

William Blair Growth Stock Conference

Company Participants

- Duncan Mac Naughton, Mart Stores, Inc.
- Mike Moore, Mart Stores, Inc.

Other Participants

- Mark Miller, Analyst, William Blair & Company
- Unidentified Participant, Analyst, Unknown

Presentation

Mark Miller {BIO 3105655 <GO>}

All right, we'll go ahead and get started and I know people are filtering in here. For those of you that I have not met, my name is Mark Miller. I follow broadlines and hardlines retail as well as ecommerce at William Blair.

I am required to inform you for a complete of disclosures, potential conflicts of interest, please see williamblair.com.

It is our pleasure to welcome back to the conference Wal-Mart. And making his first time presenting at the conference we have Duncan Mac Naughton, who is Chief Merchandising and Marketing Officer in the US. Duncan joined Wal-Mart Canada in 2009 in the same capacity. And has more than 25 years of experience across consumer brands in retail.

Also we'll have on the dais Mike Moore, President of the Central Division, which is one of three regions within the US. And Carol Schumacher, Vice President of Investor Relations.

One business update before we begin, Carol has informed me that Chicago Blackhawks merchandise is up triple digits, in fact up 700% year-on-year I believe. And that it's outselling Boston Bruins gear, in case there's any questions for the game. I don't know how that comes out. But the sales verdict from the world's largest retailer has been rendered. Okay.

Welcome Duncan.

Duncan Mac Naughton {BIO 6052579 <GO>}

Thank you for that sales update. She wouldn't let me do that. We appreciate it. And if you haven't bought it, go out and buy it please. We'll buy more.

Good afternoon. Thanks for your interest in Wal-Mart. And I appreciate the opportunity to give you an update on some great things that are happening at our company.

We'll jump right in. I know we're the last one of the day and there's this large storm coming. So we'll try to be efficient with our time.

This next slide is my favorite slide. Actually I will be making some forward-looking statements today. If you have any need for more additional information, please see our website.

Now, at Wal-Mart we have a cheer and it ends with who's number one. And it's the customer always. So I think it's appropriate to start with the customer in mind, just give you our perspective a little bit on what we're seeing with our customer through the lens of our stores.

Our customer continues to be pressured by the current economic environment. I think what you see on the top of that slide says it all, are customers adapting to the current environment. Now while unemployment is down a bit from last year. And there's a bit uptick in customer confidence, the key things on our customer's mind you can see are jobs, job security, food and energy prices, particularly for our customer you see gas price is a big variable for our core customer.

Then you can see, in the general population, the impact of the payroll tax continues to be on the mind of the general population. And in Wal-Mart US, with the Wal-Mart moms, our customers, about how do we keep jobs in America. So we're wondering if we caused that interest. But I think it's pretty powerful that people want their communities to thrive. And that's what's on their minds.

Our research shows us that our customers continue to look for lower prices, particularly in challenging times. And they're also looking to eat at home more than going out. So that's kind of the top lines of what's going on with our customer.

The good news is Wal-Mart is very well positioned for today's environment. If you think about it, we have a timeless strategy that works very well under any economic environment. We continue to focus and drive our productivity loop, which is on the upper left-hand corner of the slide, while we offer a very broad and local assortment. The productivity really is about how do we buy for less, invest that in our EDLP pricing to drive the topline, while we leverage productivity across both the supply chain as well as our store environment. So we then can continue the productivity loop.

Our broad and local assortment, I'll talk about some of the great work that we're doing there that continues to resonate with our customer. And we're also adapting to our needs of our customers today that are saying I want to shop anytime, anywhere. And I want to have product either in the store or delivered to my home, or wherever they may be. So we believe we have a unique footprint with our 4,000 stores as forward placed fulfillment centers interaction sites for our customer.

We have a very solid framework to deliver on our strategy. This is basically the merchandising framework that we employ. You've heard me talk about the five Ps before. It's quite basic. It's the marketing four Ps plus people for five. I'm really pleased that the team's done a great job delivering across all of these.

Price obviously, which is really the foundation of Wal-Mart. Second is product. Third is place, which is really where it comes to life for our customers in our store. Promotion, this is really about how we communicate and talk to our customer about our offer, as well as engage with them in different sites. Then finally, our commitment to our people and how we're making progress there.

In price, we continue to execute our strategy that you've heard us talk about, about investing in retail price, particularly in our food, our consumable business. So that we can drive traffic to our stores. And we continue to be on pace with that and are happy with our progress there.

And product, we remain very focused on making sure we have the broadest assortment. This year. And the coming year, we're very focused on localizing that broad assortment, store-by-store, community-by-community. So I'll share with you how we're doing that.

And place, it's really about using our physical footprint, these 4,000 stores that I talked about. And then leveraging our walmart.com capabilities so we can have a complete and seamless offer for our customer in their shopping experience, leveraging walmart.com, whether it be site to store, pick up today, or same day delivery, depending on which market we're talking about.

In promotion, we're supporting our team messages with our customer. We have a broad-based campaign in television, in print, in radio. We're both in the social and digital media that we're always talking to our customers. We've rolled out our local basket challenge ads to now 75 markets, which cover 70% of our sales across the United States. And we're also in 14 DMAs with Hispanic and Spanish language ads on local basket challenge. We continue to be very pleased with the results that we get from this campaign.

And people, we're focused really on providing our Wal-Mart associates real opportunities across the company. And I'll give you a brief overview on some of those key initiatives. We're also investing in our home office and tools and resources for our merchants to make them stronger merchants and world class merchants as we look at the retail competitors across the world.

Then the common thread that you see here is the R for responsibility. It's about working on and making a difference on issues that matter to our customers, like healthy living, like sustainability, like women's economic empowerment, as well as domestic manufacturing.

Our common commitment and constant commitment to our customers about EDLP, every day low price, for our customers every day, this is the foundation of our strategy. It's really what really fueled growth for Wal-Mart and we remain committed to this. Quite frankly it builds trust with our customer. And that's why we're so committed to it. And we continue to invest in price.

I'm really happy about the work that our team has done. And particularly in this challenging time of economic uncertainty, we continue to deliver on price leadership in the marketplace. What you'll see is we've actually widened our price gap over the last 13 months, against our competition by 100 basis points. So we tracked our price gap, our average unit retail, versus the marketplace, in food, consumables and OTC products. And over the last 13 months, week ending 4/27, we showed a 100 basis point improvement in our price separation. So we've talked about we're investing in price to drive traffic and get customer traffic. And what you can see here is that in fact we are driving price leverage and price separation.

Our EDLP commitment is obviously enabled by EDLC because, as a merchant, if you have EDLP without EDLC, it gets really complicated. So I think you all know that. But what I want to show you here are four things that I've asked the merchant teams to work on where we're making a significant difference in our acquisition costs and our cost of goods sold. We're going to share more information with you in our analyst meeting in October in Bentonville. But I thought I'd just give you a quick overview of some of the areas that we're focused on.

The first upper left-hand corner there is up streaming. So we're looking at products where transportation cost represents a significant part of the aggregate product cost. So if you think about things where it could be 15% to 25% of product cost, what we want to say is how can we maybe up stream that product, either by ourselves or with a partner. So that we can take that transportation cost and invest it in retail price and give it back to our customer. So we're looking at different ways to do that.

An example we're doing right now in California is we're actually self-distributing wine. And we've found great advantages, both on our acquisition cost as well as our distribution costs inside our own stores. There's five states in the United States that you can actually self-distribute and California is one of them. So we're pleased with the economics here and we're going to look at the next four states as we learn more about this business.

The second is global sourcing. As you know, wherever we can, we can leverage our scale as a company, not only in Wal-Mart US but also working with our sister companies, Sam's Club as well as international, where we can direct import to lower our costs. It also gives us an opportunity to work one-on-one with suppliers to get

better lead time, better innovation. And a sustainable, dependable supply chain. So global sourcing has been a great source of lowering our cost over the year.

The third area that you've heard us talk about is our joint business planning process. We now have about 300 suppliers that we're actively engaged in joint business planning. And this is where we're working with senior leadership of our supplier partners. It's a process that we use to get transparency and alignment on key strategies where we can share investments. It allows us then to work not just one year out. But two and three years. And some of our companies are letting see innovation that's coming multi-years down the road. So we can think about what are the impacts on the store, what can we expect from a consumer. And how should we think about taking the leadership role in some of these key categories. And should we start to invest in those. So our JBP process continues to work and work well.

Then last but not least is our initiative on domestic manufacturing, which really is about us partnering with US suppliers to bring manufacturing back to the United States. Those two things right, it brings back jobs to the communities in which we have stores. So we can make a more vibrant economy. And also makes sense from a business standpoint. Because in many of our categories we're seeing kind of a crossover point where either labor cost, transportation cost, break factors, response times from an inventory perspective, we see an opportunity that's good for business to bring jobs back to America. And we're getting some good traction there. So I'll share some things with that.

I'm actually delighted the pace at which we've been able to make some change inside our business model. We announced in January that we buy an additional \$50 billion of domestic produced goods in the next 10 years. With that, we then met with approximately 25 governors of states. And we've had very good engagement. We've addressed over 3,500 suppliers. We did that back in March as we really formally engaged our supplier partners.

And we are now going to hold a summit in Orlando in August, really where we're going to invite back our supplier partners, government officials, key stakeholders, where we can start to identify efficiencies, local incentives, whether it be community or state, where we can think about workplace training. So many of our states are interested in training the workforce and then turning them over to our supplier partners so they can build that robust job in that community. So we see some great progress in this space.

The engagement from the likely folks that you think are very, very aggressive. Suppliers are seeing the opportunity and we're very excited about that. I don't know if you can see on the slide, there are four different examples, between candles, mattress toppers, bath towels and coolers.

The one on the far left is Hanna's Candles which is an Arkansas candle manufacturer, which last year we did \$4 million with. We said how can we change the dynamics of our candle business. And this year we committed to doing \$30 million. And we'll do

\$45 million by 2017. Again, multi-year contracts building so they can invest in people, they can become more efficient in their plants. And we can have a sustainable supply chain and drive innovation because it's not a transactional relationship. But a more meaningful long-term relationship. And it is in fact working. That will create 50 jobs in Arkansas just for this small candle manufacturing. So you can make a difference town by town, community by community.

The second example I'd give you is the mattress toppers. A company called Authentic Comfort is a new supplier to us. And before this year 100% of all of our mattress foam toppers came from China, 100% were produced in China. Because of rising costs in China, particularly the internal domestic demand actually was rising, labor cost, energy cost, they were going to pass on some cost increases. So it gave us an opportunity to think about this differently. And we're going to now buy 20% of our needs now manufactured in the United States. So these are the kind of examples that say it's still going to be good for China, we're going to just bring some jobs back to America. And we see great opportunity here. And it is in fact very good for business.

Freight factor obviously is another one here. When we're shipping light products, anything high cube. And also where you need good response time, the economics really do look favorable for us. So this is good for the communities. But it's very good for our business.

Another key deliverable from our merchandising team is we've talked about bringing back about 10,000 items over the last couple of years. But the key now is about delivering quality, new brands and product innovation to our customers. You'll see on this slide a number of brands that you might not have seen before in a Wal-Mart store.

In outdoor living for example, we've brought and expanded our assortment of our Weber grill platform. You think about the folks that are grilling, this is a great endorsement, a powerful brand, that resonates great with the Wal-Mart customer. And we're excited about having that expanded assortment in our stores across the country.

We've also added Snapper lawnmowers this year into our lawn and garden assortment. And it's been very well received by our customers. Again, great quality, great price leadership at your local Wal-Mart store.

Another one, the gentleman in the beard there, are the friends at Duck Dynasty. I'm not sure this crowd probably watches Duck Dynasty. Anybody? Anybody? Okay. It's an amazing show. And I'll tell you what, the Wal-Mart customer loves it. And this, talk about seeing a trend, optimizing it. And making a difference. And believe it or not, the number one selling graphic t-shirt inside of Wal-Mart, wait for it, Duck Dynasty, okay. That applies for men's and boy's, okay a no brainer. But ladies', yes. Number one selling t-shirt, graphic t-shirt in ladies'. So it's, again, this about -- and the innovation there is a great partnership with a great story that we merchandise over

10 departments across our store, because it resonates in different places. And again, it's kind of expect the unexpected as you shop the Wal-Mart store.

A couple of new brands that I'm pretty excited about, is we're going to launch Avia tennis shoes in July. So next month you'll see Avia tennis shoes in the shoe department at Wal-Mart. Then also Russell Athletic apparel will be in our stores in September. And with Avia, we're going to launch next month. And we'll have a 15% to 20% price gap to other retailers. And we're going to have enough shoes to basically line them up between here and Bentonville and back.

So we're excited about the sales opportunity that will really bring a different customer for us. And again, brings another well-recognized brand into our store and will drive traffic into our shoe department and our apparel path so we're very excited about that. And you'll hear more about Russell Athletic wear as well as we get into the fall season and football gets back in gear.

On the right side where you see exclusivities and innovation, a number of things. There's the \$99 tablet that we just launched. And there's also a \$149 tablet. Explosive growth in this category, providing great value to our customer. Flower cosmetics is a great fast-growing cosmetic and exclusive to Wal-Mart.

Then I'd just highlight, in the lower right-hand corner, is a \$3.98 bra. When we looked at our intimate business, we had missed the price gap that we filled with a \$3.98 bra. And this has been virtually all incremental sales to our business and has really been driving our sales across this department. And it is driving a lot of traffic as well. So just some examples of innovation and exclusivity. And bringing well-recognized brands to our store.

I mentioned before on product, we brought back many brands before. This is really the year of localization. So this is in food, my goal is to have actually store-specific modulars across the key categories. And we're making great progress there. In consumables, we really take a cluster approach, because if you think about food, it's very local, very neighborhood based. And very regional.

And consumables, it tends to be more national, perhaps regional. And the differences there might be brand profile, they might be package size. So we're actually going to use clusters. And if we just think about consumables for example, we're looking at many different factors like income. We're looking at what our competitors handle, ethnicity, geography, demand, the pace of sales, if you will. And then the customer decision (tree) is to really decide what we're going to really offer store by store. We're really utilizing our Nielsen and our NRI data. And our consumables teams have done a great job to do this. And as a matter of fact, it's making a real difference as we roll out these modulars.

In food, for example, we see a real opportunity. You might think well you guys have been in food a long time, you're the largest food retailer, this should be a no brainer. Ice cream, for example, we did the data with the Nielsen analysis and we found 110

regional brands that we didn't sell before. So this is really resonating with our customer. And making it come to life for us at stores. So we'll have over 3,500 store specific modulars. So not only do we get the regional needs. But we also get the holding capacity on the fastest selling items. So you make sure that you have an in stock as well as the right products for our customer.

Another key focus area for us, that you've probably recently read about, is on driving results in fresh, specifically in our produce business. Last year you heard us talk about our meat business. And we focused aggressively on our meat business. And we're very happy and delighted with the success that we've had there. So I'm really excited about taking that same passion, that focus and those resources. And placing them on our produce business.

If you talk to customers, there's two areas that they think about food, they want great meat and they want great produce. Absent to that, you're likely to miss some of the rest of the food shop. So we made a great commitment here. And what you can see is they think about it really from farm to fork, if you will.

So from the farm perspective is we basically working with local growers. We've placed our buyers and our sourcing agents in the field so they can work closely with our local farmers. And we're also buying directly from them. We're consolidating it from a supply chain so we can add more freshness and more deliveries to our store. So we give more time in the customer's refrigerator for better value and better freshness and better quality.

We spent a significant amount of time training our store associates so they understood what good produce looks like and what customers should expect when they see it. So our operators are absolutely fantastic with this. And we feel very good about it. We conduct weekly audits with a third party audit firm that looks at every store, every week across the fruit and vegetable commodities. Then if they pass, they pass, if not, they fail. And they get a scorecard. And our operators get store by store specifics. So we're making a difference for our customer.

We also then feel so good about this, we guarantee 100% guarantee of freshness for our customer and satisfaction. Don't need to bring the product back, bring your receipt in, we'll give you your money. And the product and the customer experience resonating, we're very happy with the early returns. And we really just kicked this off three weeks ago. So I'm excited about the progress we've made there.

You can see here, WIBI is just would I buy it, if you're a customer. If you're an associate, if you'd buy it, leave it there, if you don't, take it off the sales floor. And this is the balance between freshness and quality. And you can see that our comps have been growing nicely.

What I'd like to do now is -- there's two ads I'd like to show you. First is the fresh over, which is similar to our steak over campaign. And I'll let you just watch that. Then a

local basket challenge ad that we ran here locally. So if we could run those two ads please.

(video playing)

It's great stuff. We continue to be very happy with both these campaigns. The produce one is very early. But the customers vote with their feet and we're excited about the opportunity there. And the local basket challenge will continue.

One of the other key areas that we have focused on is obviously operational execution at store level. One of the things the merchants are doing with the operators is saying how do we make modular recess easier. So A, we did fewer last year so we could actually give time back to our operators to focus on the customer.

The second thing that we've been looking at is capacity in the modular across the categories to make sure that we have the holding power needed to get through our heavy sales days, which are typically the weekend. Then we also introduced what we call mini mods. So where we might have three to five items, historically we'd reset the whole area, now we just go up and just touch the items that are important. So it makes us more nimble, keeps us first to market. And it helps lower cost and leverage our operational efficiency.

Another thing that we did is we launched a program called SPARK, which Supplier Portal Allowing Retail Coverage. So it basically takes your iPhone or your Android device and allows you then to use it as a Telxon if you've been trained and certified as a supplier. That allows them to check if there's an empty spot on the shelf, to say is there product in the backroom. If so, they can scan it, they can see it. And they can bring it to an associate or they can fill the shelf themselves. So it's just a great partnership to allow us to leverage on-shelf availability for our supplier partners. And ultimately meet the needs of our customer. So we feel good about where we've been on shelf availability and our operational standards.

The next area of focus for our company. And you've heard Neil Ashe and Bill Simon talk about this. But really about how do we leverage our physical footprints and our dotcom capabilities. So we think we've got a unique business model because quite frankly we have 4,000 fulfillment centers that are next to most Americans. And how do we leverage that ability that no one else can do that. It's almost, as Bill talks about, the convergence of digital and retail space. And then we can uniquely deliver for our customer.

Some of the things that we're doing, obviously leveraging our technology and our innovation from our global ecommerce partners is things like obviously ship from store, which we're piloting our site to store, which is becoming a bigger and bigger part of the business today. Same day deliver. We also announced a locker test where we'll forward place the product for you to them come pick up.

Some of the other opportunities, whether you're an express store, a neighborhood market, or a supercenter, an Endless Aisle. You should then basically have access to all the items that we have at walmart.com. We should be able to get it to you either the same day if you're in a small store, or the next day if you're in a supercenter.

We've launched Scan & Go, which allows our customer to do basically self-checkout and scan throughout their shopping experience. And also have an in-store mode so they can understand where there's product and what kind of quantities we have. And also Pay with Cash online, they can come to the store and pay with cash. So again leveraging our physical assets with our digital capabilities and innovation.

Another area that we're very proud of is about our commitment to our people, that fifth of the five Ps, is providing real opportunities for each one of our associates. And there's three key areas really. It's about priority, it's about access. And it's about visibility.

And the priority is basically we've built a new system that allows all of our associates to have opportunity to see open positions that they can apply to. Before, they may not have had that visibility. And we might have hired somebody else and this person may have wanted different hours or more hours. So we now allow that person to actually have access open positions they'd be interested in.

Access to open shifts, again same technology saying I want to work more or I want to work a different time. This system allows them to do that so they can work more hours if that in fact is what they want to do.

Then finally visibility to supervisor roles. So folks that want to get into management, or take a different department lead job in the store, they have an opportunity now to see that, either in their store or in the neighboring stores. And before they wouldn't have had visibility to do that. We're very excited about this and our associates I think are going to see it pay big benefits long-term.

Also, we want to comment a little bit on the responsibility component, is that we are in fact leading on issues that matter to our Wal-Mart customer. I just want to highlight three key areas here.

The first is our women economic empowerment initiative. We are on track to reach our -- our commitment was, we'd buy \$20 billion of business from women-owned businesses between Wal-Mart US and Sam's by 2017. And we are in fact on track to meet that goal. That's the right thing for the business, it's the right thing for our communities. And we feel very good about the progress there.

On Memorial Day you may have read that we did launch a program to basically hire honorably discharged veterans within one year of discharge. And we're really excited about this. We've had a significant number of applications. We've already hired 650 veterans. We love hiring veterans. They're dependable, they're great workers, they have a great work ethic. And they fit well in the Wal-Mart culture. So

this is a huge opportunity for us to engage with some great associates and future associates. And it's got some great traction and we've only been doing it for about a week and a half so it's been excellent.

And the third area is our healthy food initiative. And we launched this and talked about how can we take trans fats, how do we take sugar, how do we take sodium out of our products. And then how do we also help our customers save money and eat better. And we don't believe at Wal-Mart that folks should have to pay more to eat healthy. And we've already accomplished a \$2.3 billion saving in our produce initiative to help people eat better across our stores. The healthy living great for you icon has got great traction and we continue to work on that. So we're excited about those three key components.

What I'd like to do is, before I wrap up, is show a veteran's commercial that we just launched with our Memorial Day initiative.

(video playing)

Great campaign. And we feel if you fought for your country, you shouldn't have to fight for a job.

So in the spirit of time, I want to wrap up. We'll well positioned to serve our customer. Our EDLP/EDLC campaign is on track. Broad assortment is working. We're making our associates opportunities better and better every day. And we feel real good about where we are. Thank you.

Questions And Answers

Q - Mark Miller {BIO 3105655 <GO>}

I'll kick off with the first question and then (inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Sure, specific down line price matching. Yes. The question is really asking about some of our competitors have decided to price match online competitors. And what would our stance be and what are we considering.

Today we don't currently do that. If you study it, actually those prices change numerous times during the day on the same product. And as we looked in our presentation, we're about building trust, consistent everyday low prices, that the customer can count on every day.

As we look at that, we feel that we have price leadership across the business, both physical and in the ecommerce world. And we're comfortable with where our price leadership is today. So at this time, we don't plan to do that.

Yes sir?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

The question was, what is the most compelling opportunity we see for growth across Wal-Mart today.

There's obviously going to be some very dynamic fast growth across the global ecommerce space. But I will tell you that in across Wal-Mart US, it's the convergence of leveraging our assets with global ecommerce. And I think the acceleration of small footprints also will be a great opportunity for us to grow topline sales and service areas today that we don't have stores. So a bit of the building stores, filling in our network. And leveraging the potential global ecommerce.

Yes sir?

Q - Unidentified Participant

(inaudible; microphone inaccessible)

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Sure. The question was really about what's in the basket of dynamics change between branded and perhaps private label products. And also EBT impact as month time had an impact on our shopper.

I will tell you that we're really about a house for brands first. So we're all about selling national brands because we can demonstrate price leadership on branded product. We have a great offering in our private brands across the store that we're quite proud of. We have not seen a dramatic change in that behavior between branded and private branded product today.

I will tell you that we have, for about two years, really since the economy has been a bit bouncy, a reliance on electronic benefits. And states tend to now smooth those. So the states have been moving those across the month. We still see an impact the 1st, the 3rd and the 15th. And then because states have moved it across the states, you can tell by state where there may be a variance. So our core customer is still quite reliant on EBT. But I think they've been able to balance their budget and their need states.

Anything else? Yes sir?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Sure. How has internet retailing changed our perspective and our merchandising mix in our store?

I think many of -- there's key categories that just fast adapted to ecommerce, right, like music. Movies would be one that many people are starting to look at differently. We still sell a lot of physical movies and we intend to continue to sell a lot of physical movies. So particularly in the entertainment area, I would say it had a significant impact for us. So we're always looking at how do we optimize space in that store so we can fast adapt.

Our key is, how we can use ecommerce to actually sell the Endless Aisle to our customer. When they're in our store, we'd love to sell them a product. But if they don't have that product I'd like them to go to walmart.com and buy a product there, either ship it to the store for free shipping, or ship it to their home.

Obviously I think today people use ecommerce Internet retailing for knowledge benefit. They're researching products and then they're going to come in and they're going to check our prices, or they're going to check their prices online, or they're going to stand in our aisle and they're going to check the price. Bring it on. We love it, because we feel good about our price leadership.

Yes?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Yes. We've always had web only merchandise. The question is, are we adding significant SKUs for the Endless Aisle? And we are always updating our assortment online. We feel that we can do that in a pretty productive way. And particularly with third party relationships, we should be able to have an expanded line of assortment without necessarily adding all the carrying costs. But the team in walmart.com works closely with our team at Wal-Mart Bentonville to make sure that we're aligned on our strategy across the assortment.

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Yes, I think it's two million online today. An average supercenter would have 150,000 just for reference.

Yes sir?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Sure. Mike, you might want to help me from an operator perspective. Obviously one of the things with our produce initiative, for instance, we're looking at, because of the consolidation we're doing of local farming, we're actually trying to actually eliminate the shrink at warehouse level so we can optimize retail sales space. So actually as we do that, we can actually lower shrink in our produce model, which is pretty effective.

We've not seen a significant issue in shrink from a theft perspective, for instance. And the operators are always working on ways that they can manage their inventory and their receipt and keep their perpetual inventory accurate so that we minimize shrink. And Mike, I don't know if you want to add anything?

A - Mike Moore {BIO 1643144 <GO>}

I think that's about it. You know, one of the things -- or I would say that one of the things we continue to do is really watch inventory levels in the store. If you don't own it, you can't shrink it. And so with PI accuracy, really watching what we have in the back, what we have flown to the stores. And the merchants have worked with us on flow, we really haven't had an issue right at this point.

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Well we're always looking at both. I can't say that. We look at both sides of it. We have a lot of AP folks that are always in our stores, watching our customers and looking for ways to make sure that we're selling the product out the front door.

A - Mike Moore {BIO 1643144 <GO>}

You know our biggest opportunity to0, you know as Duncan talked about, everybody's concerned with theft. But the biggest opportunity we think an average supercenter may receive 15, 20 trailer loads worth of merchandise coming in the back door. When it comes to retail shrink, there's a bigger opportunity to make sure that the accounting is right than there is from somebody stealing it. And that continues to be a focus. So we're focused on the floor from a safety and security issue. But we're also trying to make sure that our record keeping and everything coming in the back door is accounted for.

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Will there be a sales transfer maybe between supercenters, neighborhood markets and express stores as we expand it?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

Without a loyalty card, we don't, necessarily can't track each customer. But I will tell you that as we look, we think the different formats offer different trips. So there's a stock up trip, there's a convenience trip, there's a quick needs trip. We actually think in total, it will all be additive. And there may be some blurring between our customers. But as long as they're in the Wal-Mart family, we welcome them to shop any of those stores.

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

I think there is -- my first slide is basically what they're always interested in, to see if there's any dynamics that they may not see in the data point. And we're pretty transparent with them on what we see. I tried to paraphrase for you in that first slide in essence what we share with them.

Just one more. Yes sir?

Q - Unidentified Participant

(inaudible; microphone inaccessible).

A - Duncan Mac Naughton {BIO 6052579 <GO>}

The question is really about, we have produce laid out in different stores, in different places, the walls may be in different places, why is that? Then do we see produce in baskets with food only or cross merchandise?

And I'll tell you, we're really proud of the 4,000 stores we have. And they all look different. So there are -- we do have common prototypes. But as we've kind of evolved the format, we have some of those differences. We do have a current format that we have in different sizes that we're using. We do like produce to be upfront and the right wherever we can, in a two-door entrance supercenter. So we find that to be most engaging for our customers.

And we do see baskets that -- our best basket of course is across the whole store. And most of our customer baskets have a mix of different departments in them. So

we get a good diversity of basket.

Well I'd just like to thank you again on behalf of Wal-Mart for being here. Have a great day.

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