandise shop as well. What opportunity you guys see in that space? We often hear about the mix conversation. So, I'd love to just hear how you guys think about general merchandise opportunity now or in the future?

### Brett Biggs {BIO 17414705 <GO>}

Yes. You bet. Thanks, Brandon. Thanks for having us. I appreciate it. So, this is round two for us at your conference. So, a little different than last year, to say the least. Yes. As you mentioned, Doug and John both kind of came up through that part of the business, and it's still a big part of our business. When you look at food and consumables in the US, over 55% or so would be food and consumables, but there's a big general merchandise business, and it's certainly that way on the eCommerce side. So, it's a big part of our mix and you saw some of that in the first quarter. As we went through the quarter, early part of -- mid part of March, late part of March, we became pretty much a grocery and consumables company, and then, as the stimulus checks came in, in mid-April, reverted back to more of a normal mix, although even more to the general merchandise side.

So, as we go forward and you see the work that we've done on attracting more brands to the sites, where we're doing marketplace, the things that we're trying to do with brands in stores, private label, which has become a bigger part of our business, and we're very much focused on that general merchandise business. One, it's -- you need that from a assortment standpoint for the customer to be relevant on everything else that you want to sell. But then, as you mentioned, mix is a big part of the financials that we put out and the results that we need to have, having that GM in there is important.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. And one follow-up on that. When we talk about eCommerce, one of the stories has been, because click-and-collect on has gone so well on grocery that we saw more general merchandise quote items into that basket. I know people still say the app's not entirely merged, okay, fine, but we certainly see some of that product shifting over. Has that adoption rate in terms of baskets beginning to look maybe a little bit more like an old school supercenter basket start to show up a little bit?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. Part of that has been us being able to get the assortment. And let's talk about online grocery. We call -- it started out being called online grocers, really a lot more than grocers. We had a fairly limited mix of general merchandise. Now, it's not exactly the entire supercenter, but it's much closer to that than it was. And over let's say the next year or two, I think almost everything in supercenter, you'll be able to put in that online grocery basket. So that's important. But, as we get people coming into the store, doing pickup, there's a big part of general merchandise that's a part of that. The merging of the apps, as you mentioned, the blue and the orange app is really important to the experience for the customer. And I've used it recently and I do see the difference that it can make in getting general merchandise, making it easier to get general merchandise into the basket.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. That seems right. As some of the stores and some of the logistics hubs were getting closer to their operational speed limits, was there -- is there a sense that -- I'm trying to frame this right way. What are some of the learnings you had or that --

or at least early senses of where those chokepoints might be, right? Because suddenly the stores are clearly being both logistics hubs and service because they were one of the essential services still open. And we know that Tesco years ago had kind of pulled a lot of that pick entirely out of stores because they're physically more constrained and they just didn't have that room to do that. Did you guys hit that point, where you're like, there's just too many people in the store at this point, not just because of COVID, but because of the physical difficulties of logistics of a pick process and customer shop?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. We tested a lot of things over the past several weeks that we weren't anticipating testing necessarily, certainly about how to get people through an online channel and get them to the stores as well. We were, even before COVID, going back to last year, as we had online grocery stores that were starting to hit their fourth year, we were starting to learn where those chokepoints might be. And so, as a customer, if you think about the customer that's in the store, you got to make sure you're not causing them a problem as you have pickers in the stores, people that are coming in the stores can actually get around what they want to. So, we had a lot of technology driving that, become more efficient at picking different time slots or having people come in. So that again gives us more picking capacity.

So, there are a lot of things that we're already working on that experience with COVID, we'll get additional learnings, accelerated learnings coming out of that. And even as you know, we turned -- we had ship from stores. So, we had about 100 stores give or take, where we could ship items from stores to customers' homes, we hadn't used it a lot. So, we accelerated over 1,000 in a matter of weeks, and we'll have over 2,000 that are capable of doing that. So it's just having the flexibility to kind of do what we need to do, when we need to do it, and having the capital to do it. Financial strength, obviously we have to go do that. But then also Brandon you know this company well, I've been here 20 years. The ability of this Company to move with speed is remarkable. I quit saying amazed, we're not amazed by it anymore. But it's remarkable to have a \$500 billion company that can move as quickly as we can and when we need to.

**Brandon Fletcher** {BIO 19653159 <GO>}

One of the things that -- we had some investor interest on this on omni-channel, I didn't see it as much as a change as I think maybe some of the investors did, which is with Jet.com kind of kind of turned off as a brand, not turned off as an operation or as a team et cetera or as a capability, but as a brand, does that really mean that Walmart can be an urban hipster brand and the rich elites are okay shopping at Walmart and we don't have to worry about that old notion of, can Walmart hit the promise of being good enough for everybody, but not too good for anyone?

**Brett Biggs** {BIO 17414705 <GO>}

And the brand, we may -- there may be still some things that we do with the brand. It's amazing how sticky the Walmart brand is. And we found that by acquiring Jet, it

was almost four years ago. And as we started utilizing Jet for different things, we kept finding the Walmart brand was really, really strong with consumers. And when you look at our customer base versus -- and lay it against the demographics of the US, it's actually strikingly similar. So, we do appeal to every demographic -- and particularly now, when you look at -- price has always been important. We've been a winner on that for years. We've always been big in assortment, we're getting better in assortment. Convenience is the one area, you go back five years ago that people could have argued that Walmart's not convenient enough. I think that's not true anymore with online, with stores, everything that we can do for customers, pickup delivery, we are convenient. So when you put all those things together, whether you're lower income, middle income, higher income, I think we've got what you want, even items now that three years ago as a customer and as an executive, I would have thought, I don't know if we have that online. We do have it online. And so, if I can do that and get the right price, why would you not go to walmart.com?

**Brandon Fletcher** {BIO 19653159 <GO>}

Yes. I mean, we've always been believers that the ability to be a price and convenience location for some and a price and assortment location for others, is one of the unique attributes that Walmart can provide. And that's true. When I say unique, I mean genuinely unique. A handful of companies around the world can aspire to that that model. And then, yes, I have been impressed that some of the service components that normally might be a little bit of a reach, people are signing up for it. And I mean, we talked before about how some of the service in the stores really has gotten much better, electronics, especially compared to the old days where it was lacking. Even within many incentives as a Walmart associate had to go to electronics, they will find themselves going to competitor because service just was there and now that's not. It's just -- it's really quite important.

I wanted to turn a little bit to international. Again, I know it's not a huge thing for that, but the demand shocks in other markets may be places with a stimulus, they may have less opportunity than we've seen in terms of kind of sustained small businesses. Should we worry about a V-shaped recovery in the US and something sad or a less effective letter elsewhere in the world?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. I think it's going to be -- and it's hard to look at international as international, because every market is so different. And even within the US, I think as you talk about V shape, U shape, swoosh shape, whatever shape you want to think about. We're going to see that in different parts of the US even. Because you look internationally, as you mentioned we're seeing some of the same challenges we have in the US, which is channel shift, mix shift, demand cycles, very quick demand cycles. Canada will look a lot more like the US Typically Mexico, amazing business at Walmex just continues to do incredibly well. But like you said, every country's got a different pattern of stimulus, some much more -- you're seeing more stimulus in Canada than you will right now in South Africa, for instance. And so, we'll have to work our way through that and are working our way through that. We'll have to

continue -- that is going to continue probably for the rest of the year, trying to work our way through some of those things.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. I think, the one that we've got questions on were kind of I'll call it Flipkart. So, thus far, again you got to look at the numbers. It doesn't look like India had as bad or disastrous things people had thought, but at the same time, the construct of this dynamic is just as important in India as it is everywhere else. And so, kind of had the sense that maybe that's even a tailwind for Flipkart, the way it is for others. Do you have kind of sense of where you guys are on that? I know, it's early days.

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. it's early. And Flipkart for us obviously is a really long-term investment. Go back to the middle or end of March through really most of April, Flipkart was effectively kind of shut down, because of government regulations. The country was really in a lockdown for about three weeks and then there were just some slow reopening different parts of the yellow, red, yellow, red, orange, green zones and all that in India. We're starting to get back to a little bit more normal operations there. And just like with every other country, I think India will go through a different cycle. They were pretty early to shut the country down. So, we'll see how that plays out. But, it's a great business for us and I think will continue to be for a long time.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. Now, we have more time, we definitely would chat about some of the -- like the payments business you guys have there I think.

**Brett Biggs** {BIO 17414705 <GO>}

Yes, PhonePe. Yes. It's great.

**Brandon Fletcher** {BIO 19653159 <GO>}

There's just so much. I mean, we've had entire conversations on just about payments business now, because that's just such a remarkable growth.

The other thing is, is China at some point a similar, I'll call it, differentiated bet in the way that we've seen kind of a big amount of capital go to Flipkart. I mean, obviously, nobody forgets that it's on the board. But should we -- when we're thinking about, okay, listen, Walmart's going to have to pony up some more capital in China. I don't know when but it's going to have to come someday somewhere.

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**Brett Biggs** {BIO 17414705 <GO>}

Yes. And it's already a big business. I mean, India, we have a very, very small business but China we've grown more organically and have a big, big supercenter business. Sam's Club is doing incredibly well there. We continue to grow through the Sam's Club channel. So, I think, in ways we've made big bets. We did a partnership with JD.com. We own around 10% of that company, which has been a nice investment for us. So, we've made some pretty big bets in China. They've just been more gradual over time versus the big investment that we made at one time in India.

**Brandon Fletcher** {BIO 19653159 <GO>}

Makes sense. On Sam's, is there another market that you guys think could be in China, because China has been awesome for Sam's? I mean, it's half the reason why I can take a swing at Costco every now and again, because you guys are doing so well in Chain. But, is there another market for Sam's that you feel that way? I mean, Mexico has already been great on that basis?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. I mean, what's working in China is it appeals to middle, higher income, which is emerging quite a bit in China. And so, it appeals to that income demographic. Mexico plays a little bit of a different role. But as you said it's been a great format for us there, obviously a great format in the US Adding different retail, brick and mortar formats going forward is probably going to be less prevalent than we would have had in the past as a company just given where retail is going. You'll see more investment going into maintaining our existing fleet and growing our eCommerce business, but it's where we've got Sam's, it's fantastic.

**Brandon Fletcher** {BIO 19653159 <GO>}

When you think about that, if you guys go internationally, one of the things that we found is how big city matters so much differently in terms of how you serve that than anything else. And the US, frankly, doesn't have that many big cities, not really, not certainly by a global definition. But most of the rest of population, most of the rest of the world is densifying and at crazy levels relative to US experience. Does that lead to that notion that on top of the idea that there's a price assortment and service

offering that can hit the right component, if you can take just enough convenience? Is there a sense that there is kind of an urgent way of doing things and the suburban way of doing things and that maybe the global battle is more about that urban way of doing things?

**Brett Biggs** {BIO 17414705 <GO>}

I think that -- yes, there's certainly an element of truth to that. I mean, the US is -- we have big cities. There are different big cities. You have Dallas-Fort Worth, which has 8 million people, but it's spread out of East to West almost 100 miles. It's very different than 8 million people in a city in Japan or in China, just the way it's constructed. So, even in Dallas-Fort Worth, you get -- there's an urban part of Dallas-Fort Worth but there's this kind of big suburban part of Dallas-Fort Worth. Just to use that as an example. And our formats work incredibly well in the US, having now eCommerce where you can be -- you can more easily deal with last mile and big cities. And then, we're great obviously, in suburban and more rural areas. It's going to be interesting, I think how -- we definitely were seeing urbanization in the globe until the last eight weeks. It's going to be interesting coming out of this how people -- does that trend continue, or do we stay a little more suburban, rural than we then we were heading coming into COVID.

But, I think no matter how that trends with what we've done in eCommerce and the size of the eCommerce business we have and the stores, but the ability to pull that together in an omni-channel solution is something really globally no one's done. And we said, Brandon, go back four or five years ago, we were saying, we think omni -- this is the way to go. And no one's really done this. So, there's not a playbook. We're writing the playbook as we go. Those investments have paid off a ton in the last 10 weeks. And trends are going to accelerate. Trends are already happening, coming into this COVID time period are going to accelerate and investments we made in last four or five years are I feel the right investments. So, I like our strategy going forward.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. I think that's pretty clear. When we think about that kind of longer run strategy, if we think about threats maybe to that -- what seems to be a pretty good path to success over the next five years, that's an open space. Let me just suggest one for us, which is -- do we think that the EDLC/EDLP loop is still working. Because eCommerce seems to take so much capital, right? And I know some of this is just observability, right? You push in the capital, you got to wait for utilization curve in order for that EDLC/EDLP thing to work. But with stores, the unit economics were just so incredible that you'd be like, oh, great, these are awesome. This is (inaudible) store in McAlester, Oklahoma and nobody's ever going to do that again. And so, with D.C., it's going to be like, man, there's a lot of money in the ground. And so, that's -- my worry is does that loop still work. But there may be another threat that I'm not seeing that you guys worry about a little bit.

**Brett Biggs** {BIO 17414705 <GO>}

No, I think you described that pretty well. It's -- capital is really different. If you go back to '13, '14 -- 2013, 2014, 2015, more than half our capital is new stores. This year, it'll be less than 20%, and most of us in Mexico and China. So, it's -- the use of capital has changed a lot. It's getting your associates more efficient and the tools that we're giving them, making it easier for customers in the stores, making it more enjoyable in the stores. That's now where the capital is going. I think that'll continue. Technology, of course, that'll continue for a while. But, I think for me, the biggest risk for us -- and I usually answer this question this way, it's just, how quickly can we get, there's no end, necessarily to the strategy. This is omni strategy, but how quickly do we get to where, not some of the time or most of the time, but all the time that we are top of mind with customers across United States and across the markets that we're in. We're really, really high on that list. We have a lot of customers. We are number one. We want to be number one with all consumers. And I think speed and moving rapidly toward that, whether it's getting the brands that we want in stores and online. We've made great progress for that. Getting the capacity on our fulfillment centers and distribution centers that we want. And again, we've made great progress toward that.

And balancing all that out with the returns, and the financial results that shareholders expect and I think we've done a pretty good job of that. That's what we're trying to do. But, I think, if you asked Doug the same question, he would probably give the same answer. It's just -- we just have to keep moving really quickly to solve problems.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. I think that makes a lot of sense. And I will say from a perspective of that, it's been amazing how much evolution has happened. But, if I go back to my own experience in that, getting everybody to get on board with the omni-channel process was a while, right, it was a while. Because I go back to 2005 and 2006, there are strategy components we're working on that we're anticipating this universe, probably too early, of course, anticipate the universe, but it did take a while to get going.

Now, as Doug did and as you guys accomplished, it's been incredible speed in the last couple of years. And that's, I think, made up a lot of the gap. But I think that's probably the right identification of the issue.

**Brett Biggs** {BIO 17414705 <GO>}

Yes, it's interesting. We were -- I mean, to your point, we were slower than we should have been on eCommerce. And I'm realizing that there were a year -- I remember talking to investors, go back 5, 6, 7 years ago, and when I would say the supercenters are going to be an asset, you got strange looks. And supercenters are a big asset for us, and the supercenter will change, it will evolve. But having that space that close to customers is going to be a big part of what we do. I've gone back and asked executives from the past about the time when we went into groceries, and a lot of the things that you hear are the same things that we went through in the last several years around stores and eCommerce that back then, groceries, they weren't fighting



general merchandise, it was complementary. Now, eCommerce and stores are complementary as well. We have to remember that.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yes. No division 1 and division 27 used to feel quite a heck of a football team. And the same thing happened at the early phase dotcom. I remember how many times, my favorite way to figure out where the wind was blowing was whether or not to pickup for online was in the front of the store or back of the store. Am I going to force you to walk through the store because the store is the business here that I want to make it more convenient work for you because the consumers is the business. And again, (inaudible).

The other one that I think has caused people to doubt a little bit maybe -- maybe it's not the EDLC/EDLP loop but just headlands, it's just wage increases. So, hats off to you guys for -- to making the right moves to help everyone during this incredible work with extra risk, get a little bit more. One of the things though that I think people are thinking about is, arguably, and this is a little bit more of my personal view. I think you could say that the value for work society has given to, what if we realize are central worker society function has been a little bit arbitrarily low too long? I'm not smart enough to know the way that you do that without disrupting the function of the capital system, but we understand there might be some version of a living wage question. How do you guys think about that even though I think you guys led that charge to get wages back up? Maybe it's still isn't high enough and kind of a sense of where you guys are head is on terms of potential that may be long run pressures of income inequality just are going to push wages higher?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. I mean, I want to start answering that question with -- you started there with our associates, which, it's hard to even find the right word what I've seen, when I've gone into stores with the work our associates are performing, the attitude that they have. I think so many of them feel like and they rightly should that they're serving their communities, they're helping people keep moving in this difficult time and that's exactly what they're doing. And so, what they've done is amazing and deciding to do the one time bonuses, the two rounds of one-time bonus in the US, we've done things internationally and important for the bonus in the first quarter was as an easy decision. It just -- it felt really, really good to do that and to honor them.

Wages is a lot of things that go into determining what wages should be the market you're in and the work that's being performed. As you mentioned, going back to 2015, we raised wages from -- in the seven to the facility starting rate nine -- sorry, nine, facility stating rate, we were sevenish in minimum wage and then went up to \$11 over the last couple of years. Definitely the right thing to do for associates. And there's different costs of living in different parts of the country. So, it's hard to look at what with one basket.

We've got to be competitive in market, so -- people won't work for you. And so, we've got to make sure that we're paying competitive wage in each market that

we're in. And over time, we'll just have to continue to evolve. Again with where the market goes and what we're doing as a company, all of that goes into that wage discussion. But, we're being very strategic about it. There are -- as we get places in the country, where wages are increasing is getting more competitive. Certainly we're addressing those things to ensure that we can get the associates that we need into those stores and be able to keep them as well.

**Brandon Fletcher** {BIO 19653159 <GO>}

There's been a lot about this, if the unemployment program was richer than wages in some markets, if the states had relatively generous unemployment benefits that people won't come back to work. Were you guys on that as a component, I mean, you've hired a lot of people, other large players have hired a lot of people. I assume you've been able to meet the demand, because you've seen the people in the stores and you see them adding all the protection measures and making sure they're guarding people coming in line, et cetera. So I assume that hasn't been the barrier yet, that you haven't hit that point, that you can't find labor at the right -- at a fair wage.

**Brett Biggs** {BIO 17414705 <GO>}

I read the same thing as you do, I mean about that dynamic. And so that will play itself out how it play itself out, how it ends up playing itself out. But clearly, we've hired more than 250,000 people just in a matter of weeks into fulfillment centers and stores and distribution centers. And I think, for the most part, people want to work, they want to contribute. And I think in a time like this, people want to be a part of the solution to what's going on in the world. And I think they feel a sense of that. That's my take on it.

**Brandon Fletcher** {BIO 19653159 <GO>}

That makes a lot of sense. I have a couple more that I want to run through. But I just want to remind everybody that on Pigeonhole we do have questions. And we have several in there that can be seen. Just submit and vote for those so that I can share some of those with Brett. One of the other things is tariffs. So, we kind of thought that risk was gone. Rhetoric's gotten scarier frankly. And, I think we would start putting it back on the table. We certainly have seen some of it move out of China underway for the retail industry broadly. I know that a long time ago, we'd advocated being less exposed to China on a resource base, and that's why you guys have dozens of offices around the world to target those and everybody else does too? But, how does -- how do you guys balance as other global companies must, the sense of kind of a home country bias but also caring very much about servicing and being a part of the Chinese comp? Is that hard? Is it still fine? Is it still just kind of like, okay, there's some fighting happening in between Washington, Beijing, but we can stay centered? Just would love any color on that?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. I mean, we've talked about before, I mean, even in the US, still most -- I mean the large majority of our goods are purchased here. And then, once you get to the smaller part, that's not purchased here, there is a part of that, obviously it's in China and they're a big trading partner for the country, as well as for Walmart. It takes a long time for supply chains to move because you just got to have the manufacturing base and the labor base in the country to make that happen. 18 months ago seemed like all we were talking about was tariffs. And so I think, those discussions started taking place 18 months ago, a lot of companies started looking for different places to source. And I'm sure some of that has continued over the last several months. Our merchants are, they're so good at what they do and there's such -- you got to look at price and assortment where it's coming from, and cost and all the things that they look at, with our suppliers. And they're great at dealing with that. And even if we went through list one, list two lists three, with the tariffs over that period of time, they managed it in a way that was pretty seamless for our customers, which is the main thing that that we want to do. And so, we're just going to, we'll continue to work our way through that, whatever it ends up being, just like we always have.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. One of the things that's come up as a kind of a sub version of that is that we've heard from some retailers that they've had a harder time getting a hold of PPE or hand sanitizer or other components because the dependency on the Chinese supply chain for a lot of that for good historical reasons, because it was that -- I'll call it semi complex manufacturing right? It wasn't super simple injection plastic molding but it wasn't also kind of a higher order Japan or Germany manufacturing. Has that happened for you guys? Have you guys been able -- I mean, it looks like you'd get a hold of what you need to get a hold of, but have you had that like you had to go someplace different because, China couldn't do it anymore, because the demand wasn't there, the availability of supply wasn't there?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. Our team, our, what we call, asset protection teams as well as our executive team strictly in Walmart US, were really early on ensuring that we had what we needed. And we're starting to get what we needed for PPE, for mask, for plexiglass, and all the things that we had, they were early into trying to secure that for the Company. So, nothing right now goes without challenge. But, I think we were pretty successful in getting what we needed for associates, for customers.

**Brandon Fletcher** {BIO 19653159 <GO>}

It's remarkable. And you can just see you moved earlier. And our simple test is, we take someone's hand sanitizer and we see essentially is it actually hand sanitizer, or is it just some ethanol that smells like someone who's drinking too much on the weekend. And you can just see like who sourced on time, and who essentially can.

**Brett Biggs** {BIO 17414705 <GO>}

I know you were doing that research.

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**Brandon Fletcher** {BIO 19653159 <GO>}

We spent a lot of time looking at PPE without the whiskey drink. But I'll tell you why. This reopening component, think about what we heard from Target yesterday from Brian Cornell, we want to be the safest store shop in America. It's becoming, arguably -- this is a little dramatic, but PPE or safety is kind of like human rights, right? And so that notion of going what is efficient in order for people to want to shop again. And so, there's a whole set of folks who didn't go through the essential transition you guys already did. Well, they're going to have to do it. And so, all of those dynamics become quite remarkable.

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. We're pretty early to meet our customers in the stores. The evolution of masks and just the advice, we and others were getting from various agencies went through its evolution. And we're obviously were following everything we need to in the states. But trying to stay ahead of that and just knowing what makes customers and associates feel safe, that's really important. And to your point, I think it's going to continue to be important for a while, who knows how long, but if customers and associates don't feel safe in your stores, they're going to find somewhere else to go and we want to make sure people feel safe.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. I don't want to go too far down the tangent. But, just because, it was my job a long time ago to write the SARS1.0 defense plan, which had a whole set of operation things, which seems kind of look like a click-and-collect. So, I feel relatively proud of it. One of the other components was there was a dynamic of, if you actually had to have, I'll call it a clean part of the store and the dirty part of store. So, you might receive and that's the dirty part of the store and you would treat stuff, either with hydrogen peroxide or ozone, and then you clean part of the store.

Have you guys had a place where -- was there a sense or -- has there been a notion that maybe there's even a -- there is more evolution to happen in the way that the stores run, even though today is really good but maybe this isn't the final way to make the system as safe as can be?

**Brett Biggs** {BIO 17414705 <GO>}

We're learning things every day. This again -- there's no playbook for this. I mean, there were SARS and H1N1.

**Brandon Fletcher** {BIO 19653159 <GO>}

I wrote you one, but it wasn't quite right.

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. There's no playbook for this one. So, we're learning as we go. And like we do, we'll respond to customer what the customer wants, what we need to do, what's the right thing to do, what our associates want. It's got to be all that coming together to help us write that playbook.

**Brandon Fletcher** {BIO 19653159 <GO>}

And to be fair, what's fascinating with this one is, it's highly infectious, still terrifyingly high fatality rate, but lower than what people were imagining, right, at the time, the notion of what SARS1.0 or Ebola was, was essentially super high mortality, but slower infection. And so, there isn't -- this was not contemplated well, but by probably handful of people in epidemiology. Private label has been awesome, you mentioned it before. Mostly when other companies do this, they do it for margin enhancement. You guys have a different complex role. It doesn't mean that there's a good margin and probably there is. But sometimes just people will go, well, you have to do that to defend all the year, you have to do that to be -- have an opening price point that keeps your lower income customer engaged. How do you guys think about the private label world at all?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. It's evolved a lot over the last several years, and we've put a lot of resources, a lot of people against it. And when I used to go early in my career to the UK, and I'd see 50% private label and a lot of places in Europe, I never thought the US would ever get anything close to that because growing up as a kid, I remember private label being generic. It was not good product and thought the US will never do this.

Now, I still don't think as a country, we get to 50%. I think this is a still a very brand focused customer in the US But it's more prevalent than I would have thought, even 10 years ago. And Aldi and Lidl have done a really nice job with that. The lessons we learned in the UK in particular is you don't compete with an opening price on quality. You've got to compete with a mid-tier quality on private label. But we've taken that pass through, a great value is one of the biggest brands in the world, not just for us, in general. And then, we've taken that -- we've gone from 21 -- I think it was 21 private labels of Sam's Club basically to 1. We've evolved on general merchandise stride with mainstay and other things that we're doing on that side of the business. So, it creates loyalty as well, with customers, there is that margin mix that's important, but it creates a loyalty with customers that we're seeing. And it's just another -- it's kind of another arrow in the quiver of how you address customer need.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. I think that's right. And we think you guys hit quality really well on private label. And we've even seen those variations where you'll do -- you'll have an eco-friendly private label, you'll have a true opening price point that kind of looks like the old one, and then you'll have what we think of as an Aldi color, like yes, that's really good. It's got the right quality; it's got the right component.

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**Brett Biggs** {BIO 17414705 <GO>}

Some of the things we're doing with market side and just really, really good product.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. That's exactly there. And one of the things that we always see is Kroger has done a very good job of private label and they have that same aspiration, which is you almost are proud to have bought it and be like, listen, I'm going to convince you. Try the Kroger traditions, pizza sauce, it's exceptional. And I think you guys are getting to that point.

Just two more quickly and then I've got some audience things. I'm curious about the sale of VUDU, and I'm not after any commentary you guys haven't made from there. But one of the things that is a criticism we sometimes hear is that technology comes inside of Walmart, has a harder time getting it seed and growing and then kind of going someplace else. And that's not a perfect example for you, even because the whole business moved from where the original business case was. But, I do kind of want the more general question of, do you think that Walmart's made moves to where entrepreneurs can really come in and start showing their vision inside of Walmart as opposed to, it's a place that would make you nervous about taking their baby and helping it use the scale?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. A lot of times what you'll see, we make an acquisition is it really just integrates into Walmart. And there are times where you have a technology that -- a technology or brand that you buy and Bonobos will be an example where -- Bonobos is basically still Bonobos today. And there's places where you acquire something like a Shoes.com that really brought all that assortment onto walmart.com. And it makes sense to integrate what we've done with those two businesses. The things that we've done in Store No. 8, delivery into the home, delivery into the fridge is the early testing and early -- testing and early pilots we've been doing there came from here. That was some folks we brought into the Company. And so, that's evolved and flourished. We do need things that we can do at scale. That's important for the Company. There's only so many smaller things you can do. You really need to be able to scale things up to make sense.

When I look at what we've done with Store No. 8, some of the technology you've seen with Scan & Go that it worked in Sam's, work at Walmart US, it's a different use inside of Walmart US It's really exciting what we've done. And I think this is a place that if you're a technologist and now with Suresh as our CTO, our new CTO, your products and your ideas can flourish here and actually you can scale them in a way that maybe you can't do it on your own.

**Brandon Fletcher** {BIO 19653159 <GO>}

A couple of quick ones, which is I'm looking off the list. So, first is, could you please talk about the entry of Facebook into the Indian retail market through an investment in Reliance Industries? Game Changer or just everybody's going to show up there one day?

**Brett Biggs** {BIO 17414705 <GO>}

India's competitive, we knew that. Reliance has been a competitor for years. I mean I've been going to India personally since 2004. We started looking to our initial foray into there. So, it's been competitive, Reliance, Amazon. So, when you have 1.3 billion people, it's going to attract a lot of investment, a lot of the reasons why we went there. So, it's not surprising.

**Brandon Fletcher** {BIO 19653159 <GO>}

Another one is, what is the biggest opportunity you see arising from this pandemic? So, is there place where, there's extra CapEx dollars that you're more likely to spend as a result of 2020?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. We make decisions all the time and choices, trade-offs, and there's different elements that go into that calculus. This is a big one, this is going to change how consumers shop. I think that's story still to be written. How much do consumers change? So, clearly e-commerce is going to -- was already accelerating -- that probably celebrates another level. And so, as we look at how do you fulfill that need? Will we have more fulfillment space than we would have had otherwise? Probably, I don't think it's dramatically different because we'd already been adding fulfillment space. There are different ways that you'll use your stores, more delivery, more pickup than in the past probably. But again, we are heading in that direction. So, I don't see massive changes in how we would spend capital, because everything we were doing was already heading in that direction. It's not like we have to stop and start. So, it'll accelerate some things, but I don't think it'll be dramatically different.

**Brandon Fletcher** {BIO 19653159 <GO>}

It's a selfish follow-up on that, which is, we've seen some of those smaller pickup points be tested in Chicago and other places. And we're curious, if -- because you have really good density in lots of places, but maybe not all the density you want in all of the places. Is that still a possibility? Are those still thoughts that are on the table, or is it sort of like -- and these are super boxes and we're just going to figure out how to make (inaudible).

**Brett Biggs** {BIO 17414705 <GO>}

No, I think things -- there are so many things that are still on the table and addressing -- continue to more efficiently address the urban customer is important. That's a large part of population that we have. The great thing is we have businesses, whether it's in London, Shanghai, Shenzhen, Tokyo, we have businesses that have

massive density. So, we know how to do those things, a little different than the US. So, again, we've got to find things that we can scale, having one-off type of pickup facility in the Chicago isn't going to make as much sense? But now, what we can do with supercenters, what we can do with eCommerce, home delivery, Sam's Club home delivery, I don't think there's a customer set that we can't address and aren't addressing.

**Brandon Fletcher** {BIO 19653159 <GO>}

Okay. Do you see the opportunity as -- some people have framed this is a market share came from mom and pops because they just couldn't do the things in omni-channel that had been done. But do you think you're also kind of gaining better than fair share, even against some of the larger competitors?

**Brett Biggs** {BIO 17414705 <GO>}

Can you repeat? I'm sorry, Brandon, I can't quite.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. There's an argument that mom and pops haven't been able to do anything on omni-channel for obvious reasons, low capital, can't do websites, so on and so forth. But the notion is, do you think you're just winning against the weakest of the players or there is actually places where you are actually taking share against some of your stronger competitors?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. You have to do both. And on the small business, the mom and pop, what's interesting is that where those kind of businesses are thriving, and there's a lot of -- there is, Bentonville Arkansas, and there's businesses that are thriving here. But on marketplace, our marketplace business in the first quarter grew faster than our eCommerce business. And so we're getting more and more sellers onto that platform. And what we're doing with Walmart fulfillment services, we're making it easier for them to get on and sell their goods. They don't have to develop all the infrastructure, we have that and we're doing some of the same things in India and other places like that.

So, I think there's a way for the small business to win in this as well. I certainly think we're going to be one of the big winners in retail today, for a long, long time. And to do that, you've got to beat the best of the best. And we know who those major competitors are. And I feel -- again, I feel good about our strategy and our offerings going forward.

**Brandon Fletcher** {BIO 19653159 <GO>}

A couple of rapid fire ones. I think you've answered this before, but I'll say it anyway, which is, how do you guys think about the profitability path for eCommerce, are



revenues awesome, and are you going to keep accelerating it? It looks to us like the profitability is improving, maybe from not a great level to an improvement level, but love any color on that kind of path towards accelerating profitability?

**Brett Biggs** {BIO 17414705 <GO>}

Yeah. We came into the year and we thought eCommerce losses would shrink in the US They did in first quarter. And everything that we've been saying needed to happen, it's starting to happen. You've got to leverage fixed in a better way and we're seeing that happen. Once you get the technology in FC and the people in -- and eCommerce business, actually, once it gets started, will lever even more quickly in a store business, it just takes a while to get there.

Contributed profit margin, contribution margin is really, really important. And with the mix of business that we're seeing, we're getting more brands in home and apparel and higher margin business. We're seeing that contribution margin move up. And once it gets to a point, again, it levers a lot more quickly. So, the underlying things that need to happen for us to get to profitability in eCommerce, it's happening. It's not happening as fast as we would like. Has it been slower than we thought? Yes. But I'm seeing a lot of positive things.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yeah. And we've said this before, one of the things for me in that whole division is right out of the gate four or five years ago, when you did your first drive-thru click-and-collect in Bentonville, I saw my favorite basket, which was a kayak and some snacks for the float trip. And as soon as you get that available, and again, you may order the kayak the day before, right and it comes overnight and ships on the truck. But, when that basket happens, no one's going to (inaudible) ask profitability. It's going to be (inaudible). Two quick ones and then I have a unifying question that we're asking to everybody. Are we entering a period of inflation or deflation with regards to food? And I know that's just kind of a guesswork. And then, is that different than a general merchandise?

**Brett Biggs** {BIO 17414705 <GO>}

We're starting to see a little bit of inflation as we came into early March. The lack of inflation to some degree was helped by us. What we had done in pricing over the last three or four years, particularly in the food side. And so, we were keeping inflation lower, maybe than it would have been normally and our price gaps are very, very good versus competitors. People have been predicting inflation for a long time, and they've been predicting higher interest rates for a long time. And it just -- it hasn't happened. So, I'm not an economist. One would think with the stimulus monies, you've seen that you would start seeing some inflation, and we will in pockets, it'll be by different categories. But, I think we're just going to have to be prepared for whatever comes at us.

**Brandon Fletcher** {BIO 19653159 <GO>}

I know I got a Chicago banner behind me, but maybe modern monetary theory is going to work. I don't know, maybe. You never know. I'll ask the unified question. As you think through and beyond the pandemic, how do you expect your priorities to shift, especially as they relate to cutting costs or increasing levels of investment?

**Brett Biggs** {BIO 17414705 <GO>}

I think it's and. We've already talked about that, as we released earnings of Q1. There are things that we've seen work with customers, whether it was before COVID, or during this period of time that we're going to lean in, and we're going to lean in hard that we think will benefit us competitively in the long-term. And then, there's places that we look at and say, I say the world's going to change a little bit. I don't know why we need to keep doing X. And we're going to go after that in a smart way. We're going to work differently, everybody's going to work differently than they did in the past. And that's going to change a lot of things about I think where and how you spend money, and we'll be taking those opportunities.

**Brandon Fletcher** {BIO 19653159 <GO>}

Okay. I think that takes us to our time. I did get a note from my legal people that I have to formally show the screen of forward-looking statements. And it's long and it's under the traditional Safe Harbor.

**Brett Biggs** {BIO 17414705 <GO>}

And it's on our website too.

**Brandon Fletcher** {BIO 19653159 <GO>}

And it's on the website too. And it's Section 21E, if you haven't read in a while. It's really fascinating reading.

**Brett Biggs** {BIO 17414705 <GO>}

I'll read it tonight.

**Brandon Fletcher** {BIO 19653159 <GO>}

Yes, exactly. That's exactly how I put myself to sleep. Well, it's always a pleasure, Brett. I know we're not that far away. Till next time, we'll figure out a way to do this back in person, again, as everybody cracks this thing. Thanks for your time.

**Brett Biggs** {BIO 17414705 <GO>}

Thanks for everybody's interest in Walmart. I appreciate it.

**Brandon Fletcher** {BIO 19653159 <GO>}

Thank you.

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