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Walmart, Inc. (WMT)

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CORPORATE PARTICIPANTS

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Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

MANAGEMENT DISCUSSION SECTION

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

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

Of course, as usual, we do want to make the disclosure that there are going to be forward-looking statements contained in this presentation that many times there will be phrases that we refer to events for which we are making guesses. One of the components that I think we're going to do is, I'll flash the screen up in just a second. But be sure to realize that as you're in the pigeonhole questions, please don't try to reach for those extra components [ph] that you know what the business disclose (01:05). This is a strategic decisions conference and so we're interested in those a larger strategy issues and not focus so much on the ticky-tacky of the dynamics of earnings and details.
QUESTION AND ANSWER SECTION

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

And so, with that, I'd like to move on to a couple of opening questions for Brett. The first thing we wanted to start with was something kind of simple, but I think very profound. We've certainly seen this incredible growth in the grocery business. It's been a necessity for the marketplace, it's been a necessity for people just to keep themselves running. But I always think that Furner and Doug were general merchandise folks by training and their background and every time, I would hear Doug speak and Furner [indiscernible] (01:48) general merchandise shop as well. What opportunity you guys see in that space? We often hear about the mixed conversations. So, I'd love to just hear how you guys think about the general merchandise opportunity?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah, you bet. Thanks, Brandon. Thanks for having us. Appreciate it. So this is round two for us at your conference, so little different than last year to say the least.

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

Yeah.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah, as you mentioned you know, Doug and John both kind of came up through that part of the business and it's still a big part of our business. When you look at food and consumables in the US, over 55% or so would be food and consumables. But there's a big general merchandise business and it's certainly that way in the e-commerce side. So, it's a big part of our mix and you saw some of that in the first quarter as we went through the quarter in the early part of – mid part of March, late part of March, we became pretty much in grocery and consumables [company and then, as the stimulus checks came in mid-April reverted back to more of a normal mix although even more to the general merchandise side.

So, as we go forward and you see the work that we've done on attracting more brands to the sites, what we're doing in marketplace, the things that we're trying to do (03:04) with brands and stores private label, which has become a bigger part of our business. We're very much focused on that general merchandise business. One, it's you need that from a service standpoint for the customer, be relevant on everything else that you want to sell. But then as you mentioned mix is a big part of the financials that we put out and results that we need to have and having that GM and that is important.

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

Yeah. And one follow-up on that, as we talk about e-commerce, one of the stories had been, because click-and-collect had gone so well on grocery that we saw more general merchandise quote items enter that basket. I know people still say the apps not entirely merged, okay, fine. But we certainly see some of that product shifting over, has that adoption rate in terms of baskets beginning to look maybe a little bit more like an old school Supercenter basket start to show up a little bit?
Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. Part of that has been us being able to get the assortment – let's talking about online grocery or what we call started out being (04:03) called online grocery is really is a lot more than grocery...

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

Right.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

...where we had a fairly limited mix of general merchandise now you now. It's not exactly the entire Supercenter, but it's much closer to that than it (04:18) was in over, let's say, next year or two, I think almost everything in the Supercenter you will be able to put in that online, what we call, online grocery basket.

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

Right.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

So, that's important, but as we get people coming into the store, doing pick up, there's a big, a big part of general merchandise that's a part of that. The merging of the apps, as you mentioned, the blue and the orange app is really important to the experience for the customer and I've used it recently and I do see the difference that it can make in getting general merchandise, make it easier to get general merchandise into the basket.

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

Yeah. That seems right. As some of the stores and logistics hubs(04:58) getting closer to their operational speed limits, was there – is there a sense that [ph] I am transferring this right way (05:07) what are some of the learnings you have or that – or at least early senses of where those choke points might be, right? Because certainly the stores are clearly being both logistics hubs and service, because they were – one of the essential service is still open. And we know that Tesco years ago had kind of pulled a lot of that pick entirely out of stores, because they are physically more constrained and they just didn't have that room to do that. Did you guys hit that point where you're like, there is just too many people in the store at this point not just because of COVID, but because of the physical difficulties of logistics of a pick process and customer shopping (05:42).

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. We tested a lot of things over the last several weeks that we weren't anticipating testing necessarily certainly about how to get people through an online channel and to get them to the stores as well. We were even before COVID go back to last year, as we had online grocery stores that we're starting to hit their fourth year, we were starting to learn where those choke points might be. And so, as a customer if you think about the customer that's in the store, you got to make sure you're not causing them a problem, as you have pickers in the stores that people that are coming in the stores can actually get around what they want to. So we had a lot of technology [ph]
Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Yeah. That's powerful. You know, one of the things that we had some investor interest on this on omni-channel. I didn't see it as much as changes as I think maybe some of the investors did which is with Jet.com kind of turned off as a brand, not turned off as an operation or as a team, et cetera or as a capability, but as a brand, does that really just mean that Walmart can be an urban hipster brand and the rich elites are okay shopping at Walmart and we don't worry about that whole notion of, you know can Walmart hit the promise of being good enough for everybody, but not too good [indiscernible] (08:11)?

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

Yeah. And the brand – there maybe still some things that we do with the brand, you know it's amazing how sticky the Walmart brand is and we found that by acquiring Jet, it's almost four years ago and as we started utilizing Jet for different things we kept finding the Walmart brand was really, really strong with consumers. And when you look at our customer base versus and lay it against the demographics to the US, it's actually strikingly similar.

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Yeah.

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

So we do appeal to every demographic and particularly now when you look at – the price has always been important. We've been a winner on that for years. We've always been big in assortment. We're getting better in assortment. Convenience is the one area, you go back five years ago that people could have argued maybe that Walmart's not convenient enough. I think that's not true anymore with online, with stores, with everything that we can do for customers, pick up delivery, we are convenient. So when you put all those things together whether you're lower income, middle income, higher income, I think we've got what you want, even items now that three years ago as a customer and as an executive, I would have thought, I don't know if we'll have that online. We do have it online. And so, if I can do that and get the right price, why would you not go to walmart.com.

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Driving that become (06:30) more efficient at picking different time slots. We're having people come in so that again gives us more and in fact more picking capacity.

So, there are a lot of things that we're already working on that the experience with COVID will get additional learnings, accelerated learnings coming out of that. And even as you know we turned out we had had shift from store, so we had about 100 stores give or take where we could ship items from stores to customers' homes. We hadn't used it a lot, but we accelerated over 1,000 in a matter of weeks and we'll have over 2,000 that are capable of doing that. So it's just having the flexibility to kind of do what we need to do, when we need to do it and having the capital to do it, financial strength obviously we have to go do that. But then, also, you know Brandon you know this company well. I've been here 20 years. The ability of this company to move with speed is remarkable. I quit saying amazed, I am not amazed by it anymore, but it's remarkable to have a $500 billion company that can move as quickly as we can and when we need to.
Yeah. Yeah. I mean, we've always been believers that the ability to be a price and convenience location for some and a price and assortment location for others is one of the unique attributes that Walmart can provide and that's true. When I say unique, I mean, genuinely we think a handful of companies around the globe kind of inspired to that model. And then, yeah I have been impressed at some of the service components that normally might be a little bit of a reach.

People are signing up for it, and I mean, we talked before about how some of the service in the stores periods just gotten much better electronics especially compared to the old days where it was like even within many incentives as a Walmart associate had to go to electronics they will find themselves going to a competitor because the service just was there and now that's not, quite an improvement.

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

**Brandon Fletcher**
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah.

**Brett M. Biggs**
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

As you look internationally, as you mentioned, we're seeing some of the same challenges we have in the US, which is channel shift, mix shift, demand cycles, very quick demand cycles. Canada will look a lot more like the US, typically, Mexico, amazing business at Walmart's, just continues to do incredibly well. But like you said, every country has got a different pattern of stimulus, some much more, you'll see more stimulus in Canada, than you will right now in South Africa, for instance. And so we'll have to work our way through that and are working our way through that. But we'll have to continue, that it's going to continue probably for the rest of the year, trying to work our way through some of those things.

**Brandon Fletcher**
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah. I think the one that we got questions on we're kind of are called (12:02) Flipkart. So thus far, again, it doesn't look like India's had as bad a disaster some people have thought. But at the same time, the construct of this dynamic is just as important in India as it is everywhere else. And so kind of had the sense that maybe there's even a tailwind couple of part away it is for others. Do you have kind of sense of where you guys are on that, I mean, it's early there?
Yeah, it's early and Flipkart for us obviously, is a really long-term investment. Go back to the middle — end of March through really most of April, Flipkart was effectively kind of shutdown...

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

Yeah.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

...because of government regulations, the country was really on lockdown for about three weeks and then there was just some slow reopening different parts of the yellow, red, yellow – red, orange and green zones and all that in India. We're starting to get back to a little bit more normal operations there. And just like with every other country, I think India will go through a different cycle. They were pretty early to shut the country down. So we'll see how that plays out. But that's a great business for us, and I think we'll continue to be for a long time.

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

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

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah, PhonePe. Yeah, it's great.

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

There's just so much I mean, we've had entire conversations on just the payment business now, because they're just such [indiscernible] (13:35). The other thing is China at some point a similar, I'll call it differentiated that in the way that we've seen kind of a big amount of capital go to Flipkart. I mean, obviously, nobody forgets that it's on the board. But should we even — we're thinking about, okay, listen, Walmart's going to have [indiscernible] (13:55) more capital to China, I don't know when, but it's going to [ph] happen come someday somewhere (13:58).

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

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

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

Yeah.

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

... [indiscernible] (14:55).

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

When I was thinking about that as you guys go internationally, one of the things that we found is how big city matters, so much differently in terms of how you serve that than anything else. And the US frankly, doesn't have that many bad cities, not really, not certainly by growth dimension, but most of the rest of the population, most of the rest of the world is densifying and at crazy levels [ph] relative, because experience (16:06). Does that lead to that notion that on top of the idea that there's a price assortment and service offering that can hit the right component, if you can take just enough convenience? Is there a sense that there is kind of an urban way of doing things and the suburban way of doing things and that maybe the global battle is more about better [indiscernible] (16:27)?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

Yes.
Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

...do this – or do we stay a little more suburban, rural than we were heading coming into COVID. But I think no matter how that trends, again, with what we've done in the e-commerce and the size of the e-commerce business we have and the stores, but the ability to pull that together in an omni-channel solution is something really globally no one's done. And we said...

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Brandon, if we go back four or five years ago, we were saying we think omni, this is the way to go. And no one's really done this, so there's not a playbook, we're writing the playbook as we go.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Right.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Those investments have paid off a ton in the last 10 weeks. And trends are going to accelerate. Trends that were already happening coming into this COVID time period are going to accelerate and investments we've made in last four or five years are, I feel the right investments.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

So I like our strategy going forward.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah. I think that's pretty clear. When we think about that kind of longer run strategy, if we think about threats maybe to that what seems to be a pretty good path to success over the next five years, that's an open space. Let me just suggest one for us which is do we think that the EDLC, EDLP loop is still working, because e-commerce seems to take so much capital, right? And I know some of this just observability, right? You're pushing the capital, you've got to wait for the utilization curve in order for that EDLC, EDLP thing to work. But with stores, the unit economics were just so incredible, that you'd be like, oh, great. These are awesome. (indiscernible) (19:10) store in McAlester, Oklahoma, nobody is ever going to do that again. And so with [ph] DC you're going to be like (19:15), man, there's a lot of money in the ground. And so that's -- my worry is does that loop still work, but there may be another threat that I'm not seeing, but you guys worried about a little bit more?
Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

No. I think you described that pretty well. Capital is really different, if you go back to 2013, 2014, 2015, more than half of our capital was new stores. This year, it'll be less than 20% and most of that's in Mexico and China. So it's the use of capital has changed a lot. It's getting your associates more efficient and the tools that we're giving them, making it easier for customers in the stores, making them more enjoyable in the stores, that's now where the capital is going. And I think that will continue, technology of course that will continue for a while.

But I think for me the biggest risk for us and I usually answer this question this way is just speed. How quickly can we get -- there's no end necessarily to this strategy, to this omni strategy, but how quickly do we get to where not some of the time or most of the time, but all of the time that we are top of mind with customers across the United States, and across the markets that we're in. We're really, really high on that list. With [ph] a lot of (20:37) customers, we are number one. We want to be number one with all consumers.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Right.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

And I think speed and moving rapidly toward that whether it's getting the brands that we want in stores and online, we made great progress through that. Getting the capacity on our fulfillment centers and distribution centers that we want, again, we've made great progress toward that. And balancing all that out with the returns and the financial results that shareholders expect. And I think we've done a pretty good job at that, that's what we're trying to do. But I think if you asked Doug the same question, he would probably give you the same answer, it's just, we just have to keep moving really quickly to solve problems.

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

Yeah I think I think that makes a lot of sense. And I will say, from a perspective of that, it's been amazing how much evolution has happened. But if I go back to my own experience in that getting everybody to get onboard with the omni-channel process, it was a while, right? It was a while, because if I go back 2005, 2006 their strategy components were working on that, we're anticipating this universe. Probably too early, of course, to anticipate universe, but it did take a while where they're going. Now, as you guys, Doug did and as you guys accomplished, it's been incredible speed in the last couple of years, right? And that's I think made up a lot of the gap. I think that's probably the right identification of the issue.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. It's interesting, we were I mean, to your point, we were slower than we should have been on e-commerce and on realizing that, there were a year, I remember talking to investors, if you go back five years, six years, seven years ago. And when I would say the supercenters are going to be an asset. We've got strange looks and supercenters are a big asset for us. And it will – the supercenter will change, it'll evolve. But having that space that close to customers it's just going to be a big part of what we do. I've gone back and asked executives from the past about the time when we went into groceries,
Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Right.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

And a lot of the things that you hear are the same things that we went through in the last several years around stores and e-commerce that, back then, groceries they weren't fighting general merchandise, it was complementary. And our e-commerce and stores were complementary as well. We have to remember that.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Right. Yeah, I know Division 1 and Division 27 you used to field (23:07) quite a heck of a football team, and the same thing happened [indiscernible] (23:11) I remember how many times my favorite way to figure out where that the wind was blowing was whether or not the pickup for online was in the front of the store or back of the store, right? Am I going to force you to walk through the store, because the store is the business. And I want to make it work [indiscernible] (23:24). And again, [indiscernible] (23:30). The other one that I think has caused people to doubt a little bit maybe it's something EDLC, EDLP move, but just headwinds, it's just wage increases. So hats off to you guys for making the right moves to help everyone doing this incredible work with extra risk, i.e., get a little bit more. One of the things though that I think people are thinking about is arguably and this is a little bit more my personal view. I think you could say that the value for [ph] work society has given to (23:58), but if we realize are central worker society function has been a little bit arbitrarily low for maybe too long. I'm not smart enough to know the way that you do that without disrupting the function of the capital system, but we understand there might be some version of a living wage question. How do you guys think about that even thought I think you guys led that charge to get wages back up, maybe it still isn't high enough. And kind of a sense of where your guy's head is on in terms of potential that maybe long run pressures of income and equality just are going to push wages higher?

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Yeah. I mean, I want to start answering that question with you started there with our associates which. It's hard to even find the right word.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

What I've seen, when I've gone into stores with the work our associates are performing, the attitudes that they have, I think so many of them feel like, and they rightly should. And they're serving their communities, they're helping people keep moving in this difficult time and that's exactly what they're doing. And so what they've done is amazing and deciding to do the one-time bonuses, the two rounds of one-time bonuses in the US. We've done other things internationally [indiscernible] (25:21) bonus in the first quarter was, that's an easy decision. It just it felt really, really good to do that and to honor them. Wages is a — it's a lot of things that go into determining what wages should be, the markets you're in and work that's been performed. As you mentioned, going back to 2015,
we raised wages from in the $7s is a facility starting rate, $9 of – sorry $9 is facility starting rate, we were $7-ish in minimum wage and then went up to $11 over the last couple of years.

Definitely the right thing to do for associates and there's different cost of living in different parts of the country, so it's hard to look at with one basket. We've got to be competitive in markets or people won't work for you. And so we've got to make sure that we're paying a competitive wage in each market that we're in. And over time we'll just have to continue to evolve again with where the market goes and what we're doing as a company. All of that goes into that wage discussion, but we're being very strategic about it. As we get places in the country where wages are increasing, is getting more competitive, certainly we're addressing those things to ensure that we can get the associates that we need into the stores and be able to keep them as well.

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Yeah. There's been a lot about this, if the unemployment program was richer than wages in some markets, if the states had relatively generous unemployment benefits that people won't come back to work. Where are you guys on that as a component? I mean, you hired a lot of people, other large players have hired a lot of people, I assume you've been able to meet the demand because you see people in stores and you see them adding all protection measures and making sure they are [ph] guarding (27:26) people coming in line, et cetera. So I assume that hasn't been the barrier yet that [indiscernible] (27:30) point that you can't align labor at the right — at a fair wage.

[indiscernible] (27:35)

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

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

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

That makes a lot of sense. I have a couple of more that I want to run through, but I just want to remind everybody that on pigeonhole we do have questions and we have several in there that can be seen, just submit and vote for those so that I can share some of those with Brett. One of the other things is tariff, so we kind of thought that risk was gone. Rhetoric's gotten scarier frankly and I think we've started putting back on the table. We certainly had seen some of the move out of China underway for the retail industry broadly. I know that long time ago we had advocated being less exposed to China on a resource base and that's why you guys have dozens of offices around the world, Target does and everybody else does too. But how does – how do you guys balance as other global companies must the sense of kind of a home country bias, but also caring very much about servicing and being a part of the Chinese [indiscernible] (29:01)? Is that hard or is it still fine, is it still just kind of like, okay, there's some fighting happening in between Washington and Beijing, but we can stay centered, just would love any color on that.

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**
Yeah. I mean, we've talked about it before. I mean, even in the US, still most, I mean, a large majority of our goods are purchased here, and then once you get to the smaller part that's not purchased here, there is a part of that obviously it's in China and they're a big trading partner for the country as well as for Walmart. It takes a long time for supply chains to move because you just got to have the manufacturing base and the labor base in the country to make that happen. 18 months ago seemed like all we were talking about was tariffs. And so I think as those discussions started taking place 18 months ago, a lot of companies started looking for different places to source and I'm sure some of that has continued over the last several months.

Our merchants are -- they're so good at what they do and they're such -- you got to look at price and assortment, where it's coming from and costs and all the things that they look at with our suppliers and they're just -- they're graded dealing with that and even as we went through List 1, List 2, List 3 with the tariffs over that period of time, they managed it in a way that was pretty seamless for our customers which is the main thing that we want to do. And so we're just going to -- we'll continue to work our way through that whatever it ends up being just like we always have.

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

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

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

Yeah. No, it's remarkable. And you can just see who moved earlier and our simple test is we take someone's hand sanitizer and we see essentially as actually hand sanitizer whereas it is just some ethanol that smells like someone who is drinking too much on the weekend, right? And you can just see like two stores on time and...

[indiscernible] (32:11)

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

I didn't know you were doing that research.
We've spent a lot of time looking at PPE without the [ph] whisky drink (32:19). But I'll tell you why this reopening component and think about what we've heard from Target yesterday from Brian Cornell, we want to be the safest store in South America. It's becoming arguably – this is a little dramatic, but PPE or safety is kind of like a human right, right, and so that notion of going what is sufficient in order for people to want to shop again and so there's a whole set of folks who didn't go through the essential transition you guys [indiscernible] (32:44) have to do it, and so all of those dynamics become quite remarkable.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

Yeah. I don't want to go too far down the tangent, but just because it was my job a long time ago to write the SARS 1.0 defense plan, which had a whole set of operational things, which actually kind of look like [indiscernible] (33:45) relatively prior to that. One of the other components was there was a dynamic of, if you actually had to have, I'll call it, a clean part of the store and a dirty part of the store. So you might receive and that's the dirty part of the store and you would treat staff either with hydrogen peroxide or ozone and [indiscernible] (34:00). Have you guys had a place where – was there a sense or has there been a notion that maybe there's even a – there is more evolution to happen in the way that the stores run, even though today is really good that maybe this isn't the final way to make the system as safe as can be.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

[indiscernible] (34:29)

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

... wasn't right.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

What's that?

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

I wrote to you one, but it wasn't quite right.
Yeah, there’s no playbook for this one. So we’re learning as we go. And like we do, we’ll respond to customer what the customer wants, what we need to do, what’s the right thing to do, what our associates want. It’s got to be all of that coming together to help us write that playbook.

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Yeah. That’s right. And to be fair what’s fascinating about this one is because its highly infectious, still terrifyingly high fatality rate, but lower than what people were imagining, right? At the time the notion to what SARS 1.0 or Ebola was, was essentially super high mortality, but slower infection. And so this – you are right – this was not contemplated well, but by probably a handful of people in epidemiology. Private label has been awesome. You mentioned it before. Mostly when other companies do this, they do it for margin enhancement. You guys have a different, a complex role, it doesn't mean that there is a good margin [indiscernible] (35:34) there is, but sometimes as people [indiscernible] (35:37) you have to do that to [ph] defend all the year (35:38), you have to do that to be – have an opening price point that keeps your lower income customer engaged. How do you guys think about the private label [ph] role in there? (35:47)

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

Yeah. It's evolved a lot over the last several years and we've put a lot of resources, a lot of people against it. And when I used to go early in my career to the UK and I'd see 50% private label in a lot of place in Europe, I never thought the US would ever get anything close to that because growing up as a kid, I remember private label being generic, it was not a good product, and like the US will never do this. Now, I still don't think as a country we get to 50%. I think this is a still a very brand focused customer in the US, but it's more prevalent than I would have thought even 10 years ago and Aldi and Lidl have done a really nice job with that. The lessons we learned in the UK in particular is you don't compete with an opening price point quality. You've got to compete with a mid-tier quality on private label. But we've taken that [ph] fast food (36:47) a great value as one of the biggest brands in the world, not just for us in general. And then, we've taken that – we've gone from [ph] 21, I think, it was 21 private label to Sam’s Club basically to 1 (36:58). We've evolved on the general merchandise side with mainstay and other things that we're doing on that side of the business. So it creates loyalty as well with customers. There is that margin mix and that's important. But it creates a loyalty with customers that we're seeing. And it's just another – it's kind of another arrow in the quiver of how you address customer need.

Brandon Fletcher  
**Analyst, Sanford C. Bernstein & Co. LLC**

Yeah, I think that's right. And we think you guys hit the quality point really well on private label and we've even seen those variations where you'll do – you'll have a ecofriendly private label, you'll have a true opening price point that kind of look like the old one and then you'll have what we think of as an [ph] Aldi killer (37:44) like, yeah, that's really good. It's got the right quality spec, the right component...

Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

Some of the things we're doing with market side and just really, really good product.
Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.  

Yeah. That's exactly there and one of the things that we always heard was that Kroger had done a very good job with private label and they have that same aspiration which is, we almost are proud to have bought it and be like, listen, I'm going to convince you, try the Kroger traditions pizza sausage, et cetera and I think you guys are getting at that point.

Just two more quickly and then I'll go to some audience things. I'm curious about the sale of Vudu and I'm not after any commentary you guys haven't made from there. But one of the things that is a criticism we sometimes hear is that technology comes inside of Walmart, has a harder time getting somewhere else and that's not a perfect example because the whole business move from where the original Vudu business case was, but I do kind of question of, do you think that Walmart's made moves to where entrepreneurs can really come and start showing their vision inside of Walmart as opposed to it's a place they would make me nervous about taking their baby and helping it use the scale?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.  

Yeah, a lot of times which you'll see we make an acquisition is it’s a place they would make me nervous about taking their baby and helping it use the scale? There are times where you have the technology that's – technology or brand that you buy and Bonobos will be an example where Bonobos is basically still Bonobos today and there's places where you acquire something like a shoes.com that really brought all that assortment on to Walmart.com and it makes sense to integrate what we’ve done with those two businesses. Things that we’ve done in store number 8 delivering to the home delivery into the fridge is the early testing and early – not testing, the early pilots we’ve been doing there came from here.

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

Right.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.  

That was some folks we brought into the company and so that's evolved and flourished. We do need things that we can do at scale, that's important for the company. There's only so many smaller things you can do, you really need to be able to scale things up to make sense. When I look at what we’ve done with store number 8, some of the technology you're seeing with Scan and Go that have worked in at Walmart US is just – it's a different use inside of Walmart US. It's really exciting what we've done and I think this is a place that you're a technologist and now with Suressh as our CTO – our new CTO, your products and your ideas can flourish here and actually you can scale them in a way that maybe you can't do it in your own.

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

Yeah. Yeah. I think that's right. A couple of quick ones which is why I'm looking off to the left. So first is, could you please talk about the entry of Facebook into the Indian retail market through an investment in Reliance Industries? Game changer or just everybody is going to show up there one day?
Yeah. India is competitive. We knew that Reliance has been a competitor for years and I’ve been going to India personally since 2004. We started looking to our initial foray into there. So it’s been competitive Reliance, Amazon. So when you have 1.3 billion people that’s going to attract a lot of investment, a lot of the reason why we went there, so it’s not surprising.

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

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

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. We make decisions all the time, choices tradeoffs and there's different elements that go into that calculus. This is a big one. This is going to change how consumers shop. I think that story is still to be written. How much do consumers change? So, clearly e-commerce is going to – it was already accelerating, that probably accelerates another level. And so as we look at how do you fulfill that need, will we have more fulfillment space than we would have had otherwise? Probably I don't think it's dramatically different because we had already been adding fulfillment space. So there are different ways that you'll use your stores, more delivery, more pickup than in the past probably, but again we are heading in that direction.

So I don't see massive changes in how we would spend capital because everything we were doing was already [ph] had a (42:31) direction. It's not like we have to stop and start. So I [indiscernible] (42:38) but I don't think it'll be dramatically different.

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

Yeah. One, I say selfish follow-up on that, which is we’ve seen some of those smaller pickup points be tested in Chicago and other places. And we’re curious because you have really good density in lots of places but maybe not all the density you want in all of the places. Is that still a possibility or are there still thoughts that are on the table or is it sort of like – and these are [indiscernible] (43:01)?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

You know I think things, there are so many things that are still on the table and addressing, continuing to more [ph] efficiently address (43:11) the urban customer is important. Like I said, there's a large part of population that we have. The great thing is, we have businesses you know whether it's in London, Shanghai, Shenzhen, Tokyo, we have businesses that have massive density. So, we know how to do those things. It's a little different than the US. Again, we've got to find things that we can scale. Having one-off type of pickup facility in the Chicago...

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

Yeah.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.
...isn't going to make us much sense, but now what we can do with Supercenters, you know what we can do with e-commerce home delivery, Sam's Club home delivery, I don't think there's a customer set we [ph] can address and aren't addressing (43:56).

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

Okay. Do you see the opportunity as – you know some people [ph] have framed this (44:01) is a market share gain for mom-and-pops, because they just couldn't do the things in omni-channel that have been done. But do you think you're also kind of gaining better than fair share even against some of the larger competitor?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Can you repeat [ph] sorry, Brandon, I didn't quite hear the (44:15) the question?

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

Yeah. So there's an argument that mom-and-pops haven't been able to do anything on omni-channel for obvious reasons low cap [ph] low accounted websites also (44:22). But the notion is, do you think you're just winning against the weakest of the players or there's actually places where you're actually taking share against some of your stronger competitors?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. You have to do both and on the small business the mom-and-pop, what's interesting is that where those kind of businesses are [ph] driving, when there's a lot of center in (44:45) Arkansas and there's businesses that are driving here. But on marketplace, our marketplace business in the first quarter grew faster than our e-commerce business.

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

Yeah.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

And so, we're getting more and more sellers onto that platform and what we're doing with Walmart Fulfillment Services we're making it easier for them to get on and sell their goods. They don't have to develop all the infrastructure we can – we have that. And we're doing some of the same things in India and in other places like that. So I think there's a way for the small business to win in this as well. I certainly think we're going to be one of the big winners in retail today for a long, long time. And to do that, I mean, you've got to beat the best of the best.
And we know who those major competitors are and I feel — again, I feel good about our strategy and our offerings going forward.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Couple of [indiscernible] (45:42) ones. I think this one is, you've answered this before, but I'll say it anyway which is, how do you guys think about the profitability path for e-commerce? Our revenue is awesome. And you're going to keep accelerating it. It looks to us like the profitability is improving maybe from not a great level to an [ph] improvement in better level, but (46:01) love any color on that kind of path towards accelerating [ph] those (46:05)...

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Yeah. We came into the year saying we thought e-commerce losses would shrink in the US, they did in the first quarter and everything that we've been saying needed to happen. It's starting to happen. You've got to leverage fixed in a better way and we're seeing that happen. Once you get the technology [ph] in FC and the people in (46:21) and e-commerce business actually once it gets started will lever even more quickly than a store business, it just takes a while to get there.

[ph] Contribute (46:31) profit margin contribution margin is really, really important. And with the mix of business that we're seeing we're getting more brands in home and apparel and higher margin business. We're seeing that contribution margin move up and once it gets to a point again it lever[s] a lot more quickly, so the underlying things that need to happen for us to get to profitability in e-commerce it's happening.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

It's not happening as fast as we would like.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Right.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*

Has it been slower than we thought? Yes, but I'm seeing a lot of positive things.

Brandon Fletcher  
*Analyst, Sanford C. Bernstein & Co. LLC*

Yeah. And we said this before one of the things for me [ph] in the whole division is, (47:06) right out of the gate four or five years ago when you did your first [indiscernible] (47:11) I saw my favorite basket which was a [ph] kayak and some snacks for the field trip (47:17). And as soon as you get that available and again [ph] you may
able to get the kayak (47:21) the day before, right, it comes overnight and ships on the truck. And when that basket happens no one's going to ask [indiscernible] (47:27).

Two quick ones and then I have a [ph] unifying question that we are (47:33) everybody. Are we entering a period of inflation or deflation with regards to food and I know that's just kind of a guesswork and then is that different than a general merchandise?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

We were starting to see a little bit of inflation as we came into early March. The lack of inflation to some degree was helped by us what we had done in pricing over the last three or four years particularly in the food side. And so, we were keeping inflation lower maybe than it would have been normally and our price gaps are very, very good versus competitors. People have been predicting inflation for a long time and they've been predicting higher interest rates for a long time and it just hasn't happened. So, I'm not an economist. You know one would think with the stimulus money that you've seen that you would start seeing some inflation and [ph] we will in pockets it will – known by (48:30) different categories. But I think we're just going to have to be prepared for whatever comes at us.

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

I know I've got a Chicago banner behind me but maybe [ph] modern monetary series (48:42) is going to work. I don't know maybe. [ph] I will ask about unifying (48:46) question. As you think through and beyond the pandemic, how do you expect your priorities to shift, especially as they relate to cutting costs or increasing levels of investment?

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. I think [indiscernible] (49:01).

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

Yeah.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

And we've already talked about that you know as we released earnings in Q1. There are things that we've seen work with customers whether it was before COVID or during this period of time that we're going to [ph] lean in and we're going to lean (49:11) in hard that we think will be – benefit us competitively in the long-term and then there is places that we look at and say, the world is going to change a little bit. I don't know why we need to keep doing X and we're going to go after that in a smart way. We're going to work differently. Everybody's going to work differently than they did in the past and that's going to change a lot of things about I think where and how you spend money and we'll be taking those opportunities.

Brandon Fletcher  
Analyst, Sanford C. Bernstein & Co. LLC
Okay. I think that takes us to our time. I did get a note from my legal people that I have to formally show the [indiscernible] (49:46). It's long and it's under the traditional Safe Harbor, so.

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

And it's on our website too so.

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

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

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

I'll read it tonight.

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

Yeah. It's exactly [indiscernible] (50:01). Well, it's always a pleasure, Brett [indiscernible] (50:03).

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Thanks, Brandon.

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

I know we're not that far away [ph] maybe (50:09) next time we'll figure out a way to do this back in person again [ph] as anyone cracks this thing (50:11).

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

All right.

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

Thanks for your time and thanks...

Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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

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

Okay. You're welcome.
Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Thank you.