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CORPORATE PARTICIPANTS

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Karen Short

Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Karen Short

Analyst, Barclays Capital, Inc.

Good morning, everyone. My name is Karen Short, and I'm the staples and hardline retail analyst at Barclays. We're very pleased to introduce Doug McMillon, President and CEO of Walmart, at our Eat, Sleep, Play Conference. Welcome. Before we begin, you can see Walmart's full Safe Harbor on their website. And before I actually get into the real introduction, I would like to say that the reason that I'm holding this coat up is because I bought it at Walmart, and my husband's sisters liked it so much that they immediately after Thanksgiving went on the website and bought three of the same coat. So, now we're basically quadruplets.

So, while Doug needs no introduction, I'm sure everyone in this room appreciates that Doug has worked at Walmart for almost 30 years, starting as a teenager unloading trucks for what I'm sure is a lot less than \$15 an hour. He served in senior leadership roles in all of Walmart's business segments, was President and CEO of Sam's Club from 2005 to 2009, President and CEO of Walmart International from 2009 to 2014. Doug became President and CEO of Walmart in 2014. To say the least, he's a culture carrier, and under his leadership, Walmart has meaningfully evolved in a very positive way from many perspectives, not just financials.

But before that, Doug was way ahead of his time. So, I would like to read a quote from a letter he wrote in 1994. Retailing always changes. That change is driven by the customer and fueled by ingenuity. Retailers come and go. The technology exists, information superhighway, virtual reality, 3D television, cable TV system. Our customer wants to be able to shop conveniently, save money and trust the company that gets their money, shopping primarily for convenience. This will be done electronically and interactively. Home delivery will have to play a part. It's easy. Electronic retailing can tailor an assortment to a particular individual. Information is key. This could potentially be our most important asset. This quote was from 1994. So, needless to say, it was unbelievably prophetic and well ahead of its time in predicting the future of retail.

QUESTION AND ANSWER SECTION

Karen Short

Analyst, Barclays Capital, Inc.

Q

So, with that, I actually would like to ask you, where would you say retail is today versus where you thought it would be and then what predictions that you have today if we're looking at the next 25 years?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Good luck with that, [ph] 20 to 25 years from now (00:02:31). Well, what happened there is that we had just started to think about what we could become on the internet, and the company had chosen a person to go lead it. And I was wanting to be part of it, and I sent that to the Chief Merchant at Walmart and said, can I go join that team. And he said, that's a really great note, go get back to work, like you have a responsibility right now and you need to learn the core business. And that was a great decision, and I did. But we, Walmart, missed an opportunity to become what we're now trying to become. And I own that and we own that, and now we're trying to catch up and become what ultimately we can become and serve customers in these incredible ways.

I think the next 25 years will have the same themes. The three themes that are there are value, ease of use and fun. And there is a bit of a Maslow's hierarchy of needs. There are a lot of people around the world including here in the US that have to save money. They're living on a budget. But if they can save money and have it be an easy, delightful experience, that's what they'll choose. And if you could do that and make it fun, because the items are fun or the experience is fun in some way, then you've got it all. And on our platform, I think we can deliver value for sure. But the world is about more than price now. And so, we've got to be able to do some of these other things. And so, for the next 25 years, we'll be working, I think, on basically those same three themes.

Karen Short

Analyst, Barclays Capital, Inc.

Q

That's helpful. And I mentioned culture at the beginning. A strong culture, I would say, is an attribute that frequently gets missed from a competitive perspective. As an outsider looking in, I would say you have dramatically changed the culture at Walmart. So, maybe just talk a little bit about that.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I do think it's really important. What we went through as a leadership team a few years ago was this recognition that a lot of change was needed, and we asked ourselves very literally how are we going to lead through that change and what do our people need to hear from us as we embark on this. And we decided to focus on what wasn't going to change first, and we have the benefit of being founded by an incredible individual and a group of people, starting with Sam Walton. And Sam had incredible characteristics that led Walmart to be what it is today, and those characteristics are timeless and we still want to embody many of those.

And what we decided to do was to say to our team, we have a purpose and the purpose is we save people money and help them live a better life. And it came out of Sam's mouth shortly before he passed away in 1992 when the President came down to present him with the Presidential Medal of Freedom. And we keep replaying that to say, this is the purpose, it's timeless, this is what we're trying to do. But it's broad enough to work on more than just price. This idea of helping people live a better life is a really broad canvas to paint on. And then, the other thing

that's going to be consistent was we have four timeless values as a company, and we restated those for everyone, anchored them and said, we want to have behaviors that align to those four values.

Now, now that you know what's going to be the same, our purpose and our values, everything else is open to change. If customers don't want stores, we won't have stores. Our job is to meet their wants and needs in whatever way that those should be met. Now, fast-forward to today, I think we're even more convinced now that there's a great role for stores to play and that the assets that we have are an advantage and can help us win with the customer in the future. But we're not married too much. And so, culturally, we have tried to create more of a tolerance for failure, more risk-taking, more speed, higher expectations. Sam Walton had incredibly high expectations. We can own that in today's world and embody that. And so, those are some of the characteristics that we're trying to dial up as it relates to cultural change.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Maybe since you brought up Sam, I think he had 10 rules for business basically, and rule number 10 was swim upstream. So, maybe talk a little bit about that one, because there's many examples...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Since at least you've become CEO of swimming upstream.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Love that list of principles and that one in particular, and Sam did it. He went into self-distribution of non-food early. He went into self-distribution of food, he and David Glass later on. They did profit sharing. They did satellite communication. They did Retail Link. They did all these things that were unique and people said, in some cases, were the wrong things to do. There was a time when David was leading the company that people were writing stories about Walmart being dead, they can't grow internationally, they've become dependent on low-margin food, Sam's passed away, Walmart's over. We love those kinds of stories. That's great billboard material.

And today, we – I think we can do an even better job of swimming upstream and being counterintuitive. But there's magic in being different, like being – strategy is about choice and it's about being different, making different choices. And it wasn't very long ago, people said the idea of Walmart delivering groceries all the way into the refrigerator is crazy and that's never going to happen and nobody is going to want it and they'll be afraid to use that service. And now, we're live in Kansas City, Pittsburgh and Vero Beach. And I was delivering orders with our associates in Kansas City the other day, and we haven't had any customers stop once they start.

Some of them have bought a refrigerator to put in the garage, so we're not in their house, but nobody stopped. Why? Because it's easy, like we just take care of it for you. We have a great assortment at a great price, and anything you don't enjoy about shopping – and probably our words will even change in the future and we may not even say shopping, because Walmart starts to look more like a service than a merchant. We'll still be merchants, but you just have to think about this offer, the customer value proposition in a different way. So, I think we'll have

problems with that. We'll have problems with the Walmart Health initiative in Georgia. We'll learn from some of those things, but swimming upstream is still part of who we are.

Karen Short

Analyst, Barclays Capital, Inc.

Q

That's helpful. I guess maybe just since you're talking about strategy, if you think about where Walmart is today strategically versus where you wanted to be, say, a couple of years ago, how would you characterize it and maybe where are you a little bit behind and where are you ahead?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. We've made progress, but I would have thought we would have been further along in eCommerce in particular. Adding these brands, building this assortment, getting all the details right related to it have just taken some time. Real improvement in terms of the assortment, of the offer, of delivery. Even as we speak this quarter, our ability to manage eCommerce delivery is much better than it was, but we're not satisfied with that progress and would like to see more.

Probably positively surprised about how grocery pickup has gone. Five years ago, we were doing a grocery delivery business in the UK. We took our board of directors actually to visit Asda, the very first board meeting that we had when I was in this job, and the point I've taken them to the UK was to show them grocery pickup and delivery. And in the UK, they went from stores to stores plus delivery, more than 15 years ago, maybe 20 years ago now, and they skipped pickup. And you've probably noticed when you've been in the UK, even the QSR offer doesn't include pickups sometimes, there's no drive-throughs. In America, [ph] we'd love (00:10:07) drive-through for everything, right. But that's not the case there.

So, we made a choice when we came back, we needed to learn how to do efficient pick in the store. We took Asda system as our first system back here in the US to start learning how. I think Denver and Northern California are the first few places that we went. But our choice was let's see how much demand there is for pickup before we think about delivery, because we like the economics of pickup better. We like store visits better than not, and America drives through, so let's give this a shot. And we thought it would be good, but it's been incredibly good and customers really love it, moms with car seats in particular. And now that we've learned how to pick more efficiently and we continue to – that unlocks the ability to do delivery, which leads to other things, including the InHome service.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Maybe – actually on that note then, can you talk kind of about the healthy tension between bricks-and-mortar and eCommerce, I guess, in the context of The Innovator's Dilemma that you've referenced, I think, in the past?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Years ago, the company sent a few of us to Harvard for a couple of weeks. The course I went through was Leading Change and Organizational Renewal, and Clay Christensen was one of our speakers. And I have read Innovator's Dilemma, and then he came in and had a session with us that really brought it to life, and I could see it playing out in Walmart. And I was responsible for books and movies and music and categories like that as a General Merchandise Manager in Walmart in 2000, 2001 and 2002, and could see this tension within the company and what people were thinking about the future of eCommerce and the internet and wanted to find a

way to grow this futuristic business and marry it with the core business that we were building at the same time. So, really got focused on those sets of lessons from Dr. Christensen.

So, now you fast-forward to today, we're further along and it's less of an issue [ph] within – inside the (00:12:04) company than it was a few years ago. But this human behavior does kick in to say, hey, I run a big business and it makes money and I've got investments that I can make that will make that even stronger. And you want to take some investments and you want to put them into a business that's nascent right now, that loses money and do that for how long and how much do you want to invest and lose to try and do that and how long will that take to pay back. And so, there's – I was a food buyer for our discount stores when we started Supercenters. We had the exact same tension. I bought Coca-Cola and snacks, and we had another Coca-Cola and snack buyer for our Supercenters that sat upstairs. We both negotiated with Coke and other people over pricing, and you could feel this tension between the new start-up that was a Supercenter and the established profitable business. It's human behavior.

So, it results in great conflict and discussion, strategic choice, and I've really enjoyed working with this team to try and set those priorities to get this right. Think about how fast do you want to go, what do you want the shape of operating income to look like while you grow with this idea that you could have Walmart transform to get to the next generation of retail, which is not easy to do. And there are many stories of retailers that didn't make the jump to the future and went away as a result, and I don't want to have anything to do with that and neither does the rest of the company. So, we'll feel this tension for a long time and somehow this omnichannel thing within the company will come together. We brought the supply chain team together. We brought the customer team together. We brought the finance team together. We'll eventually bring other pieces together, and then we'll be sitting here in the future talking about some other tension point, where we're starting something new that has a conflict with the old, and we'll have the same human behavior that we see today.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Maybe just – and with respect to Walmart U.S., obviously with the leadership changes, John has big shoes to fill, and Greg has been a big part of the transformation.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

You bet.

Karen Short

Analyst, Barclays Capital, Inc.

Q

So, maybe talk a little bit about that.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Sure. Greg's extraordinary, and it has been an honor and a blessing to work with him for so many years now, and thankful that he came and joined the company. He went to China and he put China on a stronger foundation for us. And then, he came and did the same thing in the United States. And we've always known that he would end up going home someday, and I'm excited about what he's going to go and do, and we'll be eternally grateful. John is a lifer and he's done so many different things within the company. He's over 30 – over 25, almost 30 years with the company, worked in merchandising, worked in operations, worked in sourcing, worked in Walmart U.S., moved to China [ph] doing (00:14:50) merchandising and marketing, a lot of years at Sam's Club.

So, he's really well positioned to know the detail of the business, our business model, a lot of relationships with associates around the world, and he is incredibly open to the future and thinks digitally, is embracing new ways of working and thinking, and we're really excited about his leadership and grateful to Greg. And then, we backfilled John and Sam's Club with Kath McLay, and Kath's going to be extraordinary. She came from Woolworths in Australia, the same place that Greg came from coincidentally. So, now I've got an Australian, an Indian, a Brit. The leadership team is a diverse leadership team with global expertise, and we're excited about that.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Yeah. Actually, I guess I hadn't appreciated the global diversity as much, but that obviously gives you an advantage. Maybe switching back to eCommerce for a second, can you maybe rank order what the challenges have been in terms of making eCommerce less unprofitable, I guess?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I think the first thing is the assortment.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Right.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

We've got to build the right choices for our customers across categories, apparel, home, hardlines in particular, get the right brands online. Second thing that comes to mind is you've got to deliver on time, and we've now got fulfillment center capability that's enabled us to make improvements there. We've been able to add next-day as a capability for some items. So, I think those pieces are coming together. We still have work to do on the app and the site in terms of the user experience, still design improvements to be made there. And then also in our future, we've got two apps that we're really driving, our Grocery app and the Walmart.com app. We've got to resolve that in some way to tie the whole thing together. So, lots more to do to make the whole omnichannel thing come to life, but we're closing in on it.

Karen Short

Analyst, Barclays Capital, Inc.

Q

So, why – on the general merchandise side, why do you think that that has been more challenging than you anticipated?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I personally underestimated how many items and brands we're talking about. I was a store merchant for many years with people showing up, wanting to sell into Walmart all the time. So, the thought to me that you could say yes to all of them and just give them fulfillment center space is like it sounds really easy. I could just take it all, like put it all in the eCommerce fulfillment center and we'll sell it all. It's not as simple. There is some curation that needs to take place. In some cases, we didn't staff with people and human beings enough to be able to really get it done. There's work to set-up the items, get them on – get them online, get them in-stock, and the whole thing is

just – take the last two years, we've added 7,500 brands. We've added a ton of SKUs. We built a marketplace business that's growing. Those things just take time. Not everything that's digital is easy and it's not all digital. It requires people and it requires capital. And so, it just takes a while to build it. So, we're not pleased. We'd like to go faster and we're constantly looking for ways to do that.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Yeah. Maybe just switching to International for a second, back in 2017, you showed us a slide that looked at the three buckets of assets, and there was the diversified portfolio asset. I think some investors at the time might have thought that that might have been an indication that there might have been a little more consolidation of the portfolio. Can you maybe talk a little bit about those markets specifically, the diversified portfolio?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. I think what we've learned is in a post eCommerce omnichannel age, we don't have the people, the time, and in some cases, just the capital to transform every one of these businesses. [ph] And if we can't (00:18:31) transform it fast enough, we need to let somebody else do it. And so, there is a prioritization of markets and we've been really clear about the priority markets that we want to be in for the future. And then, we listed the rest of those markets in that meeting and went to work on the portfolio. And you know that we tried to merge our business with Sainsbury's in the UK, and unfortunately, the Competition Commission didn't approve that.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Yeah.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

We think they should have.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Right.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Would have been good for consumers in the market, but they didn't. So, you can see that – whether it's the deal we did in Brazil where we sold down to the minority or the action there in the UK that we are interested in having this portfolio include fewer countries. But the assets that we have are valuable and we're not just going to give them away. So, we've got to find strategic solutions to these things that are fair, given the values of these businesses. But we'll keep looking for opportunities to set them up for success.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Got it. And then, I guess just in light of The Wall Street Journal article today regarding India, nothing really new from my perspective. But maybe a little – some color on how you think the Flipkart acquisition is going relative to plan? I know what you've said guidance-wise, but in light of that article.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Quite a few years on the ground in India now. We've had a cash-and-carry business there. We had a JV in retail in the past. We have a sourcing relationship there. So, we've gotten to know the country over many years and understand what happens with regulation and politics and the various stakeholders that government is striving to serve, including the [ph] khuras (00:20:02) and farmers. And we keep telling everybody we want to make the country better, we want to invest. We want to help build out the supply chain. We want to help remove – reduce food waste. We want to pay farmers more. We believe these platforms that Flipkart and PhonePe represent can be really good for [ph] khuras (00:20:19) and support B2B, not B2C.

So, glad we made the investment, excited about it, see a ton of opportunity there across all those areas that I just mentioned, and we expect there will be change and volatility. And regulatory changes will be part of that. We're trying to make sure that we communicate with everybody what our intentions are, so that we're welcomed and can become an even more important part of Indian society. And we communicate with government leadership and others frequently to try and make sure we're communicating clearly. Over time, we expect volatility. There's volatility in every country, and India will be no exception. And in the end, we have a great opportunity with Flipkart and the way that that ecosystem is being built out and a really nice asset with PhonePe.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Maybe can you actually elaborate a little bit on the PhonePe ecosystem, because there's a lot of different components to it that are fairly complex? So, maybe...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Super interesting.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Yeah.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

There are different types of payment platforms in the country, and we use UPI underpinning, which enables the banks to participate in payment and makes the platform a place where others can win, it's not just one player, but everybody that participates in the ecosystem. We think that's favorably advantaged. And the use cases are moving from being just payment-based to other use cases, which creates more of a super app offer in the market comparable to some of the things that have happened in China.

Karen Short

Analyst, Barclays Capital, Inc.

Q

So, how does PhonePe's capabilities compare to some of the competitors [ph] with some type of pay offerings (00:21:50) specifically in India?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Well, there are different types of platforms, and the UPI platform, as I mentioned earlier, is more of the open form and that's why we like it. And then, other types of payments have chosen different use cases to focus on, and so that's another place where the differentiation comes up. And then, the third place is the relationship that exists between PhonePe and Flipkart. We're now starting to extend that more to [ph] khuranas (00:22:15) to help their customer experience improve and link the whole thing together. So, that's work that's underway.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Okay. So, Walmart Health was unveiled in September. A second location, I think you said January. Maybe can you talk a little bit about what your vision is for Walmart Health broadly and some kind of color on how it's going so far with the first opening?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. It feels like we have an opportunity to help – to help the country and to build a stronger business, and really encouraged by this first opening. I was a little concerned with the complexity of healthcare and opening our first unit, and we knew it would be so public and hard to imagine getting all of that right. But [ph] I think the (00:22:57) team has just done a terrific job. I know you've been there. Some of the others in the room have been there. But the experience for patients, for customers when they come in is really great. They can get a suite of services. We do x-ray work. We do blood work, vision, hearing, dentistry, which is hysterical to me because my dad was a dentist and I just can't imagine being a dentist working at Walmart, but people are enjoying it.

And the medical doctor that works there, [ph] Dr. Mehta (00:23:24), is enjoying his incentive structure and the way that he can work with other healthcare professionals to really take care of a patient when they come through the front door. We offer mental health counseling at an affordable way. So, that suite of preventative care, really it's not focused on treating chronic conditions or urgent care. It's more about access to quality, affordable preventative care at a great value. And combined with our pharmacy business and our optical business, we got a foundation to put together and it helps customers save time, have access. It helps us drive store traffic. There is a lot of work to be done to build the systems and put the data in place in a way that helps us connect, like what dietary choices a person's making with healthcare and letting customers be in the driver's seat as to how that data gets used. A lot of work in front of us to be able to do that, and it's very early days, but it is encouraging.

Karen Short

Analyst, Barclays Capital, Inc.

Q

And I think there is a view that there is no way that this could be run [ph] profitably (00:24:31), given what some of the price points are. But I think that's not the case from my understanding. So, maybe talk a little bit about what would draw a dentist or a doctor to Walmart from an ecosystem perspective?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. The healthcare professionals that are there love the incentive structures, like they're not being rewarded to send people to a specialty that might not need it. They're being rewarded for caring for those patients. And so, we've got in the model a really nice compensation plan for those who are involved and we think an appropriately aggressive depreciation schedule on the equipment, which is the other thing that's [ph] on my mind. What we've got is you (00:25:07) got people, you've got expensive equipment, and you've got square footage. And we obviously know how to manage square footage. What's new for us is managing all the pieces of equipment that

support a dentist, for example. So we need to test this. We need to learn is our model correct, does the return in that being what we've modeled it to be? But so far so good.

Karen Short

Analyst, Barclays Capital, Inc.

Q

And how are you going about picking the locations? I mean, I think you've described [ph] this as health desert (00:25:36) basically, but – so the next one is in Georgia. Maybe talk a little bit about the locations there.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. We'll open just a few more this next year, and we're trying to get an assortment of experiences, the uniqueness by county or by location related to population, general practitioner ratio, how insurance coverage works in that area, all those things are being factored in.

So it won't be the same approach we had with Supercenters where you just build out concentric circles around a distribution center. It'll be more targeted than that. In early days, we want to get enough variety in our experiences to be able to learn where it works, where it doesn't. And we don't think that we'll have clinics as large as the one that we have in Dallas, Georgia [ph] in (00:26:25) every location. We may learn how to do different sizes and we need to put it in certain locations and not every location.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Okay. And then, when you think about the productivity loop, how would you describe where Walmart is today with the productivity loop versus what you would have expected when you started, and how should we think about productivity loop opportunities going forward?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. So the simplistic Walmart productivity loop, where we lowered prices and grew sales [ph] and leveraged (00:26:54) costs and reinvested in price, that still holds. And as you know, we've made price investments in the last few years to improve the value offering to the customer.

In parallel, we've been working through how automation can change the entire supply chain in the distribution centers, in our stores and we've been putting different tools in place. So our associates today have a contemporary handheld with a set of applications on it. That's more user-friendly, saves them steps. We pay a lot of money [ph] when (00:27:27) people walking back and forth across Supercenters and we want to reduce their steps as much as possible and put all the data at their fingertips and we made progress on that.

We've also put automation in place in a pilot test phase in some distribution centers. And then, in stores, I think, Karen, you've seen the automated floor cleaner with a camera on it [ph] and the shelf scanner, and (00:27:45) what we're trying to do at the checkouts [ph] fast and load her in the bag (00:27:48).

Basically the Internet of Things is coming to life inside of retail and there will be a combination of people and hardware and software that will make that happen. And we're putting pieces of this system together now and learning what works and what doesn't work. And basically what happens with our associates is, they had a list of tasks that fit into their job, their job code, if you want to think of it that way. And those tasks in some ways are now being done by automation.

The tasks that are remaining are being re-bundled into new jobs. And we've opened around 200 academies around the country where we're training hundreds of thousands of associates for their new role and helping them learn soft skills, how to be a good coach, how to demonstrate empathy with a customer, but also the hard skills to position them to do that new job code that we've created.

So we've hired over 40,000 personal shoppers already that pick grocery orders in-store for pickup and delivery. And over time, I think you'll see the front-end ends up with fewer cashiers, but still some cashiers and some of those folks are picking grocery orders and maybe doing deliveries in the future. So there will be changes like those and others that happen to [ph] do (00:29:01) the work that actually happens inside the stores.

Karen Short

Analyst, Barclays Capital, Inc.

Q

So actually on that note, how do you see the role of a Walmart associate evolving going forward? I mean, in the context of – you've reduced the number of employees [ph] per (00:29:12) store fairly dramatically over the last several years. How do you think about what it will look like in the next couple?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

In the end, there's at least kind of three core functions. One is customer facing. We use the word host to describe some of these jobs. You're a customer host. You may be a customer host to the front-end. Someday you may be a customer host as you're delivering into the home, but you're forward-facing and related to people, customers.

Another one is the merchant job, and they're helping us decide how to manage that inventory, drive in-stock, what to feature, how to grow sales in addition to the support that they get with artificial intelligence and other things to know what to feature, where to put products in the store. So there's a merchant job.

And then there's another job that's related to fulfillment where you're basically turning the store into a distribution center. And so, there's kind of those three categories that will emerge over time as being themes.

Karen Short

Analyst, Barclays Capital, Inc.

Q

And actually on the fulfillment angle, so grocery pickup, I think we could all argue, has been much more successful than I think you would even have expected. Can you talk a little bit about if there's any pattern on the demographic of the pickup customer versus the delivery customer and versus InHome? I know InHome is still early days.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. It is. I think it's unclear to me how the demographic will end up playing out because I think many families are going to use multiple services. I think the way I'm living, and you guys – I bet a bunch of you're living the same way. I shop seamlessly. [ph] I find (00:30:39) myself inside a Sam's Club, inside a Walmart, I use pickup. We use delivery, order online, have it shipped to my house, and I do that now at this point without even really thinking about it. That's what seamless omnichannel looks like.

So I think there will be a lot of American families that just use Walmart and they won't really think of the channel. They'll just think of what they need at that particular moment. It definitely happens in our house. In the end, I think

delivery will end up being bigger than pickup, but pickup will be really big and important and probably continue to grow for a long time.

And then in-store, we've seen in-store traffic continue to grow and be strong. And if we continue improving the store experience and doing things like Walmart Health, improving the fresh experience, creating additional services in the store, I think we can drive store traffic into the future at the same time that we're building these other capabilities, and that's the power of omnichannel, I suppose.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Actually, with respect to the stores, I know – well, maybe you wouldn't say this, but I would say from my observation, fresh was probably slower to get fixed than you would have liked. And when you – you kind of reached the tipping point. You could see it in the stores where suddenly fresh was working much better, and that was when you started to get these mid-single-digit comps. And I think you've just recently started testing Produce 2.0. So maybe talk a little bit about that and where you see the quality of your fresh versus, say, your conventional competitors today versus several years ago.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. I think it's true in Sam's too, but in Walmart U.S. in particular, I'd give the team a lot of credit for doing what's necessary to get us to this place. If they were here, they'd say, oh, we still have a lot of upside, and I agree with that too. But the team has gotten into the detail as it relates to sourcing, how we handle product all the way [ph] through to (00:32:29) supply chain.

And then at that last step or steps in the process, I think we were shorter on the number of hours we should have put into fresh to begin with. And I think Greg and the team have resolved that. So you're starting to see in-store execution and presentation improve. And Produce 2.0 is a different set of fixtures, a different presentation. And when you walk in the store, you can see the difference. It looks like a fresh market. There's a lot of color. It's in your face. It feels aggressive from a merchandising point of view.

And I walked into my first one in the El Paso market months ago, and didn't realize I was walking into a Produce 2.0 store. But when I walked [ph] through (00:33:12) the door, it hit me that this – what has happened here in [ph] produce, and then I was able (00:33:15) to process and figure out, oh, they've put Produce 2.0 here. It's got that kind of impact.

We also have work to do, and the teams on it as it relates to our beef program and the quality of our steaks and the consistency of that quality. And so, there's a lot of runway in front of us to keep making fresh areas better. And it is – I mean, it's harder than putting a [indiscernible] (00:33:35) on the shelf. So it takes experience and expertise [ph] in (00:33:38) a system that you have to put together.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Where would you say you are on the quality of [ph] fresh (00:33:43) versus some of your larger conventional [indiscernible] (00:33:47)?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

We match up. I mean, I don't want to have our team get comfortable, but there are multiple audiences that I'm talking to [ph] I'm here (00:33:53) I'm sure, but we still – we just have a lot of upside, but we have a really competitive quality offer and a great value in produce today. I'm excited about that.

Karen Short

Analyst, Barclays Capital, Inc.

Q

I may turn it to the audience to see if there are any questions to start with. I had a feeling there would be some.

Q

Can you touch on just your thoughts of organic, vegan, all these different diets that are going forward and how Walmart can serve that customer? It seems just in my markets that that's not where you go if you're on those types of diet.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. I think we have a lot of opportunity there. We made some progress. In some cases, we had the items and they got lost in the assortment. In some cases, we pulled items together and put a sign on it to help people find it. So it's grown. We have a really great offer in the areas you mentioned, plus things like gluten-free today.

I think we have an opportunity with the app and product location to do an even better job of communicating to customers to help them navigate the assortment to find all the items they're looking for because they do still tend to get lost. But if you look at the underlying numbers, you can see that we're taking advantage of those growth opportunities as trends.

Karen Short

Analyst, Barclays Capital, Inc.

Q

[indiscernible] (00:35:09)

Q

Doug, can I ask a question on – I'm intrigued by the comment you made today and I think on the earnings call that getting general merchandise right digitally requires a longer tailed assortment than you might have assumed a couple of years ago. How do you marry that comment – or how do we marry that comment with what appears to be a relatively limited next day assortment? And even as you grow that business, it sounds like [ph] it'll (00:35:32) continue to be relatively limited assortment. Is there like an obvious tension in those two views or is there a nuance that we're kind of missing in between?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I don't think of it as tension. I just think of it as time. And I think what you should expect from us is just incremental improvement all the time on SKU count, on the number of items available next day. The mirroring that's happening in the fulfillment centers is underway. So we won't wake up one day and we've gone from X number of items to 2x. It'll just be a little bit of progress all the time.

The same day Supercenter opportunity for us is a place where we can lean in. And the pickup plus delivery, we have this membership offer now to get more frequent deliveries. That's going to be important to us. And we're learning how to pick more items within the Supercenter across general merchandise. So it's not just a food and consumable offer, but it's the same day Supercenter offer, so that you can get almost all the items from the Supercenter very quickly.

So that will help us reach immediate demand with a great assortment of items, while at the same time we're building out more next day items and a broader eCommerce assortment, which will be a combination of 1P and 3P. Our marketplace opportunity is still there. It's grown and we're not particularly great at taking care of sellers today.

We've got tools. They need to be improved and more tools that need to be added and more services that need to be added. So I think that's another opportunity for us to serve the customer. We have a habit score that we measure from customers, asking them if we have what they're looking for, and our habit score has continued to improve incrementally and I think that trend will continue, which will help us with [ph] the mix too (00:37:10).

Karen Short

Analyst, Barclays Capital, Inc.

Q

Any other questions in the room? Maybe thinking about – I don't know [ph] so what's on (00:37:19). Maybe thinking about the fourth wall at the Supercenter, I know at a prior conference that was an area of discussion as an opportunity to really serve all the needs of your shoppers. If you think five years from now, how do you think that fourth wall will look?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. It's going to be really fun to watch and probably won't be limited to fourth wall.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Right.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Somehow we'll figure out how to expand even beyond that. A few months ago, the CEO of a supplier company called [ph] me in (00:37:45) and said, Doug, I've got a great idea for your vestibule space upfront on the fourth wall and here's the size of the prize, and I can help you deliver it. I just need you to get your team to say yes to this. It made a lot of sense. I got excited. I ran over to the US team and said, hey, this person called and they've got this idea. They looked at me and said, yeah, yeah, that's about the 15th best idea we've got.

Look at the things that we can do that are now in front of us to create more services. We've got veterinary services, non-surgical vet services and dozens of stores now. And including in Dallas, Georgia, you may have seen it where we've got Walmart Health. We can not only help you as a human being, but we can also help you with your pet, because it relates to health. So there are many opportunities for us in the financial services, beauty, a long list of things that we can do.

The time where people might have been worried that our boxes were too big has long passed. I mean, the Supercenter footprint and positioning gives us a great opportunity to expand services and help the economics of the model.

Karen Short

Analyst, Barclays Capital, Inc.

Q

And maybe for a last question. You know you have a long to-do list, obviously for Walmart, but when you do eventually decide to step down, are you able to kind of picture what your legacy will be?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Are you in a hurry for that to happen?

Karen Short

Analyst, Barclays Capital, Inc.

Q

No, no. No.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I was just thinking about that very much. Do you know something that I don't know?

Karen Short

Analyst, Barclays Capital, Inc.

Q

Now you're going to make me blush.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Me too. I think it's important for us all to have an end in mind in whatever it is that we're doing, parenting or business or whatever it is. What is that you want when this thing is all said and done to have happened or people to say. And the two things that have kind of come to mind repetitively are, first of all, positioning, are we in the right businesses. And that relates to countries, product categories, services. You can catch waves and I want us to be positioned to be able to catch waves and not be in some things that don't have momentum.

And then the second thing, which is more important, and I think is related to your question about culture, it's about adaptability, openness to change. You can be in front of a group of Walmart associates around the world and you could say to them other than our purpose and values, the only thing that's constant at Walmart is, and they will be back to you, change. And once they say that, you can then say, okay, let's talk about what's going to go change next.

When you have that kind of culture where people will lean into, and I hear it all the time from our store associates, they'll say things like you know you changed this process from this to this, and in the beginning I didn't like it. It's hard to change as human beings. But in the end, it was really good, but please fix this one aspect. And they [ph] don't go (00:40:42) with you.

And Sam created that and our other leaders over the years have helped foster it. And so, I'd like to help strengthen that to the point where I know when I walk out of Sam's office the last day that that team is positioned to win after I'm gone. And that's cultural, that's way of working. It's that kind of stuff.

Karen Short

Analyst, Barclays Capital, Inc.

I think that's a very good note to end on. Thank you very much.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Thanks for having me.

Karen Short

Analyst, Barclays Capital, Inc.

Yeah.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Thank you, all.

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