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PRESENTATION

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(inaudible - microphone inaccessible)

Duncan MacNaughton - *Wal-mart Stores, Inc. - EVP, Chief Merchandising Officer, Walmart U.S.*

Thank you, Michael. Better check my diploma when I go home. Thank you for the introduction, Michael, and also for Credit Suisse for the conference and putting us on. We are very happy to be here.

As Michael said, I am Duncan MacNaughton with Walmart US. I am the Chief Merchandising Officer for our team. And I've brought some colleagues with me, some senior merchants, and then the IR team as well, I would like to introduce, just so you know who is here with me today.

First is, in the back of the room is Steve Breen. He is our Senior Vice President of Snacks and Beverages for Walmart US. Sitting next to him is Ashley Buchanan, Vice President of Dry Grocery. And up here at the front table is, as many of you know, Carol Schumacher, who is our Vice President Investor Relations and also on the IR team is Matthew Lunde. So I brought some help for the afternoon.

Michael, I didn't know about Harry Potter, so I'll be back in Northwest Arkansas while you are at Harry Potter. Okay, great.

Again, thank you for being here with us this morning and for your interest in Walmart. I've got to start with my obligatory forward-looking statement for all of you. If you need more details or information on our forward-looking statements or SEC filings, you can find that on our Walmart website, so I encourage you to go read that in depth if you need to.

Again, we will get started here with a brief presentation and then I will take some questions from you as well. In October at our analyst meeting, Bill Simon, our CEO and President of Walmart U.S., really framed for you our Walmart U.S. business model, as well as our strategy going forward as to where we're going to put our focus. This should be familiar to many of those -- many of you who follow Walmart U.S.

It is really grounded in what we do best and the core of who we are, and really does resonate with our customer. And it starts with everyday low prices, with price leadership and price separation market by market, store by store, category by category, across the United States where we do business.

All of this is funded by a productivity loop and a relentless focus on cost and cost reduction, which we have here as everyday low cost. So operating, whether it is product acquisition costs, whether it is flowing goods to stores, whether it's operating at store level, it is where can we take costs out of our business model to take that area and reinvest it in our price leadership, which is so important to our customer.

All of this is supported by the broadest assortment possible in all the categories that we participate in to really provide for our customer a one-stop shop environment. And I think what is critically important here is the integration of both the in-store shopping, as well as online. And I will share with you some of the milestones we've achieved as we integrate our multichannel initiatives so our customer really has a continuous shopping opportunity for us.



Today, I won't be giving you any updates on Q4 comp sales or total sales today, but I will just remind you of our plan that we put in place is working. We have traction. And we announced our Q3 results, we had a positive 1.3% comp, and we also shared with you we had our four consecutive months of comp sales. So we do see it resonating in our business, we see it in our stores, and we also reported that in Q3. So we do in fact have some traction.

Just want to talk a little bit about price leadership through EDLP, because it is so important to us and to our customer. We are investing in price. You've seen that in our Q3 margin; we had a 22 basis point compression in margin. You're going to see it again in Q4, because we continue to invest in price to drive our price separation and our price leadership.

And as you may recall, in October, we announced next fiscal year and the following year, we will invest \$2 billion in retail price, again, to further deliver on price leadership for our customer. All of that will be funded by cost of productivity improvements within our business. So again, right back to price leadership.

Why we do that, obviously, is it provides consistency for our business model, it provides that for our supplier partners as well. But most importantly it provides and builds trust with our customer, all building on loyalty to drive more consistent traffic and loyal traffic from our customers. And obviously, it relates directly to positive sales comps, which is obviously a core focus for Walmart U.S.

Our core customers, however, as you can see with the economy, saw a slight decrease in unemployment rates recently, but we still see our core customer under significant pressure. And we still see a very dynamic and I'll call it dramatic paycheck cycle. It is very pronounced with the way our customers are shopping throughout the month parts, because when folks get their benefits electronically, coming in the night before and really walking through the registers right after they activate their benefits. And this continues in our business cycle.

We also shared with you in Q3 that we had a 4% food inflation that we saw, and we really are passing through about 70 basis points. And the reason for that really is our customers changing their behavior all because of the pressure they are under. So they are either trading down from a national brand to one of our private brands, or from a number one brand to a number two or three brand within the category.

We are also seeing them change pack sizes, so they will buy half-gallon milk rather than full-gallon milk. And they will also go without some categories by the end of the month. So we see that behavior continuing as well.

So one of the things here on the lower left of this slide shows our Walmart moms survey, who we talk to continuously, both directly as well as online, with our Walmart moms. And in November we saw the lowest confidence score since September of 2009. So while we did see some of that start to inflate, it came back down to the lowest level. So that just gives you a little window into what our customer is seeing and then really the pressures that they are under today.

I will tell you, this is why we are so focused on EDLP, everyday low price, consistent pricing, building trust, because our customer is experiencing this kind of headwind.

So as you think about everyday low price, everyday low cost, with the broadest assortment, in our stores the plan is driving traffic improvements. What you saw in our Q3 results is an improvement of 160 basis points in our traffic. Now, it is still negative, but we are very pleased with the traction we are seeing. And we had nearly flat traffic in the month of October when we reported our results.

So it is resonating with the customer. We had talked to you about the average ticket raising, and now traffic is starting to build as well. So we feel that the customers are in fact responding to the significant assortment add-backs, the intensity in our stores. And, obviously, with our price leadership, our customer is noticing it and they are coming to our stores.

Another key component is a core focus that we've had is what we call our on-shelf availability. And for many years, we had a metric that we called in-stock, and we worked with our supplier partners to measure how are we doing in-stock with our products in the store. And that basically meant the product was going to be in the store somewhere.



We changed that in the spring because we were dissatisfied with our shelf conditions, and we worked with our operators, our logistic teams and our supplier partners to really focus on what we call on-shelf availability, which means is it for sale or not, can you buy it or not.

And the cool thing about Walmart is when we focus on something, things change. And when we started tracking this, through October, what we shared with you in the analyst meeting was 570 basis points improvement. So we've delivered another [47 basis points] (corrected by company after the call) improvement with on-shelf availability, which directly relates to our comp sales, because product can be bought and it delights our customer when they get to the shelf. So we are very excited about this, particularly the [47 basis points] (corrected by company after the call) improvement since we last met.

And the other piece I will tell you is that we had -- basically in the 93% on-shelf availability today, with a nearly high going into Thanksgiving week, which obviously is very critical for us, both in the food business and in the back half of the week for our Black Friday business. So we are quite encouraged with the work here. We remain very committed to this because of the impact it is having on our business.

So just wanted to update with you on some of the key initiatives that we are working on from our strategy that Bill laid out.

What I want to talk to you now really is four components about what is happening to deliver our Q4 sales. We will talk to you about food and entertaining. Food plays a big role with families over the fourth quarter, from November through January, quite frankly. I will give you a little bit of insight into Black Friday, our perspective of that; how we are prepared and how confident we are about the holidays. And then once Santa leaves, how do we close the year? As you know, we close the year at the end of January. So I'll share with you on what we are focused on there.

Thanksgiving really is -- is really a great time. Food is the center of the conversation. And I am delighted to tell you that we felt very, very good about our food performance over the Thanksgiving holiday. If you look at the components of our Thanksgiving meal, we were up mid to high single-digit increases across those core components in the Thanksgiving meal versus year ago. So we saw great traction with the business in Thanksgiving.

And we sold a lot of product. We sold enough turkeys to fill 25 Olympic-sized swimming pools. So if you think about that. Or another way -- if you don't know how big an Olympic-sized swimming pool is, you could lay it from our home office in Bentonville all the way to Las Vegas, so -- turkeys back-to-back. So we really had a pretty impactful Thanksgiving.

We also introduced a strategy to sell hams as a complementary item to the turkeys this year, and we sold enough hams to go from Bentonville, Arkansas to Dallas, Texas. So we saw this really as an incremental basket item, not a trade-off at center of the plate, which I think really drove the engagement with our customers as well.

Another thing we did was we merchandised solutions for our customers rather than just lead with price point. And to that point, disposable aluminum foil pans, our attachment rate was 26% for every turkey we sold. So just how you start to build basket across the business and how you merchandise to the customer during this high-traffic time is critically important.

We gave you mid to high single-digit increases versus year ago on the Thanksgiving meal component. And at the same time, you may have read the American Farm Bureau Federation reported that actually the average cost of Thanksgiving meals was going to go up over \$5.00 for feeding a family of 10. Actually, at Walmart, you could actually pay one third less than that. So you could either take the money of roughly \$15 and put it in your wallet or invite three more friends to come over for Thanksgiving.

So it just tells you that we are still driving prices and solutions to our customer, while still having very good sales success across the store.

So we really -- we transition pretty quickly. We have a lot of folks in our store Monday, Tuesday, Wednesday, with a deliberate focus on food and family and entertaining folks, and then we ask our operators to put those stores pretty fast to say, okay, now we're going to talk about Christmas and our Black Friday.



As you know, this year, the market changed dramatically, from event times. And we were quite pleased with our performance during our Black Friday events. The cool thing is we served over 35 million people in our stores that day; 35 million people were in Walmart U.S. stores during Black Friday. We were quite impressed with the traffic of customers as well as how they engaged with the products throughout the day.

We processed over 700 register transactions as well as over 4000 items per second for the first two hours of Black Friday. So if you happened to be in one of our stores, you saw it live. And if you haven't been in one of our stores, I would encourage you, after your Thanksgiving meal, to wander to a Walmart -- hopefully to buy something, but certainly to observe the American consumer and how they engage with our stores. And it is really a pretty spectacular sight to see.

We split the events this year into three different pieces. You saw a lot of the retailers come out early and announce a midnight event. We kicked off Black Friday with a 10 o'clock event, focused really on home events, apparel events and toys, really, and some media games and videos, as well as some apparel products. And we felt very good about the traffic that we had at 10 o'clock on Thursday night. What we saw a really was a little bit of a demographic shifting from the traditional early-morning Black Friday customer. But they were very engaged at 10 o'clock on that event.

As a matter of fact, in Home, we did quite well. We sold 1.8 million towels during Black Friday. We sold 1.8 million dolls and over 250,000 bicycles during the day. So customers came, they found what they wanted, we delivered on value. And the good news is they stuck around for our midnight event, which was really focused on the electronic items as well. We did sell video games and movies at 10 p.m. as well, and we were quite successful there.

And then of course, during the 12 o'clock event at midnight, we had some great success with our 32-inch Emerson television, 51-inch Samsung. We had a 15.6-inch HP laptop for \$248; an LG Blu-ray player just extraordinarily well. As a matter of fact, throughout the day, we sold over 1.5 million televisions throughout America on Black Friday. So we had price leadership, people came to our stores and they left with full buggies.

The other piece was how do you keep the day going, right? So as the customer and the market shifted, we kicked off an 8 o'clock event in our stores, focused on really our hardlines business. And we had tire events and we had people lining up in our TLEs as they opened at 8 a.m. on Friday, to get new tires, get put on their cars for the winter holidays.

And we also had an event in our wireless area, where we had a fabulous deal on wireless phones, where we also were well-prepared and serviced them well. And then finally, in sporting goods, we sold a number of guns that day. We featured some great guns at great retails and did quite well in Black Friday. So it was really pretty impactful.

The other piece that is fairly difficult to see, but what we saw is across our demographics and our income segments, both in low income and high income, the absolute basket spend was pretty close to each other. So you really didn't see a real variance between income level and products.

So what that told me was Black Friday was the great equalizer, and it also told us that we had the right products for our customer and that they were filling their baskets with great products, and we delighted our diverse customer base. So we felt pretty good about that insight. And again, had great momentum after that 8 a.m. Friday event.

So as you think about Black Friday, we felt good about where the customer was. So now we turn the page and say, here comes Christmas, what have we done to prepare for that, and what other things are coming in Walmart in the remaining, I guess, 17 days to Christmas.

We've talked to you about layaway before, but just to ground you quickly, we do have layaway. We kicked it off on October 17 to our customers. We require a minimum purchase of \$15 per item, total basket of \$50. We charge the customer a \$5 service fee, \$10 cancellation fee, and a 10% deposit when the person puts the product into layaway.

We shared with you in October and in our call, we are quite pleased with our layaway performance, and it continues to be strong. Which tells you again that our customer is facing some of those headwinds, and we've played a critical role for our customer in providing layaway. The layaway is only available on toys and electronics and our jewelry business. And we feel, again, quite good about what has happened.

The other good thing to know about this is we can't recognize a sale until a product -- or the customer comes back and picks up the product. You can see on the slide here that the pickup date is December 16. So, really a week from tomorrow is when customers will come back into Walmart and pick that product up. And our operators have been working very hard to contact our customers and try to really stage that pickup, because we are going to have a lot of traffic in our stores. So we want to make it as efficiently as possible.

We also have an opportunity to merchandise for our customers. So as they come back to layaway, if they bought a television, it's the HDMI cable. It is about movies and Blu-ray players that we can sell as well. If they put an iPad or an iPod, we can give them the protection for both products, as well as earbuds or some of the other accessories. So we met a need for the customers and, quite frankly, I think we've brought Christmas to some families that may not have been able to have that without the layaway program. So again, we feel good about the role that it played and look forward to all those customers coming back to pick up their products.

Historically, we had cancellation rates that we modeled again here. We feel good about it. We don't see any inventory liabilities. We've got great product in layaway, and our customer is very engaged about coming back and get it. So again, a key component of delivering our Christmas strategy.

The next one was you've seen us deliver on a program we called Ad Match, which is really, in a marketplace, if we happen to get beat on a weekly ad by a high-low retailer, we will match that difference right at the register and lower the price for our customer. With Christmas, we always see the customer buying later. And part of that strategy with our customers, what they tell us, is that they do that because they are waiting for the better deal.

So we expanded Ad Match to be a Christmas price guarantee. We announced this from November 1 through Christmas, if you bought a product at Walmart and for some reason a retailer had a lower price after you bought it at Walmart, you bring your receipt and the ad back to us, we will give the difference in a gift card at Walmart. So again, it is building on and delivering on price leadership and trust with the customer. So buy as you can for product availability early in the season, and go home with the confidence that you have the best product in the marketplace.

So we feel really good about this. It applies to all our branded and our general merchandise. And again, it gets our customer that confidence throughout the store. So again, we feel quite good about our commitment on price, in, quite frankly, a pretty promotional timeframe with the customer. And this has delivered again against our price commitment.

So as we look about food, not only for Thanksgiving, but food throughout the holiday, plays a key role for our customers. Whether it's party trays and entertaining it is about appetizer central. With our bake center, we can focus products and solutions within our grocery action alley, as well as what we call our meal train. What's important about this slide is we executed it for the Thanksgiving holiday. And I'm happy to tell you that our bake center, which has really had all the key components for the Thanksgiving recipes that are cooked by our customers, so we can take some pressure off our side counter. Because our business -- over 90% of our business comes off of our side counter.

But when we have the kind of volume that we do during these peak holidays, this gives us an opportunity not only to provide a solution for our customer, but to make sure that we have in-stock conditions in our stores. The bake center was up 9.9% over a year ago with the products there. So we felt very good about the role that it played, and how it also provided us an opportunity to use the other endcaps throughout our grocery business to fill the other needs of the business. So rather than all be full of turkey stuffing or maybe broth, that is on the bake center or the meal train, while in fact we could merchandise cereals and snacks and beverages and main meal items for all the other meal parts and dayparts of our customers' lives.

The meal train, which you will see -- and we call it the train because it is pallet after pallet after pallet in a row, where we violate some of our actionality standards really to show product density, to ensure that we are in-stock on products that customers are coming for during this time.

We feel good about this. Our performance was very good; we were 13.5% over a year ago on all the products that were on this meal train. So it resonated with the customer, kept us in stock and helped keep the base business strong throughout the holiday.



When Thanksgiving changed and we focused on Black Friday on the other side of the store, we then switched this to all the Christmas baking programs. So the bake center is now focused on Christmas and the meal train is now focused on Christmas holiday, and the appetizer central and frozen is focused on entertaining for folks as they entertain throughout the holiday season. So again, we feel good about how we've merchandised the store and the offers we've made.

We really are excited about December as well as into January, about our opportunity to delight our customers throughout entertaining. What you see in the upper left there is a holiday entertaining guide, which really is a way to help our customers navigate and provide recipe ideas. And we dropped this in our stores yesterday, and it provides both branded and our private brand products. Recipe ideas that are very, very simple that delight customers and, again, provide their families and their friends great entertaining ideas.

You will also see in our store some festive displays of product, really letting the product pop, that is very timely for the Christmas holiday. This happens to be a Coke pallet showing some Christmas Coke products that will be there up until Christmas.

And then on the right side, relevant items is a real focus on an opportunity that we see in the business is our alcohol category. We will sell over \$200 million worth of beer, wine and spirits in the states that we can sell those products over the last two weeks of December. We see this as a great opportunity for growth. As a matter of fact, the week of Christmas, we will sell over 600,000 bottles of sparkling wine in our stores in Walmart U.S. And the week after it, as we prepare for New Year's Eve, we will sell over 1 million bottles of sparkling products.

So a focus here not only on customer convenience, merchandising across the food parts of the store. So you see it in produce, you'll see it in some of the actionality. You will see some very robust displays. Again, one more item in the basket, delighting our customer with great price and value. And a great opportunity, quite frankly, for our business model. So we have high expectations not for this season, but also as we build our business brands for next year.

The next piece is really about reinforcing our commitment on broad assortment for our customers as we kind of get through the rest of the holiday selling season. Apparel basics, you've heard us in October. We've refined our apparel strategy to really focus on basics for our customer, and it has been resonating across brands that are relevant where they can see price and value and price separation and price leadership, as well as some of the other everyday needs in apparel. So we feel very good about what we have in apparel basics as we get into the business.

We have some seen some softness in the apparel sales because we've been waiting for some cold weather. And as you walked outside to get to this room, you can see that cold weather is slowly getting here. The storm actually that moved through the United States in the last couple of days we believe will get us back on track. And I think you see that as well in other parts of the industry.

Home Essentials, I talked to you about how strong home performed during Black Friday. That momentum has continued throughout the business, and we are featuring things that are relevant for our customer throughout the Christmas holidays, things that help get their homes ready for the guests, whether it's towels and sheets and festive-ware through candles, or small electrics, either food prep or coffee makers, and also gifting ideas. So if you are in our stores, you will see in our home hot spots, some really strong values at great price points to drive basket and delight our customers.

Obviously, toys are kind of the center of the party, and we feel good about our toy business. Layaway in toys and electronics has been very helpful for our customer. So we are excited to see the customer come back in, get their products and give us an opportunity to interact with them one more time.

And the lower right-hand corner, talk to you about hardlines. And that really was -- we had very good business in hardlines for Black Friday, which was really a new initiative for us. We also shared with you in Q3 where we had positive comps in hardlines for the first time in over two years. And we also did with food and health and wellness.

But hardlines is playing a unique role. And if you look in our stores, you are going to see some different products, some what we call gift bars and pallets throughout our store, really focusing on other shopping locations for our customer. So feel very good about our broad assortment delivering on our promise for Christmas.



Great opportunity for us here is obviously the fast pace move of mobile, digital and e-commerce. We have a great opportunity to integrate our e-commerce business in our stores. For us, that is multichannel. It is continuous shopping. And what you see here is a shot, obviously, of Walmart.com. And it really is a way for somebody to shop easily and then pick the right way to get that product to their home.

And we have three great options. In sitetostore, we have over 300,000 items that customers can pick, and for free shipping, get it right to the store. What we've seen here, particularly in neighborhood markets, is folks are using sitetostore to pick up products that wouldn't be sold at a neighborhood market. So if you want a trampoline for Christmas and you want free shipping and you have a neighborhood market near you, you go on sitetostore, you send it to neighborhood market and you pick it up there for free for no shipping charges.

So a great way, again, to have the product diversity of not only our dot-com site, but our Supercenter assortment at your local neighborhood market. So 300,000 items in sitetostore, so it is either a store or a Federal Express location

Ship home to free, with a \$45 minimum from Walmart.com. There is over 100,000 items available for shipping on that platform. And then pickup today, as you know, which is really about you get online, say you want to pick it up. We will let you know when it's ready. Pick it up the same day. There is over 20,000 items that are available for pickup today, and we are working hard to build that library of products and bring some robustness to that.

We have also been very strong on communicating to our customer about what is going on at Walmart and why we are the destination for the holiday. And we really have been advertising across all key platforms. In-store guides, I just showed you the holiday entertaining guide. We also have a toy catalog in the stores. We also distributed it earlier in the season.

And we also have an apparel guide that will be in our stores shortly that helps the customer navigate through holiday apparel, jewelry items, with great values in there.

In our circular business, we continue to have great cadenced of driving weekly circulars, again, showing broad assortment at great value to our customers. And online, we are also working very hard with search research to say, when you Google laptops, you will get -- Walmart will come up number two; number one would be Microsoft; number three would be Dell, just to give you a little indication that we are playing strong across all the outlets.

And then on TV, we are making a big bet. And as we came out of Black Friday in the Thanksgiving weekend, proud to tell you we had the number one share of voice in television. We had over 4 billion impressions to our customers. And on the tab circular, we dropped 85 million tabs in the United States. And we had over 279 impressions on the Yahoo, MSN or AOL homepage. So if you didn't see Walmart, you weren't looking. And we are quite proud of what we were able to accomplish. We shared that strategy with you in October, and we maintain committed to that.

So what I thought I might do is, rather than try to explain it to you, show you two commercials that are not quite on air yet. They stay consistent with the strategy you may have seen, a conveyor belt ad. We believe each basket tells a different story, and it is really up to you to decide what that person is doing with those unique products once they get home. But it also gives us an opportunity, again, at the end of the ad, to deliver on our commitment of item and price leadership.

So you will see two ads here that hopefully you will be able to relate to.

(Video playing)

So a way to really talk to the customer, try to get some humor and some engagement with folks to pay attention to the ad, and then obviously, opportunities to communicate item and price at the end of the ad. And if you have kids that age -- I do at my house -- I've seen those looks -- it is kind of scary. So a little bit of fun during the holiday season.



Another way to communicate obviously with our customer today and a great way to be more responsive, quite frankly, to our customer is through social media. And I am very happy with the way we communicated with our customer over the Black Friday weekend. And we see this as a great way to continue our relationship with our customers.

In the center of this slide here you see actually from Facebook our local Walmart home page. So you go on to Walmart.com and you can identify that as your local home page Walmart, and actually shop across the items and check availability and see what's there. We launched that in the middle of October.

Other things that -- as you look at other ways to talking to customer through the Internet and through social is Walmart Black Friday, for instance, was the number four most searched item on Google over the holiday weekend. So again, folks are looking for us and we are standing tall when they come to look for us.

Another thing that we saw is folks were looking for product across the Black Friday weekend of where our hot items were and where they [won't] and how we could help customers navigate. We were mentioned 194 times per minute in social media throughout the weekend, so about 3.2 times per second. So people were using social media to shop Walmart across stores, which we think is pretty neat.

We had over 39 million impressions on Facebook, which ties to our 10.7 million fans that we have on Facebook, making us the number one retailer on Facebook.

And some other things, there are some gifting apps that just recently were introduced. And I think what is critical here is this is really a great innovation that came from our At-Walmart labs team out in California. It is a Walmart shopping cap that really uses Facebook's likes and preferences and interests to help you buy gifts for your friends based on what they like and how they interact on Facebook. So it's really a great opportunity. And also, another gift app in the upper right corner.

But I think what's exciting is the Shopycat piece and how it helps customers say, what do I buy for my friend, and this is a great way to navigate that. So rather than me try to explain it to you, I thought we could just show you a quick demo on Walmart Shopycat.

(Video playing)

Thanks again. I think what is neat is you're starting to see some innovation that has come out of these folks really leveraging insight and technology in social media for our customer. So we are excited about what that will offer for us this holiday season.

So when Santa packs up his sleigh and goes back to the North Pole, there is still a lot of business left. We've got the New Year's Eve holiday the last week of December. And then as we move on into January and close our fiscal quarter four, as well as our fiscal year, great opportunities, again, for us to delight our customers.

Gift cards remain a great gift-giving opportunity, so we will be ready for gift cards back in the Walmart stores. Our number one selling gift card is the Thomas Kinkadee -- you may or may not be able to see it there -- or other fun holiday gifting items.

And the industry reports tell us they'll spend roughly \$43 and change this year with a holiday gift card. That is up slightly, about \$1.80, from a year ago. So we will be ready to monetize those gift cards in Walmart across our great items.

We also know people will make some resolutions on New Year's Day and New Year's Eve, so we have a strong program about getting fit and back to lifestyles after the holiday indulgence that we talked about it in our food aisles.

We also will be well-prepared in storage as folks start to clean their house and put their decorations back. So we've got a great program and we will turn the stores very quickly following the holiday. And we will also have a great opportunity, again, to leverage those insights and those skills that we are building on food entertainment as we get through the college bowl games as well as the NFL playoff season. So great opportunities not only for food, but for electronics throughout January.



So hopefully you can get this from us. We are focused very much on driving comp sales and traffic in Q4. It is going to be delivered through the broad assortment. We've been telling you we've added back over 10,000 items since we started this initiative. We plan to be done by the end of the year.

We've also got some innovative new products. I talked to you about those hams that went from Bentonville to Dallas. We also introduced a new ham, a honey-glazed ham, that was virtually incremental to our base ham business and our turkey business. So working hard on delivering new items to our customers. We feel good about that.

Our focus in fresh maintains center of mind with our choice beef program and our fresh produce initiative. So feel very good about where we are headed there.

Lowest prices; you heard us. We invested in Q3, we are going to invest in Q4 and we will invest next year -- \$2 billion over the next two fiscal years with price leadership. Many ways to do that -- EDLP, working with our supplier partners. Christmas layaway has been a great benefit to our customer. Christmas price guarantee will expire on the 25th, and then we go back to our traditional ad match as we continue to invest in price. So that is really a road map for January and the balance of Q4.

And I guess takeaways for today, if you just take a few things away, all about comp sales, all about improving traffic. We talked to you about improving our comp traffic 160 basis points in Q3. While it still will be negative, we are making progress. Our price investment will continue.

Broad assortment, while we have added back a number of items our customers asked us for, we continue to refine that store by store, community by community. We feel very good about our position on inventory as we go into the holiday and also as we end the year. And we see great opportunities from Shopycat and other ways to talk to our customers, both on Walmart.com and in our stores with our free shipping offers.

So with that, Michael, that is what we've been working on in Bentonville, Arkansas. And again, we are delighted to be here with you for the day, and I am happy to take questions from you and the team if you would like.

QUESTIONS AND ANSWERS

Michael Exstein - *Credit Suisse - Analyst*

(inaudible - microphone inaccessible)

Duncan MacNaughton - *Wal-mart Stores, Inc. - EVP, Chief Merchandising Officer, Walmart U.S.*

The sale of the fees? The fees are booked when we receive it. The sales are booked when they pay for the product. Yes.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Duncan MacNaughton - *Wal-mart Stores, Inc. - EVP, Chief Merchandising Officer, Walmart U.S.*

Sure. We started a \$0.10 rollback on gas when prices got pretty high. While they've moderated, they are still about \$100 a barrel, oil is, and we still see a significant increase over year-over-year. So we think while we don't have a direct correlation, the gas program we think did have an impact on traffic across the business. We only have that in about 800 stores in 18 states where we have that today.

I think with the headwinds our customers have, any opportunity with incremental disposable income we hope will add up in larger baskets.



Food inflation, we talked about in Q3, we saw 4%. We were only able to pass through 70 basis points of food inflation in Q3. We don't see that changing significantly to date, and we will update that when we do our earnings release in February. We don't see anything different at this point. You've seen other numbers from the industry higher than ours.

Anything else, Michael or --? Yes, sir?

Unidentified Audience Member

(inaudible - microphone inaccessible)

Duncan MacNaughton - *Wal-mart Stores, Inc. - EVP, Chief Merchandising Officer, Walmart U.S.*

You know, the interesting thing about the inflation, like we talked about, we haven't been able to really -- the customer is trading down, trading out. I think suppliers are looking pretty seriously at wherever they've raised prices, they've seen maybe perhaps some trade-down. They are really looking at how do they take costs out of their business, not to pass through inflation. So how can they mitigate their component costs?

Obviously, cotton was significantly up in the summer, as products started to hit the shores of the US. There has been some moderation, but we don't see any significant changes going forward.

Anybody else? Great. Well, thank you very much again. Look forward to the day.

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