

## Keybanc Capital Markets Virtual Future of Technology Series

### Company Participants

- John Furner, President and Chief Executive Officer

### Other Participants

- Ed Yruma, Internet and ecommerce analyst, KeyBanc

### Presentation

#### Ed Yruma {BIO 4940857 <GO>}

Well, good morning, everyone, and welcome again to KeyBanc's Future of Technology Conference. I'm Ed Yruma, KeyBanc's Internet and ecommerce analyst. I have a few quick housekeeping issues I want to go over quickly first. We'll be having a really interesting demonstration of a new technology called FaceCake, that's at 9:30 immediately after this conversation. Really want to be innovators in ecom technology. Walmart actually uses them so, please stay tuned for that. We have a fun discussion. I'm collecting watches tomorrow at 5 o'clock, have some fun to do and fun in social, please sign up for that. And finally, here for this conversation, please make sure to ask any questions within your web tool. We'll try to get to them as time permits. And I think we have a forward-looking statement to put up. I'll just give a quick introduction. From Walmart, we have Kary Brunner; Dan Binder; Michael Dastugue, the CFO of Walmart US; and John Furner, Walmart US.

John, Michael, thank you very much for joining us today. I think Walmart really is one of the success stories in a number of times actually in history of retail. And in particular, I remember being in New York and Doug getting on stages and we're introducing the concept of time and really helping customers not only save money but save time. And I think from that kind of first principal came, all of your investments in e-commerce came -- some of the investments you made in your stores, and you really are one of the success stories. So congratulations to you guys. John, I guess some really big news today. Walmart Plus is finally launching. I want to understand kind of the plan a little bit. Do you think it helps attract new customers? You think it will drive greater wallet share with your existing customers? And on the delivery side, particularly on same-day, how quickly can you scale this offering?

#### John Furner {BIO 19351533 <GO>}

Yes, thanks for the time and the invitation first of all. It's great to speak to you and the entire audience. But we are excited today about Walmart Plus. We've been working on this for quite some time. We started with a pilot last year called Delivery Unlimited

to learn basically how much, how interested customers would be with -- in a proposition like this.

And today we launched officially, so the sites are live, you can join for \$98 a year or \$12.95 a month, and it gives customers access to three key benefits, and first, as you said, is Unlimited Delivery from the store for groceries, for consumables, for general merchandise and really the entire assortment.

The second is, there is a fuel discount at Walmart stations, at Murphy stations around the country. We'll be adding our Sam's Club stations in futures, that's coming in it - that's all at \$0.05 a gallon. And the third is, Scan & Go, and I know we're going to talk about technology, so we can come back to that one.

But our view is, this is a really attractive offer for just anyone who is interested in value and time. And like you said, a few years ago, we added time as an active part of the conversation to the value equation, we always talked about quality and price, but you must have to then subtract time taken away from customers as a detractor from the value equation.

And so what this membership does amongst other things that we're doing in the business is give people time back so that this time busy or time start [ph] busy family that we're focusing on and they are able to stay in stock, stay replenished and then they get there at the time in their life back to do the things that are important to them.

And this year, more than ever, I think we've seen the customer probably skip four or five years have just natural evolution in growth and jump right ahead into commerce in ways that we probably would have expected two to three years from now, we're here now. So the work that's been done up to this point, and you mentioned in the company's history, a lot has been done over many years to keep us in position where we can prepare for things like this. And then we also, we love to change at Walmart, that's the thing that we'd say. We're always looking for changes and certainly this year, there have been a lot of changes and I'm sure there will be more to come.

**Ed Yruma** {BIO 4940857 <GO>}

Can you talk a little bit scaling same-day delivery. And I know you have a variety of providers, you've stood up at SPARK Network, which is you're kind of in-house solution, how quickly can you scale that and maybe talk a little bit about SPARK and kind of why are leaning into them?

**John Furner** {BIO 19351533 <GO>}

Yes, sure. Scale over the last few years has come really through capital investments in stores and offering pickup in stores where we didn't have pickup in the past. And we're -- about 3,500 stores now working on the plan to finish off the entire supercenter fleet over the next year or so. So that's been the first mechanism.

The second, the productivity that we've been able to get in stores using things like AI and prediction and Imelda power when people are going to shop to help us substitutions, we're also now able to because of the way we pulled ecom merchants and the store merchants together to have an omni-merchandised team.

We're able to use this -- call it the search data, the intent data to help us think through things like replenishment across the course. So the number of slides now can expand pretty well across the fleet. We've got a wide range of what's offered, and that number is getting bigger every day. And then finally, you see we're talking about the last mile [ph] networks. We use a number of providers. We have a number of third-party services. We do have the SPARK Network which allows drivers to sign up and then take orders, come to a Walmart supercenter, pickup an order and delivery at same day. And that's gone well. And then we've got other tests that we're thinking about the way -- you probably saw in the last couple of weeks we also announced two pilots with drone delivery services. One is with Zipline, that's a fixed wing autonomous drone, and then also (inaudible).

So, SPARK can work on the ground, it can work on the air, but we're going to learn everything we can, because ultimately what we're trying to do is help a customer do one of three things and do that really well. And we want to help the customer shop in the store, if that's what they choose to do. Second, we want to be there, the customer needs to pick up, and then third, if a customer something [ph] delivered, we can handle all three and we'll be able to do that in a number of different ways, but we're going to make this really seamless choice for the customer.

### **Ed Yruma** {BIO 4940857 <GO>}

You've had a number of different roles throughout the Walmart organization. One that stuck out in my mind is really when you were at Sam's and I think you really innovated with some interesting in-store technology like self checkout. I know that this is kind of a component of Walmart Plus. But what other opportunities do you have to deploy customer-facing technology inside of the Walmart superstore and obviously one of your competitors is focused on just walk out shopping, do you think we'll see this at the Walmart over time?

### **John Furner** {BIO 19351533 <GO>}

Yes, let me start with Sam's for a second. Sam's over the last few years has become an innovation hub for the company and I just compliment the team there. They've done a fantastic work over the last four, five years. That was exciting to see now -- I think anything happened a few years ago is now accelerating. The innovation that's coming out of Sam's are fantastic and things like Scan & Go, there are a couple more that we're working on, we're able to just take from Sam's and put the midscale at Walmart because of the way that they are thinking through the tech.

So I think a lot of innovation will continue to happen there, but also at Walmart. And innovation happens all around us. I think what's interesting this last year is the pace of consumer change has gotten to a point where innovation and ideas can come from just about anywhere in the globe. So I was -- just been a few years living in Asia

and I'd see the pace of change that was different from what I've been used to growing up in jobs all around the US, and also saw what happens when an entire generation of technology would skip [ph]. So that was a part of the world where desktops and laptops are never let prevalent in these big civilizations, excited [ph] just went straight to mobile. So when you start with a commercial mindset and a mobile mindset first, then we're able to put things at scale that feel like they would have been developed just very recently. So -- one of the applications that we've just put in front of fleet [ph], there is an application called Ask Sam, which is something that we finally did launch in Sam's but -- and everyday associates all over the country are asking literally tens of thousands of questions, and the questions are everything from functional questions to merchandise questions to the schedule, and this input of questions gets us in a position where we can really analyse the things that are important to our associate base, then go react to those and build them better solutions to take the friction out of the workplace. And so this year, given the number of changes that we've had everything from store hours to installing PPE -- we have one door closed in the stores, we had to meet the people, all of these changes are associates [ph] went through, it has enabled us to quickly in real time recognise that things that are top of mind and thinking about them they need from us so that we can be great service leaders when it comes to superpowers [ph] in this workforce through this global pandemic we find ourselves in.

### **Ed Yruma** {BIO 4940857 <GO>}

You demonstrated analyst day, I think some of the robotics (inaudible), I know that you have some prototype stores, you had some automated fulfilment capabilities. Can you talk about kind of robotics in general both in-store or any distribution centres. I guess, how are you embarrassing them, what can make your teammates work more efficiently and how can it take cost out of your process?

### **John Furner** {BIO 19351533 <GO>}

Yes, sure. Great question. I think about it really in two parts. When you separate what's happening with the robotic experiments that we've been a part of, and then what we're doing in the supply chain, it's a combination of computer vision and then augmenting the parts of the physical workplace that are harder to make the work easier for our associate teams. I want to take those one at a time. Our first vision is basically an electronic representation of what we do in retail, just about every day. We walk through facilities, we look around, we observe, we accumulate the things we've see and then we applied, we apply years of accumulated judgment to decide what we should do.

So some of the experiments that we have done successfully and one I want to talk about, it's something we referred to as IRL and that's a lab in Surrey that we've been running over the last couple of years. That's an experiment that has now been integrated into the core business and is helping us determine where inventory is, the way that inventory is moving out of the building and helps things like inventory control, so that you can be in stock for customers. That was an experiment we did in Surrey, it's our innovation hub. But we just integrated that back into the core

business. So it's an example of how Walmart, things like a start-up, things small like a start-up create a company inside the company, let it run a bit and then bring it in.

And so, vision helps the management teams and home office associates, no better what's going on in real time. Then as far as what do the robotics do, that are so helpful. Start with, if you're an associate in the store, let's say, you're a store manager, everyday you're focused on staffing your store, keeping your store clean for customers, being in stock and then making the best position so that a customer can buy something off the shelf, take it upfront in the shelves or he can pick it off the shelf and then dispense it through one of the pickup operations. So what robotics and the supply chain are helping us do is deliver inventory that's palletized, ready to go, by isle, and so associates no longer having to unload trucks in the back that are full loaded, sorted out, get it to the right department, it's just a streamlined process where what comes in is ready to go directly to the counter and it is set in order. So for our associates, the most valuable part of the work is, as said, getting the store back in stock.

So we're taking a lot of work out that leads up to the point where associates can keep us in stock so that we are ready for either a customer to buy or pick. But I think these innovations will continue over the next few years in the pace of change from my view, the way we see it is going to continue to accelerate.

### **Ed Yruma** {BIO 4940857 <GO>}

Can you talk about just innovation broadly, I've gotten a lot of questions from investors about how Walmart getting so innovative, but actually, quick history lesson, right, I mean back to Mr. Sam's days where Walmart has been one of the innovators in technology and retail, really since the beginning. How do you determine what innovations get scaled, are there particular criteria you look for and kind of what's a needle mover versus what's kind of just a fun experiment?

### **John Furner** {BIO 19351533 <GO>}

Yes, great question. And it is true that if you go back over the course of history of the company, the innovation has always been present, from the '80s, putting barcodes on inventory or the large communication satellite network that Mr. Sam put in and helped us lead into the future. But in everyone of these ideas, we have to experiment. And so we can start small experiments, we build Mbps, we've organized our teams to work like product management team and product management not being the color of apparel or the size of patio set but building a tech product with business product tech and engineering all represented formally integrated in the process and we experiment a lot and we try things. And the first thing you have to do is be willing to say that that experiment is not going to work and shut it down.

And that's hard sometimes. When I have an idea or you have an idea, we wanted to work, it's easy just to keep pushing, And then in that time to end up getting the point where we could build a solution and then we're going to try to find a really nice problem to attach to. But what we're trying to do at Walmart is first identify what we see our points of friction for the consumer first and then the associate second and

when we've got these listening tools like I mentioned for associates for asking, but we also take all sorts of feedback from customers.

So problem identification is one. And then just creatively quickly within a week or two experiment and get a product out and put it in front of users or front associates or customers and see if there's any take on. And if there is, then we can build on it, and then we can move to pilot and rollout or if it doesn't go anywhere, we can just shut it down.

So we're thinking about innovation now that scales days or weeks or months not in terms of a months or years. We frequently in the company -- I've talked about, we used to do strategy once a year and we would make sure that our strategy was ready for the next year which led to planning cycle. Now my team, if you looked at our calendar and what we work on, you would think we're having strategy meetings every week which we are.

And it doesn't mean that we're changing the overall direction of the company long term. Absolutely not. But within the direction that we're going for the customer, we're constantly working on what's next. So this year, things like express delivery, that was an idea that we knew that we needed to work on and we had it out and we've been just about three weeks from the idea to pilot. We've got another big group of changes in optimizing supply chain with the local level. Those are things that the team have now implemented and it took just six weeks from the idea (inaudible).

So we've got to be out in days or weeks, not weeks or months.

### **Ed Yruma** {BIO 4940857 <GO>}

Yes, I think Doug has mentioned a couple of times that advertising is a strong area of interest. Obviously, Walmart US to be a big focus. So that I guess where are you today. And probably, more importantly, and how would you score your data efforts and really trying to understand what consumers are buying what and how then over time to integrate that with an advertising effort?

### **John Furner** {BIO 19351533 <GO>}

While data, it's going to be a huge part of every decision we make going forward. And we try to think about data -- is just like currency, data is so valuable and it's the integration of the data and then centralizing data around the customer experience that matters. And now we're going to score it. I think we're in the early stages. We're in the early innings. Of course, I think, if you asked me the same question in the year, I think we'll be much further along, I'll probably give you the same answer, because the way we use data it just evolves so quickly. But just in the last -- but within this year actually within the last couple of quarters, we've integrated really all of the business teams who are a leading the ecommerce business and the store business. And at points in time, you know mostly felt like we were running two businesses independently and at times and most competed with each other. Then over this last

year, the two teams have come together. So the supply chain team has been integrated, the merchandising team, probably most important, most center of the strategy, has been integrated. We've now got one marketing team, all thinking about the customer strategy and thinking through things as a channel strategy. So starting with the customer, we've made a lot of progress identifying a number of customers that we have earned an individual level. As you know, we don't do loyalty programs. We've always worked on an everyday low price philosophy, which gives access to all customers -- equal access to all customers, the low pricing that Walmart has to offer.

And so, identifying people at customer level was number one priority. But now with people that are shopping digitally and the improvements we've made in the digital experience, as you said, Walmart Plus is another way that customers will get to know Walmart, Walmart get to know customers. The taking of this data and integrating it by person now is enabling us to do things like give you push notifications and predicting the things that are going on in your life. And we've got a lot to learn some we're getting right. And some we got, we make mistakes on and we're learning as we go.

But Walmart having the portfolio -- the portfolio does from health care to the pharmacy, to the things that you're buying the grocery basket, understanding who in your family or who is living with you is important so that we can serve you in any occasion on. The sign-up process I just went through yesterday for the second time when Walmart Plus was going live just leading into today.

We start with a two-week free trial but if you answer a few questions then we'll give you the first 30-days as a trial and the questions are just basic things, seamless process, how many people live in your home? Do you have pets in the home. So just as basic information, it's really going to help us know exactly what it is we need to do to serve our customers well.

### **Ed Yruma** {BIO 4940857 <GO>}

Yes, this probably a really good segue to the integration of the apps. I think you guys call the orange and blue apps, but it's the grocery pickup app and the kind of Walmart.com app. And I guess kind of thinking longer term, is it hard to take a customer that is already successful engaging in the grocery pickup and get them to buy from general merchandise and over time, what are the changes you think will happen now that you've kind of integrated the ecommerce shopping environments?

### **John Furner** {BIO 19351533 <GO>}

Well, those were definitely the conversations that Mic and I and the team we're having last fall and early this year is what do you do when you have two shopping apps that are really both already operating at scale. So the upside of course is the customer's experience gets easier and supply chains can work more fluently and that's an important point that I'll talk about that in a second. But the rest was of course, if you disrupt the things that are going so well, there is always risk that you could lose a customer or customer experience and from the standpoint of merchandise buyer or a store manager and app operator in their [ph] KPIs, we could

come at risk if we did that. So we made the decision early in the year that it was time to get customers in one spot and aggregate customers so that they could have the full benefit of the supercenter at the right point and the entire supply chain.

And what happens or what was happening in (inaudible) experience is, once you pick them out, you really had picked an entire supply chain and supply chains this year, and I'm sure that everyone knows how it have been shifting pretty dramatically, but in our case and physical supply chains, if you went into the orange app you were basically opting in to shop at the store and the supply chain has supported the store.

If you went to the blue app, then you are opting into the fulfillment center network in the supply chain and the merchandise teams who had chosen the assortment and the pricing and loaded supply chain up. So these two supply chains we're working in parallel by merging the two apps which we did. This really started in April, pushing the two together and by June, we had shut down with the orange app we retired it. We had a quick retirement celebration for it, it did a lot for us and we gained a lot from them and we learned a lot from it. So by pushing customers into one app, which is right now, it's still one app, two hallways, those are starting to come together and we've got a plan to get it to a very seamless experience but that's now enabled us to use all of our supply chain assets effectively to serve customers, however they wish to be.

But there is no friction in the process, I wouldn't want to say that it's all solved and it's right there. There is still -- it still takes some consumer education to know which of the two hallways in our app, whether you're in the shop the store mode or you're going to go into the walmart.com where the services are or some of the tabs are. So we've still got, we've still got some work to do there over the next few months to make this much easier for customers and for associates. It all goes back to as I said before, if customers want to buy something in the store, they want to pick it up, they want to have it delivered and that's about as complicated as we should make it for the customer then we can sort out the rest.

## **Ed Yruma** {BIO 4940857 <GO>}

I think when investors thinking about technology, we think about robots, we think about apps, we think about -- but actually was really struck -- I think this was a couple of years ago at your shareholder meeting, we talked about some of the strides you're making fresh and in particular really taking time out right, getting the barriers to meet faster, making sure that you're linking closer to fields and helping people plan. I guess how you use technology and logistics acumen to improve supply chain. And over time, how was that a competitive advantage.

## **John Furner** {BIO 19351533 <GO>}

Well I'll start with retail. Only when in retail if you execute well and customers, I say this all the time to our team, people and, customers in retail are loyal in the absence something better. So any time that someone can out do your offer or give someone something that's fresher or it's a better value, you're always at risk. I mean I feel like we are auditioning for our customers' business every single day when we open and



we are because we owe them a great experience and great quality in each and every transaction. And so what's been done over the last few years, as you said, you've got it right is, we took days out of the supply chain and we did that by monitoring the time and temperature which things are picked up and then track them through the entire supply chain whether that was offshore or in the country, and then we looked at every point that's something was making a stop or there was a hand off or a consolidation point that we could be more direct, and the most direct way for us to work is from deal to distribution center to the store, clearly with the international supply chains, there will be points of consolidation whether it's at a port or a border that's something is driven across and this is one of the most global supply chain to deal with and fresh obviously as it produced [ph] and that's just because of the seasonality and where things are grown at certain times of year, it's just the nature of how it's done.

By using technology to track all the movements and then regress our way back into the most direct route from, we have supply [ph] temperature being maintained all the way across things like (inaudible) being measured in the distribution centers and at a rate that's effective are all really important, and those are just, I know it's those aren't as much about tech as they are just great retail basics. But it's recording each and every movement to understand the best way that you could reroute things so that things are more important or more fresh than future.

I would also, lastly just on fresh [ph], it's so much of this has to do with predicting demand and using things like online grocery shopping application, the old orange app, when people are going to buy and what they're going to buy has been a lot of help this year. Customers have shifted so quickly from shopping in store to pick up or shopping in store at ecom, the AI tools that we're -- the team were using to help not only predict when people are going to buy and what they're going to buy, if they're going to have it delivered or not has really helped the team at Walmart explore -- to be able to serve this year.

And so all these tools looking forward is, as you said earlier, it all goes back to using that the wide breadth of data that's provided from each of these transactions.

### **Ed Yruma** {BIO 4940857 <GO>}

We had a question from the audience about some of your early efforts in health care, seems like you're trying to kind of reinvent a very difficult part of the economy or society and specifically they want to know how you're using technology to make this effort potentially more scalable long-term?

### **John Furner** {BIO 19351533 <GO>}

Well, this week, we're opening our sixth Walmart health clinic. We've had five up to this point. Our first just anniversaries itself a year -- our first is in Dallas, Georgia a year ago. And Dallas, Georgia, I wasn't involved in the opening, the design of it. But to me, it feels like the supercenter of health. It's a great environment. We center the experience around the customer. Pricing is very transparent. So when you walk in you'll see the services and the price listed which is the maximum you would pay. So

there are no surprises when you check out. There's someone there that's helping anyone who needs to get insurance. They'll help them get insurance.

And then the services. It's a wide range from hearing optical, middle held, general practitioner dentistry. I'm sure I'm missing something just small lab in the clinic. But they can do just about anything you'd want to for -- I'd say general diagnosis and understand the state of the patient. And from there, a number of things can be done. But if you look forward over the next few years and even this year, technology has really changed the way people administering here, in general, for the first half of this year. People all across the country went to the doctorless [ph] for a variety of reasons. So I don't know that, that means they will go more next year or there will be some catch-up or this is the new normal.

But now, things like Telehealth are way up. There are number of companies who are experimenting with AI as a way to help (inaudible) and diagnose patients. So I think over the next few years, it will be interesting to see how technology really changes the physical experience that we have had in health care for so long. And as you said earlier, we'll keep experimenting and innovating. We're learning a lot about health care with five clinics open that's enough to just really get our toe in the water and understands how the business could work. But we definitely know there is a need.

The early results in Dallas and a couple of clinics after that clearly does pointed out that there is a need for a demand for access to quality care all across the country and these are big cities. There're great markets, the mid-size suburbs. But in every one of those first locations, I think the demand definitely tells us that Americans are looking for access to quality care and we think Walmart -- its footprint should be a part of that. You mentioned in one of your previous answers about the use of AI in the business, I guess, kind of where do you use it and I know you flied [ph] for us this concept of smart substitutions, how has that gone? Yes, it's going well. When a customer orders something for pickup in the store, the two things that they're really want -- once they load the basket and check out is, they want the order before, and they want the order to be on time. And I think that any way you look at it, the two biggest points of frustrations is if you're late or if you don't fill the order, it's frustrating especially if the customer is trying to build a recipe, and looking for ingredient. So the way we used intelligence to try to predict, while items would be the best substitute. It's working well because we're going through transactional data to look for satisfied customers in determining if something is not going to be available, what would be an acceptable substitute for it, all the way to the point where we're making suggestions at the end of the transaction based on the basket you bought. So you can see some of those things when you shop in app, you see them come into life, but the ability to predict this is really important for the customer because the customer who is trying to create a recipe, if one of the key ingredients is not substituted well, it really makes an experience -- it's full of friction and hurt someone's evening or someone's day. So over the next few quarters, I think you'll see a lot of improvements for us as we continue to refine the customer experience and predict. And in this year, it's been more the ever [ph] what the pandemic the way people are shopping after March and April, we had a significant number of out-of-stocks, I'm sure. We're always observable in store and that happens. So substitutions

became an even bigger part of the answer into the summer months as the stores recovered.

**Ed Yruma** {BIO 4940857 <GO>}

Got it. I think we're running out of time, but I do want to ask final question which we've been asking all of our panelists. I guess, kind of what's the consumer mindset today kind of from a spending perspective, how open are they to spending, kind of what are their key priorities?

**John Furner** {BIO 19351533 <GO>}

Well, the biggest priorities last couple of quarters have been the ship delivering at home. I know that's obvious, but categories like home, building out home offices, getting kids in school or teaching kids in school and I just like to say a big thanks to all of the teachers and parents and administrators who have been so flexible to educate our kids with such different environment. They've just been absolute heroes for all of us. But, their items like the at home body tatoo pin [ph] was an early runner in July. And what that says to me is people are looking for things to do that are creative, early in the season, we are selling pink hair color, at December guidance and season and then late in the summer getting our best-selling new color was blue. So perhaps there is now a new spring and fall hair color adequate. But people are looking for things to do that are creative in small groups at home.

And I think it definitely will change the way we're thinking, it definitely has changed the way we're thinking about the fall. We're going to close on Thanksgiving and handle our events differently. Customers looking for that, our associates are looking for that, but we're going to all be reactive. These changes are coming quick and the customers are changing really rapidly. So let's, we'll be watching what the customer does and we'll try to stay ahead of it.

**Ed Yruma** {BIO 4940857 <GO>}

Well, best of luck to this holiday season. Thanks for keeping our nation fed and healthy. John, Michael, Dan and Kary, thank you very much.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT*

---

*2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*