FINAL TRANSCRIPT

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PRESENTATION

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

Good afternoon, everyone. I'm Robert Ohmes, Discount Store analyst at Bank of America Merrill Lynch. I'd also like to thank Domino's for the pizza. I hope somebody out there saves me some extra for after the Wal-Mart presentation. I'd also like to welcome everyone on the webcast for those of you listening outside the room. But now I'd like to introduce Bill Simon, the Executive Vice President and Chief Operating Officer for Wal-Mart US. Bill is responsible for all of Wal-Mart's US operations. That's stores, logistics, and real estate. He oversees I think about 3,700 stores. So, the US Supercenters as well as new formats like Marketside and Neighborhood Markets.

Bill joined Wal-Mart in March 2006 from Brinker International and before his current role he led the team that created and launched Wal-Mart's $4 generic prescription program. Bill's background prior to Wal-Mart is also very impressive. Before his SVP of global business development job at Brinker he served as Secretary of the Florida Department of Management Services and before that he worked in senior roles at places like Diageo, Cadburys, Schweppes, PepsiCo, and RJR Nabisco, and he accomplished 25 years of service in the US Navy and Naval Reserves. Bill, I'm sorry, I know I've left a few things out but I think some of you will appreciate in this room that Bill is also a Yukon grad and I believe also got his MBA there. So, we're very pleased to have him here today and with that I'll turn it over to Bill.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Point that away so we don't have feedback. Thank you. I know you all expected somebody who's 100 years after that introduction but I actually -- I'm 100 years old on the inside. It's just the outside that's not. I appreciate the introduction. The fact of the matter is I just can't seem to hold down a job. I enjoy the opportunity. I've been at Wal-Mart four years now and the Company's been absolutely terrific. I do appreciate Domino's as well. I think it reminds me of my days at Yukon when you have a party and you want people to come and you're not sure they're going to. Give out free pizza and you'll fill up the room. So, thank you for attracting the crowd to hear me speak.

Robbie, thanks again for the introduction. I'd like to also welcome those folks out on the webcast. We appreciate you tuning in. I'd also like to take a moment to recognize we have some Wal-Mart folks here but two in particular I'd like to introduce. Hank Mullany, Hank is Executive Vice President and President of Wal-Mart North, the newly formed group. Hank runs the business for the area here all the way down to the Carolinas and all the way over to Chicago. And [Lance Delarosa]. Lance is the Senior Vice President that runs New York, New Jersey, New England for us. So, if you've had a chance to see the new store we just open in North Bergen and you love it, let me know. If you don't like anything locally, Lance and Hank are your points of contact. Please, feel free to talk to them.

I do have to get myself in order here. There we go. Our forward-looking statements statement. It reminds you that I may make forward-looking statements today about the business. If you can read really fast and have good eyes, read it here. If not, you can refer to WalMartStores.com slash Investors for this statement. And thank you for indulging me with the preliminaries.

We spoke to you -- Mike Duke spoke to you about the Wal-Mart Inc. strategy with a focus on growth, leverage, and returns. Before I dive into a little bit deeper dive on the US business, I'd like to talk about this. We just finished our fiscal year and made progress against all three of these objectives with growth in both international markets and in the US. We added about 34 million square feet of retail this year. A good bit of that outside the US but a substantial portion of it inside the US and that is organic growth not counting the acquisitions that we made in Chile.

We also were able to leverage expenses, particularly in the fourth quarter this year which also has been one of our objectives with a focus on operating effectiveness and efficiency. I'll talk about that in the US business in a little bit more detail and maintain ROI north of 19% which I think by any standard is excellent and something that we're very proud of.

Just to recap quickly, Wal-Mart Inc.'s financial performance for the year -- green, green, green, green which is really wonderful. Earnings exceeded expectations. I think we were $0.05 over our guidance and first call as well. We've had tremendous free cash flow performance over the last five years. This past year we finished I think 21% up at just over $14 billion in free cash flow. The corporation in addition to the US leveraged expenses in the fourth quarter as a focus of that and we announced last week as well that we increased our dividend by 11%. So, we're very pleased by and large with the business performance in the last 12 months. Our net sales exceed $405 billion and for the first time in the history of the Company, a mere $100 billion outside of the US. We exceed $100 billion outside of the US. Very substantial.

I'm going to spend the rest of the time talking about our US business and what we've been able to do and again excellent performance with the exception of that yellow smudge at the top of the page which for me has been something that I've spent a lot of time talking about lately, probably more than I'd like to, particularly at my recent performance review which goes without saying. You have to give me flat, two basis points. I can't refer to anything but flat. So, I'm going to refer to it as flat. If so, you know what it actually was, but I just can't make myself say it.

We were flat this year in comp sales with traffic up about 1.3%. Operating income, as you can see there, was an excellent performance in green at $19.5 billion. Inventory down, approaching 8% last year and I might add we believe -- I'll talk about that coming up -- with more opportunity ahead of us. Our business performance in the fourth quarter despite what was a difficult sales fourth quarter leveraged expenses. I'm going to spend just a minute talking about our fourth quarter. While we were flat for the year in sales we were negative 2% in the fourth quarter in comp sales. That was driven primarily by a lower average ticket driven by deflation in food and consumer electronics among other things. We did have a slight decrease in traffic in the fourth quarter.

I'm going to talk about that in a little bit more detail coming up but the question would've been a year ago for all of you, if I were here speaking, we talked about substantial increases in traffic in the fourth quarter of '08 and the question would've been "Can you hold the new customers that you got?" The answer is "Yes". We've held the majority of them. Most of them and I'm going to explain a little bit more about that in just a moment. I would also like to point out that over the two year period of what has been some of the most interesting times in retail, we have had both sales -- comp sales increases, 2.5% over the two year period and comp traffic increases. So, while it's been a little bit volatile for most folks I think almost everybody in our business would be pleased with positive comp and positive sales -- traffic, excuse me, over this period.

There have been some encouraging signs in the economy; however, I think customers still remain concerned as do most people. Credit in the US and everybody has seen this number. That's the top left is challenged down 6% revolving credit. Top right shows our customer has had a more difficult time than average in the US accessing credit. That's certainly contributed to some of the issues.

Traffic is something I wanted to talk about and that's kind of on the bottom left her. Gas prices are 47% higher than they were last year and our traffic in the fourth quarter interestingly enough can be traced almost to a day -- almost to October 19 and if everybody looks you'll find out that October 19 was the day when gas prices were higher year over year than they have been in the past and our comp traffic is very, very dependent on gas prices, particularly in rural markets.

The reason I was so confident a few moments ago saying that I do believe we kept most of those customers is that our comp traffic in rural and -- excuse me, urban and suburban markets has been relatively stable. The comp decline we saw in the fourth quarter was in rural markets, large part related to traffic -- pardon me, gas prices. A large -- in part related to some self-inflicted wounds in assortment perhaps. We'll talk about that in a bit as well, as well as the impact of our remodels, initial during the remodel period traffic dips and we did do more remodels. Oops. I did something wrong here. What did I do? I can do this.

And then finally, unemployment continues to rise and maybe we saw it peak out and pull back a little bit. Still, 9.7, challenges remain with the customer. Even concerns to the 90.3 who have jobs are still there, about what's going to happen to their jobs. We're losing jobs less quickly which may make the government feel happy, but it doesn't really make the consumer feel happy that we're losing jobs less quickly.

So, it is a challenging time. It will remain a challenging time and we need to prepare for that, although we do expect things -- hope things will begin to improve. I'm going to talk to you about our strategic framework. This is not a new slide for anybody who's been around us for awhile. Save money, live better. Win, play, show, and fast, friendly, clean, are how we've been going to market for the last two years plus. Win, play, show is a merchandise assortment strategy that says we're going to focus on things that are growing. We're going to distort them in the stores so that the customer has a perspective of our point of view and we serve the customer categories that are growing faster. Merchandise assortment has driven some of our growth. It's also been a bit of a problem. I'll get into that in a second too.

Fast, friendly, clean, is something that the store operations group has spent a lot of time on and we're very happy that in the fourth quarter we had the highest customer experience scores that we've ever had. And for those of you who don't know, this is a very, very robust number. We have about 140 million customers a week in our US stores. We survey customers. We get responses from about 500,000 customers a month which allows to get robust, actionable, statistically significant data all the way down to the store level on metrics like fast, friendly, clean, price and merchandise. We track these every single month and we've seen improvement every single month. As I said, our fourth quarter was some of the highest that we've ever had and that's something that we're focused on and very pleased about.

The productivity loop, we talk about this quite a bit and Mike spent some time talking to you about it in our October analyst meeting. Buy for less, sell for less, grow sales, and operate for less. Back around again. We're focused on this. It's what we do. It's not just a US phenomenon. It's what we do all around the world. And operating for less is everything from supply chain efficiency to a group of about 600 industrial engineers that we have that spend their entire life -- it's a very quiet kind of a boring place to go into the building if any of you want to go, if you're looking for a nap after lunch, that would be the place to go. But they work on time, motion study analysis, trying to engineer a basis point here or a basis point there.

They're also focused on large process changes, some of those we've rolled out, some of them still to be rolled out like our frontend scheduling system, our inventory management system. And some of them are just operational process changes. We, over the last two years, have converted our truck fleet -- 8,000 trucks -- and augmented them with auxiliary power units which are little tiny generators that allow the truck to run during the rest periods while the drivers are resting over night without running the diesel engine. Each truck now saves ten gallons of diesel every night that they're running. Now only is it great for the environment, it's one of the things that drives our ability to operate for less.

We hear a lot and we get a lot of questions and I read some of the reports about Project Impact, so I thought I would talk about that. Project Impact is our remodel program that we started rolling out in our fiscal 2009. In the fiscal year we now look to about a third of the fleet in Project Impact and with the remodels that we're in the process of doing this fiscal year, we'll be over 50% converted by the end of this fiscal year with, as you can see, three more years to complete the entire roll out of the fleet. We're happy with where it's going. And I'm going to talk to you about that right now.

The performance that we've experienced and this is against a control group of stores that haven't been remodel, it's been very, very good for us across all the metrics that we look at. As I said, that customer experience track, as you might imagine is off the charts better. As soon as the conversion is done the customer tells us that they love it. Sales have responded as well. As you can see, they're 125 to 150 basis points of improvement. I'm going to say it again because I like it. 125 to 150 basis points of improvement versus the control group on sales for Project Impact.

As we talk about how the win categories perform, they are also significantly outpacing the box. Ticket and transactions, gross margin, no impact. We're pleased with that as well. And then inventory, as you can see, is significantly reduced.

You know, all those metrics for us lead us to the conclusion that while there are some ongoing challenges and changes that we need to make to the program we're very, very pleased with it. For us the labor is well tracked with the box so there's no different in labor. As you can imagine it's a little bit easier for us to operate than the stores, the way they were previously configured.

Clean Action Alleys is part of Project Impact and I need to be clear here because it can get confusing. The Clean Action Alley project is separate from the Project Impact while Project Impact has Clean Action Alley. We are so pleased with the way the customer has responded and sales have responded to the Clean Action Alley that are in Project Impact, we're going to continue the conversion of the rest of the fleet prior to their Project Impact remodel, we're going to convert them to Clean Action Alley. Did everybody get that? Does that make sense?

So, by Easter, just before the Easter holiday we'll have the majority of the stores converted to Clean Action Alley fixtures. That means taking the pallet that sits -- that traditional has sat in Action Alley and moving it to a bulk, high capacity end cap, some of which you see in the pictures here.

So, that would be about 400 stores that are scheduled for the project impact remodel that will do in the course of their remodel through the years. So, other than a few outliers that we'll pick up, you should see the entire Wal-Mart US business with Clean Action Alleys when you're shopping for your Easter candy.

We started this program I think with our circular on Sunday. That's a renewed focus on our rollback program. Rollbacks are our permanent price reductions -- semi-permanent, I guess you could say. Longer-term price reductions that are driven by not promotional activity but an enhancement to our EDLP program. They leverage now that we're completely the conversion, high capacity end caps like you see here which actually carry more product than the Action Alley features. They deliver much better, much clearer price impression and a much more hard hitting product presentation in addition to the price action and activity that will be on it, you'll see us really focusing on this in the coming months and throughout the year.

I'm going to shift for a moment and discuss the operational and organizational changes that we recently announced, had a lot of questions on those and so I'm going to take a few slides and talk about that before I open it up for questions. As always, strategy drives structure. The strategy we talked to you about in the US was one of growth, actually, one about accessing customers that we're not currently accessing, many of them in large metro areas where we're under shared. We're doing that through development of more efficient formats. Many of you have seen the high efficiency protos that we've opened up in Mount Prospect and Bloomington and other places around the country. We're also becoming more and more efficient in our boxes as part of the productivity loop and I talked to you briefly about that earlier. And then the third triangle on this chart is really the structure that supports the strategy to access the new growth opportunities that we're talking about. One of those growth opportunities is the multichannel opportunity that exists today. We've access only a portion of it through WalMart.com and I wouldn't say WalMart.com is a multichannel. It's a singular channel much like really all online retail. The opportunity for us to take the access and information that's available through the internet into a more multichannel brook and mortar approach where the lines are becoming blurred between the virtual world and the real world. Customers research product online and buy it at retail. They may research it at retail and buy it online. For us, we have to be available in both places and this structure will allow us to do that as well and I'll talk about that quickly as well.

It's kind of an eye chart but by and large what we did in the restructure was take three separate operating division in the US and combine them into business units, integrated business units. Functional operating units where there was a US stores group, a US realty Company and a logistics division. They operated efficiently, all three, very, very well in their own functional silos and integration of those allows us to move more quickly to market more strategically execute the priorities that we've laid out to you and allows us to better develop our talent so that we can grow in the future.

We also will have noticed that we added a role called field merchandise execution. Many of you have asked about that as well. That's a role that's kind of the wiring between the stores and the merchandise group that allows us to get much better at our store groups, customer store groups, along with kind of how their merchandised to deliver the customer experience that the customer in that particular community wants. That group's led by [Andy Beren]. These folks will also assist the field operators with merchandise needs that they have, that they bring to light. Again, everything here is designed to reach and access those growth opportunities and maximize sales. So, the US structure now looks like this. I figured, I've got to show you a map. Hank, as I said, leads the North. I'll talk to you about the leaders in the other geographies in a second.

We have now taken the US under the three business units that exist - North, South, and West -- we have 12 operating divisions, again, consolidated operating divisions and the talents that we have running these businesses is really world class. We have a gentleman who runs the Mountain division, who undergrad Stanford, Kellogg MBA, President of a division of a healthcare Company and then CEO of a retailer before that. World class leaders with significant and substantial experience and well they should. These folks are running businesses that by themselves would be Fortune 50 businesses. So, we're very excited about that leadership team. Each of the three operating business units as we're calling them -- the North, South, and the West -- have about 1,200 to 1,300 stores each. They're led by an Executive Vice President.

As I said, Hank, I have to show their smiling faces. Hank Mullany runs the North and Hank, in addition to his retail experience is a Philadelphia born and raised -- well, not born. Connecticut born, Philadelphia raised, Temple undergrad, Temple grad, and has been President of a supermarket chain and has vast retail experience. Raul Vasquez, I told you about Raul. He was President and CEO of WalMart.com. Raul runs the West and he has a group of leaders who -- I would put up against any leadership group anywhere in the world. Very, very talented group. Raul's background in WalMart.com along with the ability and the access now he has with leadership over the store's supply chain and real estate opportunities in the West allow us to really make progress quickly against the multichannel opportunities that exist.

And many of you have met Rosalind Brewer. Rosalind, her career started as a scientist with Kimberly-Clark. She was with them for quite a while, advanced to President of one of their divisions, has international and domestic experience. She's board level caliber, sits on the board at Coors Molson and is a terrific leader in the South and Rosalind has the charge for us to push forward as quickly as she can on some of the supply chain initiatives that we have.

Just to wrap up before we get to take your questions, I wanted to talk finally about our opportunities to serve the customer. The customer is really looking for solutions today from retailers that they haven't gotten in the past. Our brand position requires us to serve the customer by having the lowest price. We will always have the lowest price. We have a commitment to have the lowest price and everything that I talk to you about today is designed around delivering that price to the customer because in order to deliver our brand to the customer we have to deliver that price advantage. Our structure will allow us to develop the customer in markets where we currently don't have access and we're looking forward to seeing the results of that right away, Hank. No pressure. That's it. Thanks.

QUESTIONS AND ANSWERS

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

Great. Thanks, I'm going to -- Bill, if you don't mind I'm going to start out with the first question sort of as a follow-up to your closing remarks there. The rollbacks that you instituted on Sunday, where do they compare to a typical rollback in a given year in terms of the magnitude and also any color on are they more focused on food versus non-food? And is it expected to be a traffic driving phenomenon? And is there any stepped up marketing associated with this?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

You will see stepped up marketing. They are already increased over where we've been. Maybe not historically but in recent years, our focus has been on driving prices down. It's been interesting in a deflationary environment. I had to look this up because I said I was just having my performance review. The last time the consumer price index in the US was negative before last year was 1955. If you think about it, not in my lifetime, although I am 100 years old as I said at the beginning. So, how you go to market and the price elasticity curves that existed for 40 years before changed last year and we have to react to that. We were reacting to it by pressing our brand position and delivering our brand to the customer. That is through roll backs. We see the higher the roll backs go in our store, the better comp sales are. So, we're pressing that forward.

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

Is it food versus non-food?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

All across the box with a focus on known value items and food and consumables.

Unidentified Audience Member

Regarding your customer base, I recently read that people who have incomes of less than $28,000 a year have a high 30% unemployment rate. I was wondering if you have an idea as to what segments of consumers shop at your stores based on their income levels. Those below the average for the household income, those above? Maybe you're appealing to an income group that's going to remain under stress for awhile.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

I've read similar articles. We see -- we have 87% of Americans who shop in Wal-Mart. We have everybody, almost everybody who has access to us. We do skew slightly lower than the average household income. But interestingly enough in markets like Detroit where you have very high unemployment, our business is very robust. It's not directly related to unemployment. Unemployment is a piece of it. In some markets where unemployment is high we do well because the customer needs us and markets where unemployment might be high and driving distances might be long we might not do quite as well. Let's get his question since that was -- sorry. I was trying to point. I'll go like this next time.

Unidentified Audience Member

As a follow-up to the first question, when you mention stepping up price leadership what exactly does that mean? Because you talked about it on Investor Day. We've all seen Wal-Mart has a lower price. It's always investing on prices. It's really hard for us to get a sense of what is exactly the message you're trying to send. Is it a gross margin message? Is look out for the competition? Everyone else margins are going to get hurt by that?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

I wouldn't tell you that if that was what I was going to do. It's about our business. We're executing our business model. The productivity loop that I talked to you about, you buy for less, you operate for less, you sell for less, you grow sales. It's what we do. There's not hidden message in that to be quite honest with you.

Unidentified Audience Member

I guess what we don't get is the change in the message because you're always about that. Like you said, that's what you do.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

We've tried it in other areas. We're always about price. We have to deliver price and we do. The change I'm talking to you about today is using the rollback thing for us which is the longer-term price change that we have rather than the -- some of the -- we have a program that we called Save Even More which is a shorter-term program. We never do high-low. So, we have long-term and longer-term. The focus for us is going to be more on longer-term.

I'll try to give you a good example of that. In November, we sold the free world supply of turkeys at $0.40 a pound. We sold every bird we could get our hands on. Customers bought them and the loved them and they filled their basket while they were there. With that relatively short burst and we kept that program I think about a month, we weren't able to generate the volume -- the sales dollar volume to offset the price reduction on turkeys and the food deflation that was in the rest of the basket. That was the price elasticity message that we were talking about. So, rather than investing the dollars on the month long burst, we're focusing on the model that we drove for many, many years and still continue to drive. This is an acceleration of that model which is longer-term price reductions on key food and consumable items that the customer wants.

Unidentified Audience Member

Yes, Bill, if I can follow-up on your customer base, the 140 million people who shop there each month --

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Week. Each week.

Unidentified Audience Member

The quick question is how many of those are unique customers and then secondly -- go ahead.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

I don't know. I'm telling you the traffic counts per week. We know we have high users who shop us three times a week. So there would be three of them. We have customers who shop us three times a year. So there would be one-third of them, one-quarter of them.

Unidentified Audience Member

And then in terms of -- I know 87% of the public will shop at some point over the year but who exactly is your core customer these days in terms of who you're targeting your marketing to and are you at all rethinking that over time?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Our core customer is American. It's really hard to differentiate. Even stores that skew very Hispanic or very African-American, it's only a skew. Because the assortments are so broad, 95% of the stores have to serve an entire broad population. They may skew in economically challenged neighborhoods a little bit lower income, but in markets like Plano, Texas, they're higher income and our challenge and that's the role that this new group is going to play for us is designed to help us make sure that we merchandise the store as best for the community. So, I'm not sure I answered the question. I'm not sure that I actually can. Okay. I'm sorry. Go ahead.

Unidentified Audience Member

I think on your last conference call you mentioned you expected food deflation to kind of cycle out at the beginning of the second quarter. Do these price rollbacks that you're talking about now incorporate that? Or does that delay that process in any way?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

No. We don't expect it to delay it. It's part of the plan. I think that the -- I'll call it a projection. It's more of an expectation gained from reading economist forecasts of what's going to happen. We don't think we're going to drive that up or drive that down in any particular way. We see it already in dairy commodity prices for example that started near the end of the year to tick up and so hopefully that will be the front end of that. Yes, sir?

Unidentified Audience Member

Bill, you've kind of admitted recent sales have been a little disappointing yet you're saying the remodeling is basically hitting your targets and I'm just trying to understand what is going wrong other than maybe giving away turkeys a little bit too much.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

No. You said that. I didn't. Maybe I did say that. I don't know.

Unidentified Audience Member

These rollbacks to me seem nothing really new. It's something you've done all along. I guess I'm just trying to get an idea of what is really changing. It seems to me the Company really pushed great value, private label, really pushed some brands out the door, and something didn't work there. Am I right? Can you go through -- what is -- give me am idea what's changed?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Yes. Let me try to give you a little bit of context around that. I tried this on my performance review and it didn't work. Maybe it'll work here. You'll have to call my boss. If you would just adjust for inflation this year, you would be happy with our comps. They'd be positive, 1% to 2%, 1.5% to 2%, just neutral inflation for the year and consumer electrics and in food. That's not okay. I'm not using that as an excuse, just as a way to explain a piece of it.

Secondly, a piece of it was some of the assortment changes that we made as we went through some of the remodels. Was it really related to the remodel because we changed the assortment in all the stores as we applied the win, play, show strategy. What we found is that -- and again, not surprisingly and in this environment you have to be perfect and we weren't last year that you can discontinue items that don't sell anything but get you a trip. One pound brown rice. If you eat brown rice because your doctor told you and we don't have it and you can't afford the two pound, you lose an $80 basket or a $60 basket, not just the $1 for the one pound of brown rice. So, we've been through the business and put 300 or so of those items back into the stores that were removed. We believe that that's going to solve some of those issues. The Project Impact remodels -- I gave you the sales lift from them. I'll say it again. 125 to 150 basis points improvement after the store reopened; however, the part I left off the slide and I'm actually glad you asked, during the remodel, the remodels are more severe because of the changes to the store than our prior remodels. They're longer and there are more of them than we've done in the past and the traffic decline in the Project Impact remodel stores during the remodels is deeper than we projected it to be. It's responsible for some of the traffic and some of the sales decline as well. Self-inflicted wound, clearly, something we've made an adjustment to going forward. We're going to have going forward more of a hard relaunch, typically we would finish the produce area and reopen the produce area. We'd finish toys, we'd reopen toys. We're going to continue to do that but once the store's finished we're going to take marketing, merchandising, and operations improvements and relaunch the programs and relaunch the stores to the customer in those local geographies. So, if you have one of those going on in your neighborhood, you should see local advertising and local merchandising initiatives designed around getting customers back into the store more quickly. We've also become more efficient at how we execute the remodel itself, shortening the duration, adding signage and more -- I won't call it labor but more -- if Wal-Mart could use the term concierge, more associates to help you find things as they're being moved during the remodel. We tested those near the back half of last year and we've seen improvements to both the duration of -- the depth of the dip during the remodel and the reacceleration of traffic after the remodel. We're very optimistic that will be solved as well.

Finally, for great value, many people misinterpreted the package redesign of great value as a shift in focus towards a private brand strategy that some of our competitors follow. We are a house of brands. We prefer to sell national brands because that's how we can differentiate ourselves in price better. When we sell Oreos and a competitor sells Oreos and our Oreos are cheaper than their Oreos, the customer knows that we have a better price. When we sell Cream-Filled Chocolate Sandwich Cookies and they sell Cream-Filled Chocolate Sandwich Cookies and you're not sure whether the quality's the same, the size is the same, it's very hard to differentiate yourself. We like to sell national brands. The great value program for us has been a program designed to bring a more uniform look to the product and to provide alternatives to the customers who were buying those in other places and a way to kind of keep some of our supplier partners right there where we need them. So, it wasn't a shift in strategy. There were a lot of things that happened in the year. All of them we believe we're reacting to. Yes, sir?

Unidentified Audience Member

Can you share with us the strategy Wal-Mart's talking for the small format stores? Maybe share some of the tests you've been doing? What has worked? What hasn't? How should we anticipate it being rolled out over the next few years?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

We operate small formats all over the world and in fact we're willing to do whatever it takes to access customers in Mexico City and Brazil and Delhi. We need to apply that same level of commitment to every market in the US whether it be virtual through WalMart.com, whether it be multichannel through some combination of the two or with traditional stores in large format or in small. We did open Marketsides several years ago and we've been pleased with them. What we've seen from that format, to be quite honest with you and it was designed to help us access customers for ready to eat meals, what's for dinner tonight solutions. And it worked. The product worked for us so well that we're rolling Marketside branded products into the Supercenters and the impact for us will be greater than if we could've opened thousands of Marketsides because of the size of the Supercenter business. So, some of the formats that we're learning from in the US actually have improvements to the bigger box. We opened a Hispanic format in Phoenix and in Houston called Super Mercado de Wal-Mart. And the produce presentation in those stores are phenomenal. If you haven't been in one you should go into them. They're terrific. We're learning from that and bringing some of those changes to the way we're going to lay out our Supercenters all across the US because we shockingly discovered that Anglos like good produce too. We're going to add that to the Supercenter box. So, we learned from them and we also are committed to accessing markets through formats where we can and you'll see hopefully some of that coming up.

Unidentified Audience Member

What are you doing to continue to improve the image which Wal-Mart has of employer relations after the actions of in the past of some ambitious managers who played all kinds of tricks? I'm sure you've now improved things?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Our focus has been on running our business. Many of those things were urban legend. Some of them were true. They were all in the past. The management team that exists today in the US business is different than it used to be. The management team who ran the business for a lot of years did a whole lot of things right to get the Company where it is today and I by no means would suggest that they didn't. Different time and a different place with a different level of scrutiny and a different leadership team. Those are issues that are beside us. We are actively engaged with major issues in the country like sustainability and healthcare to the point where we have a seat at the table and we're influencing those issues nationally. That's how we believe we have to participate and are continuing to drive that.

Unidentified Audience Member

Bill, I just wanted to squeak one in here before we get to the next question. There's somebody over there if you can't see him. But just to follow-up on the Project Impact disruption -- you were I think it was somewhere around 20% of your store base that you did in '09 -- is that right?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

That sounds about right.

Unidentified Audience Member

And the majority of them were in the second and third quarter?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Exactly.

Unidentified Audience Member

So, how do you feel about anniversarying that process this year? Do you feel like you could get some comp lift against that disruption? Do you get a rebound in traffic?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

We're hopeful. For a couple reasons. First of all, it's in the base now. We believe that it will be better than we were last year from a disruption standpoint and a recovery standpoint. We're hopeful that there will be a little bit of a tailwind that starts for us in the second quarter from that. I wouldn't pretend to forecast that into my budget because my boss would sign me up for it. But that opportunity clearly exists. We know the things that we did that disrupted, there was one remodel format that was very, very disruptive.

Unidentified Speaker

Five minute warning.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

What was that? Okay. I thought I said something wrong, that was Carol going "No! You can't say that!" The one particular remodel where we did about four different versions of the remodel and one was very, very disruptive. We're not doing that one anymore. That one's gone. That will improve quite a bit of the performance for those remodels. Yes, sir?

Unidentified Audience Member

Have you considered the impact on your business from a national value added tax? Would that be positive as far as gaining share?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Your guess is as good as mine as to what the government's going to do even tomorrow. Never mind something like that. We have to operate our business. Our business model won't change whatever the government does. We're going to operate for less, buy for less, and sell for less. I think like every business in America we're waiting for the new rules to be published, kind of the new rule book on healthcare, on cap in trade, in all the issues that are in play today so that we can figure out how we best compete with our business model against whatever the new rules are going to be.

Unidentified Audience Member

Bill, there were a lot of recent articles about sort of a little bit of a reversal of your SKU rationalization. I was wondering if you could comment on that and what's going on there?

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

I think I did briefly. We had done some things that lost a trip and I promise you and I tell customers this all the time -- we never discontinued anything that sells well. But we did discontinue where things didn't sell well but were only bought infrequently but cost us a trip. And we did discontinue some things that people didn't buy very often but were aggravating to a customer to lose. [Lee Scott] told us recently rule number one in retail -- don't aggravate your customer. So, we need to put those back. We've got to service the customer. We added back, I said, about 300 SKUs. But we didn't add back 3,000. We added back a small percentage of what was removed. The vast majority of what was removed was done for the right reasons in the right way and have actually improved the category sales in those categories, mostly in food and consumables. There were flavors, items, sizes that customers are very accustomed to and like very much and we disappointed them by taking them out so we put them back in.

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

I don't see another question. Is there anybody out there with a question? I don't want to steal from anybody in the audience. The other question I had, just on Project Impact, is it changing -- the post-remodel stores, is it changing at all the seasonality of those stores? Do you have stronger flow through during holiday periods than you might expect? I was just curious if there was any change there.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

The seasonal business in those stores has been better because we've moved seasonal to the front of the store. So, it has gotten better. And we've seen -- in some cases it's hard to relate to whether it's Project Impact or just the economy in general, shifts in days of the week and time of the day and interestingly enough, more men shopping over the last four years -- sorry -- six months than there were over the previous four years. Is that unemployment? Is it Project Impact? It's hard to actually pinpoint it.

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

Alright. Terrific. I want to thank Bill Simon.

Bill Simon - *Wal-Mart Stores Inc. - EVP, COO*

Thanks for listening. I appreciate it.

Robert Ohmes - *Bank of America Merrill Lynch - Analyst*

Thank you, again.
