

**The 20th Annual Meeting for the Investment Community
October 16, 2013**

Corporate Speakers

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| • Rosalind Brewer | Wal-Mart | President, CEO - Sam's Club |
| • Charles Redfield | Wal-Mart | EVP - Merchandising, Sam's Club |
| • Cindy O'Connor | Wal-Mart | SVP, General Merchandise Manager - Home & Apparel, Sam's Club |
| • Todd Harbaugh | Wal-Mart | EVP - Operations, Sam's Club |

Participants

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|-------------------|-------------------------|---------|
| • Peter Benedict | Robert W. Baird & Co. | Analyst |
| • Jason DeRise | UBS | Analyst |
| • Greg Melich | ISI Group | Analyst |
| • Paul Trussell | Deutsche Bank | Analyst |
| • Daniel Binder | Jefferies & Co. | Analyst |
| • David Strasser | Janney Montgomery Scott | Analyst |
| • Michael Exstein | Credit Suisse | Analyst |

PRESENTATION

Unidentified Company Representative: We hope that everyone had a very productive break. And so, we'll tune back into the webcast.

So, welcome back to Wal-Mart's Meeting for the Investment Community. We had a short break and now we will have the second part of our agenda for this morning. First we'll be covering Sam's Club followed by a Q&A. And then we will go to the International session.

So with that, I'm very pleased to welcome up to discuss Sam's, Roz Brewer, President and CEO of Sam's Club.

Rosalind Brewer: Thank you, Carol. So, good morning, everyone. As I'm looking out into the audience and last night at dinner, there's a lot of familiar faces from when I was on this very stage last year. It was my first time being on this stage and I was about 10 months into the job. But a lot has happened since then. We learned a lot about our business, much of what you'll hear about today.

And then we've created some really wonderful strategies around those learning's. And our business at Sam's moves very, very fast. And so we'll share those fast movements with you, but today, my team and I will really embrace all the learning's, pass those on to you, and then end with the discussion about our forward look.

So, we'll tell you in our learning's about how our member base is shifting, which is important to our business. We'll tell you about the heart of our merchandising strategy, and we'll talk about our strategy around differentiation and our plan to accelerate growth. We'll also tell you how we're making data come to life.

But let me tell you what isn't changing. And that's our foundation. Our foundation remains strong and our strategy is consistent. We have a great team. And all of our efforts at Sam's, all of our efforts are focused on delivering superior value to our members. And that remains our focus going forward.

Our focus has not changed. So today, you will hear about our strong merchandising strategy, how we're integrating our physical with our digital presence. About our disciplined real estate strategy and how we're differentiating Sam's Club which has a lot to do with both data and personalization.

So let's get started. Right now, it's all about momentum for us, momentum that's rooted in our strong adherence to the Club model. This strong adherence has resulted in consistent top line performance over the past three years, meaning that our discipline and our strong foundation can make us effective in any sales environment.

The strong performance year over year is a testament to the improvements we've made in several areas. First and foremost, improving our merchandise relevance. Secondly, strengthening our member retention.

Here's a quick level set. The Sam's Club brand must go through an evolution, but not a revolution, to drive the needed member growth. That's why we aspire to become the most valued membership organization in the world.

So how will we do that? We'll do that by saving our members' money on items they buy most and by surprising them with the unexpected find.

So let's dive into improvements we've made in merchandising. We're seeing great gains across the business and it's because our merchants are focused. They're focused on differentiation. Our buyers, our buyers are focused on merchandise innovations, price leadership, and best-in-class quality.

And I know as many of you all sat around dinner last night and you got a chance to walk around the room and look at the Sam's merchandising, I think all of you all would agree you're seeing a step change difference. And we're seeing that play out in several categories.

First of all, in Apparel, we are more robust in our branded offerings. But what's really exciting about Apparel is our price. And it's resonating strongly with our members. They are responding. The team has made great gains in this area and we've seen mid single-digit comps.

Now let's turn to Produce. In the past, we've talked about fresh. We've talked about fresh being a traffic grower for our business. Our members appreciate our focus on quality and we're seeing mid single-digit comps in that area.

The demo program in Produce, it's particularly strong. Members who sample our produce firsthand understand the quality of our products. And that's increasing produce purchases and driving the incremental sales in that area.

And in Health and Family Care, we're seeing growth potential. And we currently have mid single-digit comps in that area as well. We know that trust is essential to our success in this area, especially with our new moms. And that's why we have switched from third-party to in-house

pharmacist-provided immunizations, which you'll hear more about later.

We know that a strong assortment drives new member acquisition. That's why over the past year, we've tested some innovative ways to reach new prospects. That's important to us.

So let me give you an example. So in March, we worked with Living Social. We provided a \$45 offer that included a one-year membership, a \$20 gift card, and several fresh items. And let me tell you, the results were great. In just 48 hours, we had more than 157,000 people sign up for the offer. And we also got really fantastic buzz in the social media forefront.

So these members received about \$80 on offers spread across several trips and that gave us multiple chances to showcase our value. We all know how much these things have changed and how tech savvy our membership is. And our goal is to meet our members when, where, and how they want to shop our brand.

But success is as much about retention as it is about acquisition. To support both, we've done several things to drive value. We simplified the card and the fee structure. This was our first fee increase since 2006. We launched it on May 15th, and we're beginning to see added strength in our membership income stream.

We strive to be the price leader in the club channel. So one way to do this is through strategic and very disciplined price investments. For example, just a few weeks ago, we lowered the price on our Daily Chef Pecans by \$2 a bag. Member response has been very positive.

But back on May 15th, we didn't just strengthen the value proposition, we added Instant Savings for all. And this is another form of price investment for us. It leverages the e-value platform which many of you all have heard us talk about over the past two years. And this helped us enable the launch of Instant Savings.

And the response has been strong. Our engagement, meaning the percent of members buying featured Instant Savings book items, has increased after each book. Our redemption dollars have also increased following each book. But we haven't forgotten about our valued Plus Members.

Last year, many of you all know, we piloted a Cash Reward program. And we rewarded our Plus Members with \$10 for every \$500 spent on qualifying purchases. We're going to keep testing Cash Rewards in our south central area because it's still too early to know how this is impacting the most critical piece of our membership stream, and that's our renewals.

But we do know this. Our members enjoy Cash Rewards. Our associates, they also appreciate Cash Rewards because it's a simple straightforward way to drive our upgrades. So we're encouraged by what we've seen to date by our early learning's and what we've been able to execute. And as we monitor this, we'll be better prepared to roll all of the enhancements out nationally.

So as you can see, our ability to evolve over the long term to stay relevant is critical. We're focused on staying true to the club model while at the same time focusing on innovative ways to move the business forward.

Sustainable growth is all about member value creation. So we're enhancing four key areas to drive long term growth. Merchandise, access, experience, all tied together with data. We'll

continue to create value for our members through our strong merchandise strategy which our Chief Merchant, Charles Redfield, will share with you in just a moment.

But we're creating value by increasing access through both brick and mortar and multichannel mediums, and by gathering a compelling experience for our members. Todd Harbaugh, our EVP of Operations will tell you more about how we're doing that. But first up, Charles, join me on stage and talk a little bit about our merchandise strategy.

Charles Redfield: Thanks, Roz, appreciate it. Last year when we were here, we talked about the importance of our merchandise relevance. And we spent the last year strengthening that relevancy because we know our merchandise strategy drives that member value.

At Sam's Club, we really have a very simple business. It's about great items at exceptional value. That's what our members expect. So let's spend a few minutes talking about our merchandise strategy and how that's driving that member value.

When I was here last year, I talked to you about our merchandise strategy and how it was based on member research and member insights, and the top reasons why members sign up and shop at Sam's Club. First thing they told us, they expect that prices would be lower than other stores. Second thing, they wanted the option to buy in bulk. And that makes a lot of sense when you're talking about a small business owner.

Price in bulk are about the value for our members. Now, Roz has already talked to you a little bit about that already and how we're investing in the value for our members. But what I'm going to spend my time on is actually talking to you about the third reason why they shop at Sam's Club.

And that's because they're interested and curious about shopping there. Now, this is where quality and excitement come into play. Quality and excitement, that's the emotional connection that creates loyalty with our members. If you're asking me, it's all about the merchandise. It's about being different. This feeds our members' curiosity about what they're going to find at the club. So let's talk a little bit about more of those two things.

First, quality. Our members have high expectations for quality. And so do we at Sam's Club. We've made some changes over the past year. We've improved our processes. We've added additional headcount to the quality team. We've incorporated even more feedback than what we were getting before from our members on our product.

This is where data and information can really help you make decisions. And Ron's going to talk to you a little bit about that a little bit later. Let me give you a great example. Let's talk about diapers because we all understand diapers.

Our Simply Right private label diapers; our members told us they were good, but they had suggestions for us to improve. So we made those changes. We changed the core of the product so it will absorb faster. We changed the waistband so it will fit better. But that's not the only thing we do. There's a great sustainability story here.

It used to come in a cardboard outer box. We changed that to put it into a poly bag. What did that do? It reduced our carbon footprint. It eliminated over 1 million pounds of packaging. It reduced overall truck mileage which resulted in a cost savings of 2%. But what we did is we used that savings, invested it back in that quality to make the better diaper -- the diaper better,

sorry, and delivering a better value to our member. Although it's just hitting the clubs right now, the members' response has been really strong and we're really pleased with that.

Now let's jump to excitement real quick. Okay, two things I want to talk to you about excitement. First thing is newness. Every month, our members will see more new items in the club than they ever have before. Let me give you an example.

This December, if you look at our general merchandise area, excluding Entertainment and Technology, if you just look at Home, Apparel, and Hardlines, this December, our members will see 132 new items versus 56 a year ago. That's almost triple.

Yes, that may not seem like a whole lot to you, but when you're on a limited SKU basis and budget, that's a lot of items. But I'll also tell you, it's not only going to happen in December. Our members will continue to see more new items in January, February, March, and ongoing.

How are we doing that? We're changing the way we're planning the items. Before, we were talking about selling through a season. Today, it's about selling out on an exact date which is going to enable us more frequent transitions for new items in the club. We've changed our process.

The other part of excitement I want to talk to you about is brands. At Sam's Club, we're a house of brands. It's what our members expect and we spoke about it many times. It's what our members want.

Now, I'm not going to show you all the brands today. So I showed them in a Christmas present for you today. But this is what I'll tell you. They're the same brands as you'll find in big department stores in New York City, in Boston, all across the big cities, except only one difference. You'll see up to a 60% value on those items.

How are we doing that? In many cases, we're working directly with the manufacturers. In other cases, we're working with established dealers or distributors to make this happen. There's an opportunity for us here if we continue to strengthen this. And we're already making very good progress.

Now, another part of this emotional connection in building loyalty with our members is experience in the club. It's how we bring merchandise to life in the club. If you've been in our clubs recently, you'll have an idea what we're talking about. If you haven't, we're going to do the next best thing.

I've asked Cindy O'Connor who's our General Merchandise Manager of our Home, Apparel, and Hardlines to go to one of our newly recently opened clubs at Edmond, Oklahoma, okay. And I asked her just to spend a couple of minutes to give you an idea of what you're going to see and our members will see this holiday season. So let's look at that video.

(VIDEO PLAYING)

Cindy O'Connor: Hi, I'm Cindy O'Connor, the Senior Vice President and General Merchandise Manager for Home and Apparel at Sam's Club, and welcome to our newest club in Edmond, Oklahoma. There is no better place to see membership-driven merchandising come to life than in a brand new club.

Charles and Roz both spoke to the importance of differentiation as a cornerstone of our merchandise strategy. Differentiation is what creates member excitement. And consistently delivering on excitement is what drives member loyalty and affinity for the Sam's Club brand.

Now let's take a look at some of the ways we've built a differentiated assortment this season with new items, aspirational brands, and a keen focus on quality. One example of elevating quality is our Dreamfinity Pillow, an innovative product with the latest cooling technology. And we're really excited to offer it at over a 60% value to major department stores.

Even better, the supplier has recently moved production back to the USA and all of Sam's inventory will be domestically sourced. I can't finish this tour without calling your attention to a few more new items the merchants have brought in.

Here in Small Appliances, you'll find the newest specialty store products to treat yourself or the foodie on your gift list, and most at a 30% savings or greater. I just love this juicer by Hurom. And it made it on to Oprah's List of Favorite Things.

Also new is the Breville Smart Toaster Oven. With convection features, it speeds cooking by at least 30%. And last, this Viente Pasta Maker makes 14 different shapes and you'll find it in really high-end kitchen specialty stores and at Sam's Club.

Newness is a critical piece of our merchandising strategy because it gives our members a reason to keep coming back with more and more frequency. And at Sam's Club, we have taken newness beyond a sporadic treasure hunt and we've made it the norm. Whether a pasta maker or a really big plush toy, we're obsessed with giving our members an exceptional value on what's new this season.

Charles Redfield: Cindy, thanks for that. I really can stand up here all day and talk about items with you. It's that fun. Carol said I could have two minutes of a video, great. So I pushed the limit and I did two minutes and 15 seconds. Either way, it's about the items.

That's just a small sampling in which you're going to see. For those of you in the room, when you're on lunch today, if you're on break, take a look at the merchandise room. For all the others, get into your local Sam's Club and see what Sam's Club has to offer you this year. It's not business as usual. I promise you that.

This holiday season's going to be a great season. Of course, everybody wants to know how the holiday season's going to be and how we're going to finish the year strong. I'll tell you this. We're building on last year's successes. But we're also introducing new exciting programs.

First of all, our members are going to see two Instant Savings books and a [number] of events that they didn't have a year ago. Second, we'll have a social media program, just like Roz talked a little bit about earlier, except it's going to be bigger and better to build our membership base and also drive more traffic into the club this holiday season.

We're going to have the best online program we've ever had with great mobile functionality, thanks to our partners at Global eCommerce. And ultimately, it's about the great merchandise. We're changing the merchandise.

We're going to be successful by giving the members exactly what they want -- differentiation in price, bulk, quality, and excitement. With new and differentiated merchandise and activity in the club for this holiday season, I'm confident we'll have a strong finish to not only this year but also going forward.

With that, I'd like to invite Todd on the stage to talk a little bit about access and experience.

Todd Harbaugh: Thank you, Charles and good morning, everyone. As Rosalind mentioned before, we are all at Sam's Club focused on creating value for our members. And one of the things that we've been really focused on is access anytime and anywhere.

So I want to start off by talking about our real estate strategy. We will continue to open new clubs to protect and grow market share. But we will also be investing in densely populated markets to gain even more members.

This year, we've opened the most new clubs we've opened in years. Just this quarter, 13 new and relocations, and most of which are opening just this month. And I'll tell you what, the excitement has been unbelievable. The lines have been out the door, parking lots are full, and we built very strong relationships in these communities. And you can expect that excitement to continue into the next fiscal year.

We are pleased to announce that these clubs are exceeding their sales plan. In the first few weeks, sales are often more than doubling our sales plan. And we believe that we will see this momentum continuing into the weeks and months to come. We attribute this success of our new clubs through an aggressive membership acquisition strategy.

As you know, the key driver to ROI and new clubs is sales. More members equal more sales. And we are investing on the front side to build critical mass of members in these new clubs. We're customizing the approach by market. We're targeting large employer groups, big businesses, school districts, and even the military to grow consumer members.

We're also focused on small business and add-ons so that we can continue to grow our business memberships. In many of these clubs, we are opening with double the number of new members that we've opened in the past.

Through the first year, we plan to engage with these members to demonstrate the value of Sam's Club, driving trips to the club and renewals of these very important first year members. We know that our new club and new club acquisition strategy is working. That's why moving forward, we plan to accelerate.

Next year, we are planning to open 13 to 16 new clubs, four to six relocations and expansions with a total of 17 to 22 total projects. That's approximately 2 million additional square feet of retail space. And we will be doing this while keeping overall capital consistent. We are focused on maximizing capital through value engineering.

We're pleased with our current layouts in club. We've gone through and tested and optimized for operational efficiency and the member experience. The consistency of our layouts facilitates expense leverage. An example of that would be last year, we reduced our overall remodel cost by more than 10%. And that was already on a very efficient base.

This discipline going forward will be the norm in our remodels. Our fleet is in the best position and in the best condition that it's been in years. We're focused on balancing capital by growing new clubs and enhancing the existing fleet, achieving long term growth targets while also maximizing return on investment.

And you know what, brick and mortar is important, but it's not the only part of the equation when it comes to access anytime and anywhere. As Mike mentioned earlier, we're focused on integrating our physical presence with our digital presence to engage even more members.

The majority of our members come into the clubs with a smart phone. And that's why we've enabled our clubs over the last couple of years with Wi-Fi. Integrating that shopping experience is an opportunity for us to drive value for our members. Our first [half site] traffic grew more than 23%. And in partnership with Global eCom, we were able to update our site back in august to improve the overall member experience and utilizing capabilities designed on the Wal-Mart.com platform.

Traffic by platform is also growing. Our mobile traffic has nearly doubled. And as Neil mentioned, at the end of Q2, our redesign mobile app helped improve our overall shopping basket by more than 25%. Direct to home orders are also increasing up 40% so far year-to-date.

And we're also focused on reversed showrooming as many of our members use their mobile devices to check product availability, specs and even price before they head into the club. We will continue to invest in technology to drive sales and build relationships with our members especially the Millennials.

I like to transition now and talk about one of the most important aspects of our business, and that's the member experience. The member experience starts with excited and engaged associates, creating an environment where all of our associates feel like they can win. Every year, we conduct an engagement survey with all of our associates. At Sam's Club, that's 107,000 strong.

This year, we've had the highest engagement scores ever and that's already on top of a very high base. This has led to our highest year-to-date member experience tracked scores ever. And I want to remind you that we survey more than 50,000 members a month. But you know what we want to take exceeding our members' expectations to another level.

And that's why we've invested in technology to support the member experience. Technology allows us to react to our members. And it also enables our associates to provide excellent customer service. We want to provide our members with the flexibility to shop the way they want. And we have several initiatives under way to help leverage in club innovations and also drive productivity.

Last year, you heard us talk about frontend optimization where you've seen a 9% increase in transactions going through our self-checkouts. That's why today, you see self-checkout at more than 450 clubs and it's growing. We also introduced the convertible register last year and it's been very well-received by our members.

We're focused on driving productivity, but not sacrificing the member experience. And the business is aligned fueling the productivity loop. Sam's Club will continue to leverage capabilities by investing in people and technology to better serve our members.

So speaking of those members, we know that our members love the pharmacy experience at Sam's Club. In fact, Sam's Club has been recognized over the years for that experience. We also know that our members are concerned about the rising healthcare cost. Whether you're a baby boomer or whether you're a small business owner, one of the ways that we can create value is through our immunization program.

So as Roz mentioned, we invested in our associates. We moved our immunizations in-house, training and certifying our pharmacists, so today, they can administer shots like shingles, chicken pox, measles, mumps and rubella just to name a few. Year-to-date, our pharmacists have administered over 70,000 immunizations allowing us to provide a more holistic health and wellness experience that differentiates ourselves from the competition, enabling one on one relationships with a pharmacist that our members already trust.

These interactions between our pharmacists and our members are happening in our clubs every single day. And you know what, we know that our members who use the pharmacy shop more frequently and spend more money. And quite frankly, Roz, we need a lot more members like that. Thank you.

Rosalind Brewer: Thank you, Todd. Nice job both Todd and Charles, giving you a little bit of the background on what's focused and what's happening in our clubs today. But now let's take a look at the future and what's on the horizon for Sam's Club. Ultimately, our goal is merchandise-driven membership growth. We'll do that through differentiated merchandise, access anytime, anywhere, and a compelling experience both in club and online.

But to grow, we must understand the social and the economic factors that our members and our potential members are facing. Our merchandise assortment especially given our limited SKU environment, and you've heard Charles talk about that, must be driven by our changing member. And that's happening already. It must also be driven by our business member who remains a critical part of our member base.

Sam's Club must differentiate from a broad spectrum of competition. We're finding that for us, the competitive landscape is migrating. It's spanning from Amazon Prime, an online membership opportunity to the traditional warehouse clubs. And that's why we're using data to truly personalize the Sam's Club experience. So as I mentioned, the competitive landscape, it is shifting.

We're also seeing our member base shifting from boomers to Millennials. Right now, boomers have lots of purchasing power. They also have expanding health and wellness concerns and changing dietary needs. But we expect that over the next decade, Millennials will be the members of focus for us. And as they begin to buy homes, start their families, we want to be right there with them.

But we also know that our business members, they're working incredibly hard to keep their doors open to finance their entities. But we're working hard for them as well. We're developing services specifically for them. We're not ready to share those specific details with you at this time. But what I can tell you is that these initiatives will be very targeted initiatives. We are learning so much more about who's shopping at Sam's Club and the potential Sam's shopper that we'll be able to deliver a targeted initiative.

So what can you expect to see in the next six months? We'll be focused on business member services that would include savings, enabling and connecting, all powered by technology. And you've heard that word a lot today. Sam's Club is also sticking to deliver a seamless multichannel experience that's personalized.

So we've been partnering across our organization to build something called the member engagement platform. You'll hear about components of this as we talk about the work that's done across our company. But as a member based organization and retailer, our data puts us in a prime position to know our members better than anyone.

So we have the opportunity to lead in this space. We are launching an integrated marketing platform along with new touch points and discounted offers. We expect it to revolutionize our way of doing business, putting our member in the center of our key decisions in programming. It would also strengthen our value and our price leadership position through this personal connection. We're developing all of this internally and we'll be ready to deploy some of these new capabilities early next year.

So here's what it will look like. Take a look.

(VIDEO PLAYING)

Rosalind Brewer: So as you can see, we're driven to create member value in a whole different space. You could see and probably even feel the excitement that our merchandizing team has around our business right now with a differentiated merchandise you'll see in clubs. I'm personally excited about what's happening in our home, our apparel business, our furniture business.

But Todd also gave you the details on our disciplined use of capital along with how we're integrating both their physical and our digital. And in just a bit, you'll hear from our partners in GEC about how that connection really comes to life between the physical and the digital.

So in closing, what I'd like you to take away from what you've heard today is that the Sam's Club core is strong. And what we're building today will deliver an even stronger, even more exciting Sam's Club tomorrow. And so with that, I'd like to open up for questions. And I ask both Todd and Charles to rejoin me on the stage.

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Unidentified Company Representative: And Roz, we have 15 minutes for questions on Sam's Club. But I do have a message to those of you who are watching and listening on the Webcast. For those of you on the Webcast, if you're screen locked up after one of the videos, what we would just ask you to do is refresh your screen again. Just hit refresh and then it will get you back to the slide presentation, so just a little technical reminder on that.

And we have Roz and her team up. And we're open for questions. So we'll start with Peter.

Peter Benedict: Thanks Carol. Peter Benedict of Robert Baird. The new member sign up trend is obviously encouraging at running it 2x I think in some cases the way it used to. How many of those are being done at a discounted rate? It sounds like you're also providing a lot of value with the member sign ups. I'm just trying to understand how that compares to well, what you've done before.

Rosalind Brewer: Yes, so just to give you an idea. We do budget and prepare for preopening expenses. And in the past, that could have looked in a various amount of ways. What we're doing now is focusing how we touch and acquire new members. So when you look at opening a new club, we probably touched those new members trying to retain and renew over a period of two to three years. We're pushing that forward and focusing strictly on acquisition. And so we're seeing it really pay off. It's an investment that we think is the right to do. So it's working for us.

Peter Benedict: Thanks. And then one follow up, the US team spoke a lot about -- what's going on in Washington and how it's affecting our customer. Can you maybe speak to what's happening with the Sam's Club customers? Thanks.

Rosalind Brewer: Yes, so a couple of things that we know are on the minds of particularly our business members. We know that they are getting even feeling a little bit cautious what could happen in the lending area. That's important to them if rates should go up. But one thing we are seeing in those clubs around some of the commissaries. We did some work when the initial shutdown happened and offered passes to come in, and we had just over 40,000 people come in.

So really, what we're trying to do is just ebb and flow with this level of uncertainty and just really be there for the member. We know they need to access to goods. We know they need access to great pricing. And so we've tried to make ourselves available. And so we've done that in the first few days and then we're just kind of holding vigil to see what's going to happen in this time of uncertainty.

Unidentified Company Representative: We'll go this way. We'll go back to Jason and then over to Greg.

Jason DeRise: Hi, it's Jason DeRise at UBS. I guess two questions. First on the membership, could you share some of the actual statistics per how you're progressing on renewals and where you want that to go, maybe some stats about actual members per store year-over-year?

Rosalind Brewer: We actually have not disclosed our specific data on our membership base levels or growth. We hope to, as we continue to invest in this area, come forward and speak to you about that at the close of the quarter, but I can tell you that we're encouraged by the investments we're making. It's giving us a lot of energy that we are on track. And so we're going to continue where we're investing right now. We monitor it and as we get closer to some good numbers, final numbers, we'll come back to you on that.

Jason DeRise: And then maybe just as a follow up with the fee increase that's gone in, maybe without -- I guess you're not going to give numbers, but can you talk rationally about that?

Rosalind Brewer: Right. So I can tell you the fee increase we received very little rebuttal on that. It went a lot more smoothly than we had anticipated. I think that we had -- I will tell you, if you go back about 18 months in our transformation and merchandizing, we did a lot of work, my predecessor and the team before me, around our food business.

And I think our members were prepared and ready and getting closer and closer to our brand, so that when we did take that fee increase, they saw the value. And so as we continue to migrate our merchandizing strategy and really get really sharp on our price leadership, we feel like the

fee increases are appropriate and so do our members. And that's what's important to us.

Greg Melich: Hi, Greg Melich with ISI. Hi, Roz.

Rosalind Brewer: Greg. Hey, Greg.

Greg Melich: At last year, you mentioned some tests that you were doing regionally, I believe in Texas and maybe in the Pacific Northwest on a different membership model that, you know, three months and different pricing. Did you find that those worked and is that now things are going to roll out to other parts of the region or are you still doing these regional programs basically and how they do?

Rosalind Brewer: So it was one regional program and it was in South Central which is primarily the Texas area. And what we rolled out May 15th was about 90% of those pilots, Greg, the only piece that we have not rolled out yet is the cash rewards piece, and that's a piece where we're still trying to validate what is the impact on our renewal process and we'll hopefully have a decision on that sometime this year.

Greg Melich: Okay, so stay tuned. And then on inflation-deflation, Bill mentioned earlier how at least at Wal-Mart, we saw when there was inflation that actually we have some advantage in terms of traffic and price differentiation.

Rosalind Brewer: Right.

Greg Melich: How is that worked out at Sam's? Do you see something similar or where is that running now, inflation?

Rosalind Brewer: Yes, we are seeing something similar. If you go back in the second quarter and what our results look like, you saw our comp at about a 1% comp. This time, that time, that timeframe last year, we had about 250 basis points of inflation in our business. And so you can sort of estimate the difference there. So and the same situation as Bill's business is that in the inflationary times, we saw a difference in our comp values.

Unidentified Company Representative: Okay, other question on Sam's? We're right here. Okay. I'll go to this side. Paul?

Paul Trussell: Paul Trussell, Deutsche Bank. You mentioned, Roz, that there are other loyalty programs out there or membership based programs out there like Amazon Prime. Obviously, Costco is a big competitor.

What is the actual crossover that you found in terms of members that have cards actually subscribed to multiple membership programs and also in terms of the Dotcom business with Amazon Prime becoming more a focus from your guys as a competitor? Can you just talk about the next steps that we should expect to see from samsclub.com especially in terms of expansion of assortment?

Rosalind Brewer: Okay, so the first question is around how many people do we see in terms of crossover and maybe our dual cardholders. Let me talk first about Amazon Prime. We are actually seeing that a Sam's Club member is really prone to have an Amazon Prime membership. And so that's really fueling and enabling and giving us courage around the work that you heard

us talk about a lot more digital presence than we've had before. So we're seeing overlap there.

We also know that there are a lot of households that have dual cards, both as another warehouse club cards. So we are seeing that. But I will tell you that our membership is still at a value to both Amazon Prime and to the Costco memberships. So we feel like we're in a good space, Paul, in that respect.

And when you talk about then what is the goal forward position? How do you look at that in the future? I think we have redefined our landscape. You probably would have thought Sam's would talk consistently about other BRICS membership clubs that you know. It's definitely membership based when you think about what's happening with Amazon Prime and \$299 for the Amazon Fresh memberships.

So we are seeing that are some parallels there, and we're encouraged that our opportunities online and to take our membership and broaden it. It's probably a pretty good opportunity for us.

Unidentified Company Representative: Dan?

Daniel Binder: Hi, Dan Binder, Jefferies. I'm just wondering if you can comment a little bit on the instant savings book if they have any sense of how many times a year you think you'll run it. Do you see the instant savings growing in terms of the aggregate savings per book?

Rosalind Brewer: Yes.

Daniel Binder: And then just lastly in terms of quality focus, sort of what's the next big area? You've done produce and mentioned a few other names, a few other categories in the slide. What's the next big focus there?

Rosalind Brewer: Right. So your first question is around instant savings books and what do we see in terms of growing that or further penetration. For us, that's a really disciplined process. You're going to see us run five books this year. We run no more than 100 SKUs in those booklets. We do a lot of work to make sure that there are not repetitive items in those books. They are extended for about 26 to 27 days a period.

So it's very, very disciplined price investment that we're making. Secondly, I believe your question --remind me again the second question there.

Daniel Binder: Quality. It was just around the aggregate savings in each book and then lastly around the quality.

Rosalind Brewer: Got it. Yes, so savings in each book -- I mean you can see if you just were to stand the book, you probably see some pretty decent savings that there's probably some that might have a double digit reduction in pricing. But it is actually -- we get a lot of feedback from our members in terms of what they want to see, what we think our pricing is. And then we also let that inform us in terms of what needs to be an ongoing price point.

You also asked about what's next in terms of our concentration on differentiated merchandise. I'm going to let Charles take that question about what category is next.

Charles Holley: Sure. From a quality perspective, it's actually all across the club. Like I said,

our members expect that. They have high expectations to quality. Fresh was a prime area that we worked on years ago, and we continue to build on them. We have these really strong processes there. But it's actually to the entire club. So when you talk about improving process as adding headcount to the team, it's to go across the entire club, including general merchandizing, including the home area, the apparel area and all those type of things.

So when we add additional headcount, it's to cover the entire club. So what's next is our members told us, Fresh is the most important thing around quality. That's where we focused on for years. Now, it's spreading throughout and we're going into more detail throughout the entire club.

Unidentified Company Representative: Roz, over on this side. David Strasser.

David Strasser: David Strasser from Janney Montgomery Scott. Quick one, you guys are in a very enviable position with all the data you have on your customers, which it seems to date, you haven't used to the extent and you gave a great example up there with the birth, the new mom. How do you balance the opportunity to leverage that for what the customer wants versus going too far and sort of scaring the customer or sort of playing that balancing act between using the data too much and so also giving them a lot and you a lot?

Rosalind Brewer: Yes. Well, I think there is a point there. We do converge a lot of our pieces of data together. Part of what we do is to make sure that when we talk really about how often talked to our members, we sort of know what space they want to be in and we have all committed to making sure that we put the right boundaries in place.

We're very, very careful about any other data from the pharmacy getting exposed to any other parts of the data that we manage. So it's a very careful point, not one that we're concerned about because really when you look at the data, we look at purchasing data and actually, you know, I think what we've learned so far is that our members are really elated when they know we're thinking about them, we're putting them back in the center. They know we know what they purchase.

So I think that so far, the only response we've gotten is that, I'm happy you understand me as a member. And so we're careful about that, though, very careful.

Unidentified Company Representative: And Roz, we'll stay on this side with Michael.

Rosalind Brewer: Okay.

Michael Exstein: Hi, I'm Michael Exstein with Credit Suisse. Can you sort of give us a little detail on how important gasoline is for your total business, driving frequency and what the crossover is between gas purchases and in store purchases?

Rosalind Brewer: So for the Sam's fleet, we have of our 600 units, we probably only have about 100 clubs that don't have fuel. We do think that fuel is still an advantage for us. We offer fuel at a very good price. We have price leadership on fuel.

In terms of what it delivers to our bottom line, we usually commit all of our results with and without fuel. What you'll see is that as fuel vacillates, we try and stay right in line with where the pricing is on that. And it is something that going forward, we're going to continue to focus

on. We do think it's a valuable part of our business. But price leadership is the most important to us on fuel.

Unidentified Company Representative: Well, we have time for one more question on Sam's. Okay, Dan, we'll go back to you.

Daniel Binder: Just as a follow up to my earlier question on the mailer? Can you give us a sense of how much of that is vendor-funded versus funded by Sam's? I think your main competitor has a lot of that [as vendor funded]?

Rosalind Brewer: Yes, our instant savings funding is primarily vendor-funded.

Daniel Binder: And then for next year, how many books would you anticipate? I know you have five this year.

Rosalind Brewer: We haven't really disclosed that yet, but I can tell you that you shouldn't expect much growth over what you saw this year.

Unidentified Company Representative: And Roz, the date of the next one coming is?

Rosalind Brewer: The next one coming is October 30th.

Unidentified Company Representative: Yes, we've had that question from a couple of people. So it will be out available right around the corner. And with that, we're going to wrap up Sam's. Roz, Todd and Charles, thank you very much.

Rosalind Brewer: Thank you.