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Walmart, Inc. (WMT)

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CORPORATE PARTICIPANTS

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Kate McShane
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MANAGEMENT DISCUSSION SECTION

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Good morning, everyone. Thank you again for joining us today at the Goldman Sachs Global Retailing Conference. It's my pleasure today to introduce Brett Biggs, Chief Financial Officer of Walmart, and he's here to have a fireside chat with us.

Walmart reported a solid comp with Walmart US comps at plus-9.3% last quarter. Our positive thesis on Walmart is based on the defensiveness of the business benefiting from long tail, food-at-home trend, new customer acquisition, market share opportunity due to consolidation, newer initiatives like Walmart+ and the company's proven ability to generate EBIT dollar growth in a steady state environment.

As I mentioned, we're here with Brett Biggs. Prior to his current role, he held the roles of Chief Financial Officer for Walmart International, Walmart US and Sam's Club. Before we get started, I just have to point to the Safe Harbor slide that you'll see on the webcast. And with that, I think we can get started.

Brett, thank you for joining us today.

Brett M. Biggs

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

Yeah. Thanks, Kate. Appreciate it.

QUESTION AND ANSWER SECTION

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

I thought we could start off with just talking about the current environment, since it has been so unusual and unprecedented, and just given Walmart's size and the complexities, we wondered if you could talk a little bit about how you navigated the past six months for your business, what some of the bigger challenges may have been and maybe what you might do differently in hindsight.

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

A

Yeah. It's been an amazing six-and-a-half months. I was thinking back even this morning to our Analyst Day in New York in mid-February and at that time, I was looking through our script and we mentioned coronavirus one time in that script. And to think about where we've come since then has been pretty incredible, and what our associates have done is the first thing I would mention, going from fairly normal-type store environment to multiples of volume over a period of weeks and months, particularly in March, April, May, with food volume and watching them respond, and the caring that they showed customers, they showed each other – it's not surprising, but it's always still amazing to see when I've been here 20 years with the company.

So, what they've done and our ability then to give back in bonuses and other things has been something – those were fairly easy decisions, to do that for associates, and that's certainly something we would do all over again, if we went through this again.

The thing I think that is looking at again is just how quickly this company moves. A lot of times you think about a big company and it's slow to move and that's not what this company is. The ability to ramp up like we did in food in the stores, and in the clubs and distribution centers and then with stimulus that came in the US in mid-April, all of a sudden we became a big GM business. We've got a really big GM business, but even a bigger GM business and watching the stores and clubs go through that and producing really good results at the same time through all of this.

You know, this – how you look back and there's so many things that you could look back and say, we could have done differently, we came in from a really lean inventory position into this, who would have known you were going to enter into a pandemic, where probably having a little more inventory would have been helpful, and we've been playing catch-up a little bit through the second quarter and some into the third quarter, but I like how we were running inventory prior to that. I think we were in a really good position from a more normal-type environment which certainly this wasn't. But we sold out very quickly with the number of stores, so we could ship-from-store, that was a big one.

We went from just two handfuls of ship-from-store stores to thousands within a period of weeks and some of those now we'll make permanent – that would be a permanent part of what we do going forward is shipping from stores in certain locations. So, I'm so pleased with how the business responded. The work that we did – Kate you were in the middle of, five years ago when we said we've got to invest in wages, we've got to invest in e-commerce, we've got to invest in technology, that all worked, and it was a big part of how we were able to serve customers over the last several months.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

So, on that same note then, in terms of just the period of investment you just went through and how it kind of almost prepared you for what was to come, do you think these last six months has had any impact on your longer-term plans?

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

A

Yeah, there's nothing that these last six months won't impact in some way, learnings that we have, or how we've seen the customer evolve. What it has done really is just strengthen our belief in our current strategy and the omni-channel strategy in building this ecosystem, or a longer-term view of what the company is going to be, it strengthened that. I mean, there's certain things we are going to tweak coming out of this, but being an omni-channel retailer is the right strategy, and it's really paid off during this time. It's allowed us to serve customers in all different kinds of ways that maybe we wouldn't have been able to as well three, four, five years ago.

So, I don't see any major shifts in strategy coming out of this, but I see us doubling down in some areas that we knew were the right direction, but that in the last few months have accelerated trends, over a period of months have taken trends it would have taken years to get there.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Speaking of that, just going – looking into Q2 where there were a number of factors that helped drive really strong sales, not only in Q2 but Q1 as well, but when it comes to the sales deceleration that you mentioned you saw in July and August, I wondered if you could walk us through some of the factors. I know you flagged stimulus, but do you think that's one of the bigger drivers or did in-stocks become more of a – more or less of an issue as we got closer to July and August?

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

A

Yeah, some of both. Stimulus, I think there's several things going on. Stimulus was a big impact starting in mid-April, May, June, a lot of dollars flowing through the economy. So I think we were honest with ourselves and honest with investors that that certainly was something that benefited us in the second quarter. We also had dollars freed up from people who were typically taking vacations and doing – spending money in other ways during the summer, that I think found its way into general merchandise categories: bicycles, camping, home-improvement, all of that, dollars that might have gone somewhere else came into those categories. You saw that with results of other retailers as well, not just Walmart.

Inventory, there were categories where some it was supply chain, some of it was our ability just to get inventory in quick enough. You couldn't find bicycles in the middle of summer, not just at Walmart, in a lot of places. Things like that, who could have expected the type of impact you'd see on a category like bicycles? And then, as we talked about, back-to-school was a little slow to start and schools were going back later, some weren't starting at all, some students were going back remote, and so, that really made the back-to-school seasons choppy. It's going to take longer to work its way through than we typically would see, so it's all of those things that kind of got us back into a little more of a norm – what I'd call a normalized comp range.

Food is – food and consumables have remained consistent really throughout the period. They were huge obviously in March, April, first part of May, but food has been just a solid, steady business throughout the entire time. Really good foundation for us.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

That's great. I know Doug has said in the past that if he had to thank his predecessors for anything...

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

...it was sticking with food...

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

A

For sure.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

...and that's certainly the case more recently too. But probably where we're getting the most questions right now, when it comes to Walmart's business, is on grocery. So when we get the questions, investors are trying to understand the puts and takes of the second quarter and the environment we're in. So when you think about the grocery performance versus your peers, how do you think your positioning in grocery maybe helped or hurt particularly during Q2?

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

A

Yeah, it's something – I mean, obviously market share and measurements like that are things that we watch all the time, and are very, very focused on. It's really noisy right now, and there's a number of things and I don't want things to come across as excuses, but there are reasons we think why it looks so noisy. One would be, we've kept prices down during this period of time and typically you see a lot of promotions in the summer from competitors and you didn't see that as much and actually saw prices going back up a little bit.

And so from a dollar market share perspective that has a fairly, fairly good impact. We took operating hours down more quickly than some competitors and actually took longer to take them back up. We've just recently gone back to 10 o'clock closing in our Supercenters. We had gone to 08:30. There's a lot of business that gets done between 08:30 and 10 o'clock at night. And so bringing operating hours back to – not 24 hours, but back to something that's a little more normal, we think will have a positive impact on our business.

There's a lot of things like that, that makes reading market share really difficult right now. We're still trying to. We know we took share in some general merchandise categories. We've benefited some from some retailers that were closed and we know that, but over time, I still feel so good about our food and consumables business and if you look at even the second quarter, we grew the food business by $3 billion. Amazing amount of growth.

In stocks, we're impactful, we ran as it – we talk about – we ran pretty lean, coming in, and so I think we got hit harder earlier by customers knowing they could find everything they wanted inside a Walmart store. And so, I think we got hit harder earlier and it was tougher for us to catch back up. Starting to catch back up now, so, overall, I just feel really good about the business, and I think we'll continue to grow share over time, but it's a noisy read and probably will be for a while.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

And could you maybe give us your view on how you're thinking about food-at-home trends for the longer term? That's a big question that we get too, is just as things open up, how much can food-at-home continue to outpace maybe the average of what we see in the last couple of years?

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

Yeah. I think it'll depend you know on area. You're seeing – I mean you're seeing more people – for instance, here in Arkansas, you're seeing more people go out to eat certainly than they were a month ago and we want to see those restaurants and small businesses re-open. It's good for the economy, it's good for employment, good for those communities. So, we're glad to see that happening. There'll be some areas, maybe [ph] it's in (11:50) New York that could be a little slower because of how impactful the virus was in an area like that. So, we've benefited from that trend and likely that trend will stay for quite a while. There'll be some folks that won't feel comfortable going back out to restaurants maybe for quite a while. So we'll benefit from that certainly, but I think not to the level probably we would have seen over the last four to six months, as people get a little more comfortable going out.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay. And you mentioned again, just in terms of where there might have been a difference in performance is that you bet – you continue to invest in price throughout the first half and maybe some of your competitors didn't. So, moving into the second half, and it's just something that we saw in one of our presentations this morning, is that we're we are hearing and seeing maybe grocers are stepping [ph] up back their (12:40) price investments from where they were. So how do you think about price gaps now, going forward, and can we expect maybe even more price investment, or are you comfortable with the price gap now and a little bit, again, based on this current environment?

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

Yeah, we've been really aggressive and we held – as you said, we held pretty steady in the first half of the year. Specifically talking about food and consumables, we – price gaps have widened for sure and we have a pretty good idea where we want price gaps, and it's geography-based and it's competitor-based, and so, it's not just a broad peanut butter spread. We know where we want those to be. And so, there's – I think there's plenty of room for us to do what's right for the customer or what we want to do long-term for the customer, and still do – conduct business in a way that's shareholder friendly, and that's the balance that we want to try to strike, obviously starting with the customer.

As we look forward, we'll still invest in price. That's what we do. It's, I think, for us just having a steady, constant, downward pressure on prices is what we want. We'll be investing a little more in general merchandise than we have in the past. We talked about it, the last few years we've spent almost all of the price investment on food and consumables and we'll be more thoughtful on general merchandise. But we're always going be the price-leader. I think there's – if you look at the last few months, there's probably a little bit of an argument that can be made that people got a little less price conscious, which is somewhat counterintuitive, but with all of the stimulus dollars that were going through the economy, I think they got a little less price-conscious, maybe a little more convenience-focused, and we have that convenience factor. Price is going to matter for ever, as far as I believe, and so I feel good about our position.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay. Thank you. If maybe we can pivot now to your eCommerce strategy, and there are many questions that we can ask here, but I think starting with the general merchandise business on – with eCommerce, so, a big focus has been growing breadth and depth of your SKUs to push into higher-margin categories like apparel and home, but the way you're pursuing these goals, and it looks like maybe it's changing a little, we've seen some brand divestitures over the past year and a few partnership announcements that complement the marketplace. So could you maybe just contextualize – first of all, is that the right way to think about it? Are – you're still pursuing the same strategy, but maybe in a slightly different way, and talk to us about where you are currently and how you're thinking about it.

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

Yeah. Great question. The framework of what we're doing and the framework of the strategy hasn't changed. We want to get more brands onto the side and that could be first-party or it could be third-party, and you've seen some things that were, as you mentioned, we're doing through marketplace. We have divested some things that we acquired over the last few years and in some cases, you know, maybe something felt like a better fit three years ago than it felt today, but in certain cases, we've gotten the value we want out of those brands, and felt like maybe there's just a better owner this period of time.

So, shoes.com, we had a – we wanted to get more traction in shoes and shoe brands onto our site and we've developed that and we've developed that in our online and in stores, and that helped that shoe category tremendously. So, the other thing I think you're seeing with us, Kate, is we're just going to make decisions more quickly. If something fit the strategy two or three years ago and now it just doesn't fit quite as well, and we want to reallocate resources, we'd do that way more quickly than we used to. Much more agile with that. So, the framework of the strategy has not changed at all. We want to get more brands on site, we want to have a longer tail, we're focused on growth and profitability of that eCommerce business and you're seeing us take steps in both of those directions.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay, that's helpful. Thank you. And I know, again, pushing towards the more – the higher-margin categories, and general merchandise will help with the overall profitability, in Q2, you mentioned that e-com losses were significantly lower, and we were just wondering, what is driving that significantly lower eCommerce losses? Is it the sales, just the strength in sales, or is there some cost control within that too that's helping?

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

A

Yeah there's a little bit of everything and we were – we felt good about the direction of the profitability on eCommerce for several quarters now and we said coming into the year we thought losses would be lower. So we felt good about what we were seeing and it's in several categories. One is just top-line. We've basically doubled the size of the business in the second quarter that helps a lot of things when you get sales growth like that. The fixed cost expense – [ph] so not only do you lever (17:51) the fixed costs, but the fixed costs, the rate of fixed costs are declining some of the rate of growth, and that's what you would expect as the business matures a little bit.

The variable cost of fulfill has been getting better every quarter, every year. The big one is contribution profit margin. So, what are we making on every product that we sell, and that has gotten better as we've gotten bigger in areas like home and apparel, which have higher margin structures. So, as that number – as that margin gets better – the more you sell the better it is, which is obviously what you want, and what we were able to see in the second quarter, which was really encouraging is all the things we've been working on – we saw in the first quarter as well, but the second quarter, all the things we've been working on and how that business model works, we saw it.

You could really see it over the last couple of quarters and know it doesn't take a 97% growth for that business to work, but we saw all those elements really play out together and it was really encouraging to see. Exciting.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

In the same vein, we've seen some changes with regards to how you're thinking about getting your product to customers. So, I think you mentioned it in one of your earlier questions that – or one of your earlier answers in response to my questions that you're looking towards the store – you're shipping from the store more than you have before. And this again seems like a change from the DC strategy, which seemed more prevalent. So, can you talk a little bit about the decision to leverage the stores more, how it's working, and is it necessitated? Was this always something you were thinking you would go to? Is this one of these examples of being nimble or is it more a result of what has happened in the last six months?

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

A

Yeah, some of both. It's hard to differentiate anymore almost what caused what. Some of it was a necessity and six months was just getting product to customer more quickly. And so, there were some necessities that – we've always talked about these stores and how there could be many fulfillment centers, and we always thought that could be part of what we do longer-term. There's a few hundred stores that we're going to make that permanent that it worked really well and the ability to get items to customers in a hurry. Express delivery, those are done out of the stores. So, I think it will be a big part of our strategy going forward.

Fulfillment centers are always going to be a big part of that strategy, the distribution centers that we've always had – so you'll see us continue to expand supply chain in fulfillment centers, distribution centers, but that store is a really unique asset and it's something that our competitors don't have, for the most part, our big competitors.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And is there something unique about the stores that you have selected to do more fulfillment from? Are they located in more denser populated areas or is it kind of the opposite, it's where a store maybe could have used or benefited from leveraging the capacity that was available?

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

A

Yeah. It would be some of both.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then, going to pick-up versus delivery, we're hearing and seeing from all of our retailers now, curbside pickup, which, of course, you guys have had, well drive-up, for a long time, but I – the thing that's so exciting about pickup or curbside, of course, is that it is less of a headwind I think to your costs. So, how do you balance all of the different things that you're testing from a delivery standpoint, a digital fulfillment standpoint with the economics of pick-up versus delivery? How do you balance that?

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

A

Yeah, I mean, outside of membership, which we've – Walmart+ we've just done, I mean deliveries had a fee attached to it, so that helps offset that cost. So, it really makes it somewhat agnostic to someone picking it up in-store. The thing that's differentiated us picking up in-store or curbside is ours is free. Most of our competitors' are not free, and that's a big differentiator for our service we believe, and it's a way to continue to get people into our ecosystem, customers into our ecosystem which is what we want longer-term. But we – the idea is to be there in every occasion that customer wants to shop, deliver to home, pick it up, we were testing, going into people's refrigerators, I still think that will be a – be something that we do longer term, but, we want to be there.

And then for the management team, we spent a lot of time making decisions and ensuring that we can do it in a way that's attractive to our shareholders and that we can keep growing operating profit, and that's what I've spent a lot of my time on, is thinking through the various pieces and how they come together, and the moves you were talking about earlier, finding things that we just don't want to focus on anymore, and just taking those off the table. We're a lot quicker to do that.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay, that's helpful. When it comes to pick-up versus delivery, I would imagine, the customer characteristics are different. Is there a way to leverage that information to make yourselves more efficient, I guess, in either way? Either capacity?

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

A

Yeah, sure. I mean we're – as you know, we collect a lot of data in looking how customers shop and the delivery is still fairly new. It's something that we're still learning. We're going to learn a lot more now with Walmart+ as we've rolled that out more broadly, about what that delivery customer looks like and what they're looking for, and are there ways to get them to interact more in our ecosystem that's what we want. We want them buying general merchandise from us, we want them coming to the stores, we want to them shopping online. So, we're excited about Walmart+ for a lot of reasons, but one is that we're just going to learn a lot more about the customer.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And is there anything more to discuss with regards to Walmart+ today that you haven't already revealed or mentioned?

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

A

You know, we're excited about it. It's a week from launch, it's something that we've been thinking about for quite a while. We've had a membership program, Sam's Club, for a long, long time, and so, we're excited about it. We wanted to find the right time and the right way to launch, and felt like the three main services, delivery and fuel discounts and Scan & Go, that it was a fulfilling enough offer to go ahead and go out, and particularly at the price point that we're at. Over time, you'll see us add more to it. We'll learn, but the idea again is to just to get people into our ecosystem to have to think about Walmart, be top-of-mind. As they go through the list in their head of where they can get something, we want to be number-one on that list.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. If I could switch subjects now to wages, just because, again, the last six months has been a big change with regards to that, but when we think about the bonuses and the incentives related to COVID, do you have any concerns that it might be difficult to pull some of that back, especially as other retailers, policies or wages are more sticky?

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

A

Wages, obviously, for any retailer, it's a big – a big part of the cost and investment of doing business, so we spend a lot of time on that and it's really – it's a very geographic discussion as well. Different geographies obviously have different types of wage structures. When you look at our total compensation structure now for full-time hourly associate, when you include benefits, we're almost at $20 an hour. So, just looking at start rate is not the entire way to analyze that. You've got to look at the benefits, you've got to look at the total compensation, you've got to look at how many people get promoted into management jobs, which is significant for us.

We want to be start – people – a place where people can start their careers and have a full career. You've – so, you've got to look at the whole picture, I think, when you're talking about wages, and that's how an associate is going to go through it in their mind as well. We've got to be competitive. We want the best associates, we want to retain associates, and so, we've got to be competitive. It's going to be an interesting dynamic with the economy, I think, over the next six to nine months, and what happens from an economic standpoint, but so happy, the bonuses that we were able to give associates over this period of time, and we were generating additional cash flow, obviously as you've seen in our numbers, and we want to make sure that our associates shared in that.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. And I just really have two last questions from myself and then I can look towards the audience for their questions, but it has to do with Holiday. The holidays last year were a little choppy because there was a shorter season and there were softer Holiday-heavy categories. To the extent that you can, how are you approaching planning for the holidays this year, given the dynamic of last year and of course, this year?

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

A

Yeah.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And are there any categories you're leaning into that maybe you wouldn't have expected six months ago for Holiday?

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

A

Yeah. It's a – that's a – there's a lot in that question and all we've announced at this point is that we're going to be closed on Thanksgiving Day, which is something that we're glad to do with our associates, and we'll be announcing more as the holidays get closer. From a competitive standpoint, we want to maintain optionality, and our merchants and operators are really good at ensuring that we can make decisions close to the time. It's – in the pre-COVID days, two-and-a-half months felt like a long time until the – or felt like it was [ph] quick before (28:15) the holidays. Now it feels like two-and-half months is a long time until the holidays. So, we'll maintain optionality and we'll be really flexible going into the holidays.

I do think people – you know, my instinct, I'm not a – I'm not the chief merchant of the company, but I think people – what you've seen lately is they want to take care of their homes. My guess is you see that going into the holidays as well. If you see people they're going to want to decorate their homes and try to make the holidays feel really special. And so I would expect categories like that to do really well. Our merchants, they are great at thinking through all the implications of what did people buy when there was an economic crisis before. This is really different than that, but there's a lot of history that the merchants have and are able to make those decisions. But, you know, it's just – I think the holiday season will probably be a little longer, probably a little more spread-out for most retailers. That's what I would expect at this point.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

When it comes to the promotional environment, it seems like you have a bifurcation. On the one hand, you have some retailers that are probably going to be pretty competitive to make up for lost time and closed doors or whatever it might be, but on the other hand, inventory is pretty tight in quite a few categories. So, from a promotional environment standpoint, how would you maybe predict that plays out?

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

A

Every holiday is so different from a promotional standpoint and like you said, inventory is tight in some categories. There'll be retailers that aren't in as good a financial condition going into the holidays, and that might impact how they promote – how they take on the holiday season as well. So I think we're just going to have to just see it play out. Again, I think we'll be ready for any type of competitive environment that we see, and I expect this that relatively, we'll have a good holiday season and we'll be what our customers need over that period of time.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

And then my last question around Holiday is, a few of the major [indiscernible] (30:23) are introducing shipping rate increases for the holidays. You guys have been very good at offsetting costs. You've proven that over the last few years, but is there anything you can do to help offset some of these higher shipping costs that you could see?

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

A

Yeah, we had some increased costs 18 months ago or so, as capacity got tight, and it impacts us, but it doesn't impact us as much as our competitors because of our dedicated fleet that we have. That's a big advantage in situations like that. eCommerce is a little different with air freight and things like that, but, again, we have – we've said this for – we have so many levers that we can pull as a company from a cost perspective, and we've been very focused on our costs, as you know, our cost structure. So I feel like we'll be able to manage through pretty much any scenario.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. In these last couple of minutes, we have some questions from the audience.

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

A

Great.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

I guess, the first question I'll ask is, what levers is Walmart going to pull in order to grab customers Amazon Prime and break their Prime habits? Isn't it important in the short-term to subsidize conversion more aggressively to build out Walmart+?

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

A

Yeah. And Amazon Prime is a – you know and membership services like that have become very popular in the last several years and customers have gotten used to memberships, and another reason why we thought this was the right time to do that again, is giving customers everything they need. One big advantage we have over most competitors is that if you want to interact in an e-commerce world, we have a really big e-commerce business not just in the US, but globally. If you want to be in stores, we have the largest store base in the world. If you want to order online and pick up in-store, we've got that for you, too. You want delivery, we got that for you, too. There's really no competitor that's able to fulfill all of these customer needs and customer shopping behavior. We can do all of that.

So we're in a really good position, and now there's areas that we're just going to lean into and ensure that that we can make that customer happy that they chose that Walmart membership, and the $98 is also attractive. It's very attractive versus other things out in the market. So, I think when you put all that together, it's really attractive. I think for a customer over – and time will tell how we're able to leverage that membership to our benefit.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you. Another question focuses on Holiday, but specifically on toys. People are wondering if there is going to be any pent-up demand in that category because toys has been pretty strong, the last two quarters, and are there supply-chain constraints that you're seeing in toys specifically?

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

A

Yeah. It will be different. It's like everything you get into and supply constraints, it gets really detailed as to types of toys and other types of things that – electronics, gaming, all that has been very, very popular during the pandemic, but there seems to be no end to the desire for gaming and electronics, so that will probably be – remain strong over the holidays. People have bought a lot of board games and other things like that, but they continue to buy items in that category. There'll be some comply – some supply constraints in different pockets of toys, but it won't be – I don't think it will be broad based.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

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Okay. Thank you. And then the last question I'm going to ask, and we can wrap it up is, just how you're thinking about the evolution of your store footprint as you expand your eCommerce offering, particularly, how is the location and size of your store impacting the roll-out of Walmart+ and the number of SKUs you're keeping at each store?

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

A

Yeah. Each store will be a little bit different. eCommerce will penetrate more in some geographical areas than it will in others. We'll have additional space in some stores, which is – over time, which is fine, because we'll have more pickup, we need more backend space, we'll have more services in stores as we look to expand in healthcare and financial services. So, the store footprint is going to continue to be a great asset for us. I don't anticipate us adding a lot more stores, particularly in the US. We're still growing stores, some in China and Mexico, and some developing markets like that, but I don't expect the footprint to expand in the US. I think we, for the most part, have a really good coverage of what we need for customers.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Okay, great. Well, with that, we'll wrap it up. Thank you so much for...

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

Thanks, Kate.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

...joining us, Brett.

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

Yeah, good to see you.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Good to see you too.

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

Maybe in person someday.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Hopefully. Fingers crossed.

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

Yeah, good to see you.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Thank you.

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

Thanks, everybody.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Bye-bye.

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

Bye-bye.