

FINAL TRANSCRIPT

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WMT - Wal-Mart Stores Inc Shareholders Meeting - Executive Briefings

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PRESENTATION

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Good afternoon, everyone. I'm Carol Schumacher, Vice President of Investor Relations for Wal-Mart Stores Inc. And we're pleased to have you join us, many of you in person, but many of you on the webcast as well. A special shout out to a couple of analysts, who tried very hard to get here today, but the airlines did not cooperate. And so we send a special hello to Bob Drbul and Peter Benedict. And we appreciate your trying very hard to get here on the plane this morning.

With that, the format of our session this afternoon is just like we did last year. You'll hear brief remarks, no slides, no formal presentations, from a number of our executives. And then we will go to Q&A. And we are recording today's session.

And with that, I'd like to turn it over to my new boss. I think a lot of you have met him. Jeff Davis took over as treasurer of the Company when Charles Holley moved up to Chief Financial Officer.

And with that, turn the program over to Jeff.

Jeff Davis - Wal-Mart Stores Inc. - Treasurer

Good afternoon, everyone. Hopefully, everyone had a great morning and enjoyed the shareholders meeting and the presentations that were made where we outlined a number of our key priorities for the organization going forward.

As Carol said, this meeting is being webcast, and we'll actually have it archived on our website at www.wal-martstores.com/investors. So if you'd like to look at that later, again, you can.

As Carol also mentioned, we will be making certain forward-looking statements. Many of you here have a copy of those. Those forward-looking Safe Harbor statement is actually on the website also and we encourage you to read that also at your leisure.

And today's presentations are going to be set up in a way that we'll go through each of the different business segments. We'll actually start off with Bill Simon for the Wal-Mart US, then move to Doug McMillon for international, followed up by Brian Cornell for Sam's Club. We'll then move to global eCommerce. And we apologize, but Eduardo Castro-Wright was not able to make it here this afternoon for personal reasons.

But we also have on his behalf Raul Vazquez and Wan Ling Martello, who will actually do Q&A and questions for us -- excuse me, presentation. Here with me also will be followed up by Charles Holley on a presentation around financial matters. And it'll be wrapped up by Mike Duke.

Over to my right here we have a number of senior members of the Wal-Mart team, which will be here to assist. But also over here we have a number of Mike Duke's direct reports that I'd like to introduce. We've got Rollin Ford, Executive Vice President, CIO, and is also now responsible for our Global Financial Services.



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Let's see - I'm missing someone -- Leslie Dach. Is Leslie here? Right there, sorry. Leslie Dach is Executive Vice President in Corporate Affairs. Susan Chambers is here. Yes, Susan Chambers, Executive Vice President of People Group. And Jeff Gearhart, who is our Executive Vice President and General Counsel and Secretary.

So, with that, I'd like to hand the program over and kick it off to Bill Simon.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Thanks, Jeff. How's everybody doing? I'm going to leave as much time as I can for questions because I guess you might have a few from us on the US business. But I'd like to start off just by kind of emphasizing what I spoke about this morning and what we've been saying and seeing over the last several months.

Lots of progress in our business, progress as we try to rebuild our assortment, progress as we add back items, SKUs, and rebuild departments, making some changes to our remodel structure and remodel plan that's bringing the cost of those remodels way, way down.

And disruption in allowing us to change the depreciation model actually helps us in expenses, helps us in limiting -- and eliminating disruption in the store, all designed to improve what you heard hopefully over and over and over again is our number one priority, and that is improving our same-store sales.

The entire team is focused against that almost relentlessly, almost sole single-mindedly in the context of watching, acting and discussions with our team. Taking actions on implementing everyday low price. This time last year we would have had \$5 Coke and Pepsi 24-pack, \$1 catsup, cat food tied for \$5. That's not happening this year. We're executing the business model everyday low price, consistent pricing. The customer is responding to it.

We see it in our business. We see it in our P&L, in pieces, improvements starting with food and consumables. And now, we're working across the rest of the box in the longer term categories in general merchandise. The ones that we can move quickly on, we have like hunting and fishing, where we've added back assortment.

Some take a little bit longer, like apparel. Hopefully, not the same 10 years that it's taken already, but less than that. and we'll be working on that. And I'll be talking to you about some more plans about that as we get closer to October.

I would also like to tell you that we're doing all this, as you all know, in the backdrop of a very, very difficult environment. Haven't spoken a lot about that because I didn't -- don't believe I need to. But we are, particularly with the employment numbers that came out today, going in the wrong direction, consumer confidence going in the wrong direction, housing going in the wrong direction. And let's hope that Goldman Report wasn't right, where gas prices don't hit \$5 a gallon. Because if it does, the customer who's already under stress will see and feel more stress.

I bring it up because it is the backdrop that we're operating under. It doesn't change what we need to do, regardless of what happens externally. We got to get better in same-store sales by focusing on everyday low price, driven by everyday low costs, and rebuilding our merchandise assortment. That's where we are. That's where we're going. That's working.

And I'm ready to take your questions. Carol's going to moderate for me.



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QUESTIONS AND ANSWERS

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Just as a reminder, everyone, because we're on the webcast, if you guys could please wait for a mike. And then, also remember to say your name and your firm. We would appreciate that.

We'll take the first question from Robbie.

Robbie Ohmes - Bank of America Merrill Lynch - Analyst

Thanks, Carol. Robbie Ohmes, Bank of America Merrill Lynch. Bill, we started off yesterday, and I unfortunately missed the tours, but a lot of focus on the small store formats.

Can you talk a little bit about your supercenter format? And should we be thinking that the growth rate for the US and Canadian supercenters is going to slow maybe more meaningfully than some of us model because the opportunity with that sized format doesn't exist anymore? Maybe sort of elaborate on that, versus all the emphasis on the small store formats that we saw yesterday.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Yes, thank you for asking the question. I hope you didn't take the tour of small stores as an overemphasis on small stores. The supercenter is and will remain our best growth vehicle. The returns on the supercenter are better than anything else we're building, so let me say that. That'll remain the primary growth vehicle for the business.

The small stores, and we talk about them very broadly, consist, at least for us, of three things you would have seen yesterday. The neighborhood markets, now rebranded Wal-Mart Market, 40,000 -- 35,000 to 40,000-ish square feet. A supermarket, but a wall mart supermarket, with a reasonable assortment of general merchandise.

That has been a format we've been building over 10, 12 years now, and in the last two or three years have gotten it to be really good return vehicle for us. We reported in the first quarter that that format is delivering positive comps in the four range, and are very happy with what it's doing from a sales and a productivity standpoint. So, we're going to be accelerating those. That shouldn't be new news.

The number is -- because of the number of supercenters we have, in the 3,800 or so, as you build those it's going to take time for them to have a material impact on the business. But that's the largest component of what we're talking about is small [fours], and the only -- small stores -- and the only one that's really in the rollout stage.

We continue to experiment. We started with some small stores in Phoenix several years ago called Marketside. Many of you would have seen those or toured those. That was a different format than we're talking about today. That was kind of a ready-to-eat meal, ready-to-eat format. That ended up being really, really productive for us, but not from a store format standpoint.

We took the brands that were developed for that and now they're selling a couple of billion dollars worth in our supercenters in a packaged food environment. And that's been terrific for us.

The stores that you'd have toured yesterday, the Wal-Mart On Campus and Wal-Mart Express, are our way of trying to reach our customer and deliver our brand in the format of a brand by bringing the Wal-Mart promise to the customer instead of having the customer come to us. So, we believe we can get closer.

On Campus is a great way to build loyalty and connection with the customer who will be with us for a long time. And getting into the neighborhoods, whether they be urban neighborhoods or rural neighborhoods, is also one of the things that we're



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trying to do. Again, it's the same Wal-Mart promise. I had somebody ask me earlier today, what's the difference between the Express and a supercenter. And I answered, it's smaller. And I don't mean that sort of facetiously.

We'd like it to deliver the same experience that a supercenter can deliver, only in 15,000 square feet. Enabled by our logistics and systems, we're able to deliver the best products at the best price. And then enabled by our connection or connectivity with wal-mart.com, with the assortment of the millions of SKUs that are available on wal-mart.com.

Had a soft opening of two of the stores this morning. The grand opening is next week, as you all know. We know nothing other than we've opened them and people came today. And we'll report to you as soon as we have something to say. We like what they look like on paper, but we're going to work to get them as -- in a condition to roll out as quickly as we can.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Okay. John, next question.

John Meredith - Jefferies - Analyst

[John Meredith] from Jefferies. Hey, Bill.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Hi, John.

John Meredith - Jefferies - Analyst

I just have a two-part question, just addressing the nonfood areas outside of fabrics and plus size apparel. In these merchandise resets, can you just talk about what you're seeing on the other side of the box? It sounds like you might not be ready to talk about everything, but are -- the improvement in performance, has that been consistent? And are there areas that you're seeing performance not pick up?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Almost without exception, where we've added back assortment we're seeing improved performance. Some in the basis points and some in the percentage points. So we're pleased with that. That progress is real slow on the GM side, as you know, because of the availability of the product and the lead times that come with it. The efforts have been impacted by some of the external factors. I'll give you a great example.

We went out with a great start to our outdoor living lawn and garden season, where we took a really aggressive position outside of the building, in parking lots, for the growing season, and had a great, great start to the season. And then we got impacted, as everybody else who participated in that category, by the fluctuations in the weather.

So, we like what we see. That doesn't necessarily show up in the results. And the season kicked off with a phenomenal result, so much so that in some of the departments we actually had to go back and reorder product. And then we kind of hit the center of the season and saw weather impact it and slow down. So, we like what we see.

Sporting goods is another area where if you would have gotten into the store in Rogers -- south Rogers at Pleasant Grove, you would have seen a completely different presentation in sporting goods than you have in previous years.

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Counters are raised back up. Fishing, which was probably 12 feet at this time last year, if you toured the store, is 40 feet on two sides of the aisle. And the sales are through the roof, as you would imagine.

So, again, the categories and the lead times make it such that it's difficult to say categorically that that side of the box in those areas are improving, but we see signs. Not yet seeing what we'd like to see in our apparel business. And certain categories in home are doing well. Others are still struggling. The cooking and baking, which was doing very well for a while, has had a bit of a struggle.

And then, finally, our entertainment. In electronics, our unit sales in electronics are very, very good. That's a category that's being impacted by, I won't call it deflation, it's just consumer driven price reduction. And so, while units are up, sales are flat to down-ish in that category.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Next one we'll go to the other side. We'll go to Greg on the end.

Greg Melich - ISI - Analyst

It's Greg Melich with ISI. Bill, we've been able to leverage SG&A on a negative comp now for a while. I know you've done a lot to get that done. When does that start to run out? When do the things in terms of labor scheduling, et cetera, that we've done in SG&A that we just -- you need the comps back to positive, otherwise SG&A, if you're going to run the store properly, will actually start to de-lever.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Greg, you asked me that question, like, four years ago, didn't you? When were they going to run out?

Greg Melich - ISI - Analyst

I think that was about CapEx or something.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Oh, is that right? We're -- can we leverage forever on negative numbers? No. But the business is such a size, and you have to sort of keep this in mind, we have -- I think our first quarter we were down [1.1] in comp sales. We were up 0.6 in total sales. Being up 0.6 was -- in a quarter for us is something like \$350 billion in new sales.

So, the percentages and the numbers will kind of -- a little bit to confuse the issue. We can -- we can continue to get better and we will continue to get better, regardless of what the top line's doing.

What encourages me more than anything is that the improvements we're seeing on the expense side are not diminished at all when we look at the opportunities to reduce expenses. So, we've taken a lot out and the team -- in fact, we just spent the last two weeks working on what we could get out and there is a lot more to come out. And there'll always be more to come out. It's what we do.

What encourages me the most, I guess, of all of it is that once we get -- the P&L is already in great shape, other than the top line. And when we get the -- we continue to pull expenses out, sales, when they come back, and they inevitably will, we're going to just be in fantastic shape as it flows all the way through the P&L.

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Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

And we'll go to Bernie next, down here in front.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Hi, Bernie. How you doing?

Bernie Sosnick - Gilford Securities - Analyst

Bernie Sosnick, Gilford Securities. Charles Holley said at the same conference that sales in April were down for the last three weeks, probably pretty big because of the weather I'm sure. But a week earlier you'd said that since the start of the Ad Match program, the response has been terrific.

So since you didn't have the sales at the end of April to show you terrific, what signs did you see that were so encouraging and what can we take away from it for the future?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Well, a couple of things. I hadn't read Charles' statement or transcript. The last 10 days of April were not good. They were -- the part of the business that got weather impacted. So, the first 20 were strong for us.

The Ad Match program, I guess how we would -- how we're evaluating it today is the number of items that are ad matched compared to last year, and the size of the basket that those items are in. And both of those numbers are up substantially. So, the way we're looking at it is if a customer comes in and we're able to ad match an item, that means that that's an item that they bought from us and kept them from going somewhere else.

So if the item -- basket size goes up by more than the cost of the item or the price of the item that we matched, what we view that at -- that is that they not only stayed, but bought something else because they stayed instead of went somewhere else to redeem an ad with a competitor. And we're seeing those metrics move up.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

We'll go to Deb and then, next to Deb, Faye will have the next question.

Deborah Weinswig - Citi - Analyst

So, it's a two-part question. So, I was very impressed in the first quarter with regards to ticket. Can you talk about what you're doing to drive traffic? And then, secondly, can you update us where you are with regards to global sourcing?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Traffic for us is what's -- is what the biggest issue is. Ticket continues to improve. We're -- actually, our traffic on the food side is robust and we're pretty pleased with that. It's conversion to the general merchandise side, partly driven by self-inflicted issues, partly impacted probably -- maybe a larger part impacted most recently by macroeconomic issues and discretionary spending.



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But I do believe if we have the right product and the right price and we're not where we need to be there in all of those categories, that we can convert more people than we are and have our overall traffic go up. It's something that we're focused on.

We have -- and 1st of April we launched the Ad Match program, and the advertising that went in support of it. And we're in the process of preparing a harder advertising message designed to deliver a much more impactful message around the real Wal-Mart promise, which is great prices in a one-stop environment. You should see that later this summer.

Sourcing is one of the things as we try to -- I get asked the question a lot about our inventory, which is up intentionally and planned to be up as we restock in the store. But a very large part of our inventory increase is the addition of -- or from a percentage basis of our global sourcing as we purchase more products direct and take possession of those in Asia, as opposed to buying our products from domestic importers and taking possession of the US we own the product a little bit longer.

And so, that's an indicator -- should be an indicator to you that we're pretty pleased with the way that's going. It's -- again, like other things, it's slow. And it's also kind of part of one of the things that we have to change to get better on the general merchandise side.

Faye Landes - *Consumer Edge Research - Analyst*

Faye Landes, Consumer Edge Research. I was hoping you could talk a little bit about inflation on two fronts. First of all, on apparel, where could you just talk -- elaborate on your strategy there, especially given the shift towards more basics where it seems to be a little bit harder to do some of the maneuvering that other apparel retailers have talked about fewer [ribbons] or whatever. So, if you could just talk about how you're doing that.

And second of all, on food inflation, which is a complicated topic, I'm not even sure how to sort of make the question terse, but clearly we're seeing food inflation from the suppliers. Wal-Mart is asked at every event, including (inaudible) conference about this and always says something like we're not going to be the first to raise prices, something like that.

This week -- earlier this week, I think we had the first, like, fact about a company definitely not passing on all food inflation as a strategy from Dollar General and using this instead as an opportunity to gain share. So, I was just hoping you could elaborate on your thinking about that.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

I'll do the best I can. I may ask Duncan for help on this one, if you want some more detail. In apparel, we are seeing commodity prices in cotton. Some of that we have received and taken, primarily in jeans. Is that right, Duncan, and Andy? That would have been in the fourth quarter through the first quarter of this year.

We, from a strategy perspective, negotiate as best we can with our suppliers, analyze their cost increases to make sure that they are true commodity cost increase, delay it as long as we can, use our scale to try to get a lower price. In the case of food, more so than GM, try to go to the well and drain the trade funds that cause -- create high/low activity before we get to price. And as a last resort, we pass the price on to the customer. That's the strategy that we've been taking.

Food and, again, commodity prices are impacting food as well as petroleum prices are impacting food. We've seen -- I think we reported in the first quarter of around about 1% on the food side. One of the interesting phenomenon for us is a trade down that you see. So even as you try to pass it through, customers on the consumables side will shift from a brand to another brand, but a lower price brand, from Charmin to White Cloud or from a brand to a store brand. And we're seeing that offset from a revenue standpoint some of the top line impact of inflation.



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But the cost increases that we've seen from suppliers have been significant. And we're -- some of them we're evaluating. All of them we're pushing back on and trying to figure out how working with them we can -- we can reduce the cost so that we don't have to take price increases.

Faye Landes - *Consumer Edge Research - Analyst*

[Just to follow] is this potentially an opportunity to gain market share, gain traffic?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

It's an opportunity for us to take care of our customer. So, I'm not going to give you the strategy, but we will have the lowest price in the market. We will continue to deliver value for our customer, and we won't do it promotionally. We'll run EDLP and our prices will be as low as we can possibly make them, and they'll be the lowest in the market.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Next question from Michael.

Unidentified Audience Member

Following up on Faye's question very quickly, is -- what is your thought on what the operating margin for your business should be? Is your operating -- current operating margin sustainable? Is it opportunity for further improvement? Or, do you think you should give up some margin to get the (inaudible) going further or faster?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

I think in the long run I'd like to see our gross margin come down and our operating margin go up.

Unidentified Audience Member

How do you do that?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Work really hard. Lower your costs, sell more.

Unidentified Audience Member

I think that's what Wal-Mart's done for 20 years, and it looks like your operating margin is sort of steady where it is right now.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

We have the opportunity -- as I was saying earlier, I think our gross margin can come down, and we need to have a strategy that has it flat to declining every year. Because as we lower our costs in the business on the expense side, pass those savings on to the customer, gross margin will naturally come down. The bottom line, how that shakes out because of the structure of the -- of expenses today, I think we can still continue to improve on the bottom line in the long run.

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Unidentified Audience Member

So you don't think your operating margin is an impediment to sales growth?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

I think the gross margin could be an impediment to sales growth.

Unidentified Audience Member

Thank you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Next question, David.

Unidentified Audience Member

Thanks. Just to follow up on that on the SG&A side, during the Q&A at the end of the shareholder meeting somebody asked a question about the long lines in the store. And actually, I've kind of experienced that a little bit more as of late than I would in previous years.

And I guess the question is as you're looking at SG&A and you're continuing to take out costs, how do you monitor and are you very -- are you still comfortable that you're not taking out too many hours around the register and causing more lines and ultimately losing sales? And if you are, how do you monitor that?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

It's a good question. And I'm not comfortable. I'm never comfortable. Let me try to explain it in a couple of different ways. With pressure on the top line, sometimes the behavior in the stores is great, and sometimes it's not exactly what you'd like it to be.

Mike was asked a question earlier today, how do you run so many stores? And we run them one at a time. So each store manager has a sales and a profit number that they're trying to deliver. Some of them try to make their profit number the wrong way. And that's in some of the cases driving some of the action that some people have seen.

But more so than that, and this is what's been very interesting over the last six months in the business, the sales fluctuations, both positive on days when the customer has money, and negative on days that they don't, have been greater than we've seen them historically. So, the minuses are deeper and the pluses are higher.

In an operating model that focuses on EDLP, some of it, in my view, was a behavior that we trained into the customer as we promoted items that we hadn't historically promoted. The day to day and the hour to hour fluctuations and the day of the month fluctuations in our business are bigger than they have been. And we run everything with -- try to run everything with as much precision as we can.

So many times, as we do forensics, and we'll do it on some of the questions today, what we'll find out is that they ran the model that we asked them to run from a staffing perspective, but for some reason or another on that particular day or time that that customer was there, the standard deviation that we're used to dealing with was different.



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You never hear a complaint when the standard deviation is too low, like we were overstaffed and there's people that are lined up, and that happens a lot. And clearly that's not efficient. We always hear about it from the customer when we're understaffed. And so, one of the things that we're trying to do now is adjust the model to deal with what seems to be a much wider swing in the business.

Unidentified Audience Member

Are you also saying that the [paycheck cycle essentially] is actually more pronounced than it's ever been? Is that kind of --

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

In -- recently it has been.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, next question, [Teresa].

Unidentified Audience Member

A follow-on on the expense line. Could you give us some more detail on where you see the opportunities going forward? Is it labor hours in the store? And if so, where is it, selling versus backroom, et cetera, because a lot of the questions this morning after shareholders seemed to go back to hours and staffing levels and coverage.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Again, I think that's where we got to be very careful on behaviors and communication. We have no intention of reducing staffing at the frontend or stocking shelves. That's never been writ in the cards and never been --

Unidentified Audience Member

(inaudible - microphone inaccessible)

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Beg your pardon?

Unidentified Audience Member

(inaudible - microphone inaccessible)

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Well, we always take a look at it, but the data says that the model is right. It's the fluctuations that's causing some problem when we're addressing the model. In the end, we run on models, but we have store managers who have the ability to make a decision and say I need more registers open and we're making sure that they understand that that's what we want them to do.

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There are opportunities -- still remain lots of opportunities in our supply chain to remove costs. We're looking at things in packaging that'll allow us to continue to load more efficiently shelf ready packaging to reduce stocking time. The addition of Action Alley actually is a massive labor savings. Instead of taking Cheerios and stocking them on the side counter item by item, you wheel a pallet out and you walk away and you can sell a lot of Cheerios.

So, we're seeing lots of opportunity to improve -- to have labor productivity improvements in areas of the store as we restock the store. Our operation is certainly challenged by the cost constraint. They understand it, and are working through it. But there's no intention to and no direction to reduce frontend labor or backroom labor to stock the stores.

Unidentified Audience Member

What's the formula for the store manager's compensation?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Store managers are roughly 50/50 in base and bonus.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

And their bonus is about 40% sales in their unit, 40% profit from their unit -- operating profit from their unit, and the other 20% is mixed between customer experience and historically it's been inventory levels.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Bill, we'll take one more question on Wal-Mart US. We'll go with [Neil].

Unidentified Audience Member

Thanks. Bill, the last time we had high gas prices and high food price inflation, I think it was 2007, it was obviously not very good for a traditional customer, but you did get a lot of new customers from middle and upper income levels, or more participation from those customers. And it ended being actually quite a positive thing for Wal-Mart.

If we do get those higher gas prices to -- going forward, do you think we have that same opportunity to get more business, or do you think that it's going to be a net negative if we get high gas prices today?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

I would tell you that we're hoping for the best and preparing for the worst. One of the things as you look at our business, and many of you have done this already, but if you lay out traffic against change -- year-to-year change in gasoline prices, you'll find a very, very significant correlation between the two. One goes up, the other one goes down. One goes down, the other one goes up.



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That's one of the reasons that we believe that we've got to deliver our business model, that everyday low price is so important and assortment is so important from a trust standpoint that the customer needs to know that if they're going to make the trip to Wal-Mart, that we have everything that they want, not some of the things that they want.

That in case somebody else is running an ad on an item, that we'll match the ad and that our prices are going to be lower than everybody else's. Historically, whatever the economy has delivered to us, we've been able to make sure that our customers trusted us in those areas. And that's where our focus is.

If we provide enough value they will come, whatever the gas prices are. The worst thing that we can do is disappointment them with an item or a price on an item once they've made the trip, because that'll be damaging. So that's how we're dealing with it. And if we do that, we believe that'll end up with a positive result for our customers in whatever income segment they're in.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Bill, thank you very much.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Thank you.

PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

That wraps up our session on Wal-Mart US.

And next up is Doug McMillon from Wal-Mart international. Doug?

Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

Good afternoon, everyone.

I'd like to start, if I could, by asking all of our international country presidents and our regional -- Eduardo Solorzano, to stand up, please. We only get them together with you once a year. And you can look around the room. Dave Cheesewright runs Canada, Andy Clarke runs the UK, Noda-san runs Japan, Raj Jain has responsibility for India, Scot Rank has Mexico and Central America. In the back is Ezequiel Gomez Berard has Argentina.

And Grant Pattison stood up, even though we haven't closed on the deal yet. So that's a good sign. Grant Pattison is still with us, back here in the back. And if I could, Mark, ask you to stand up as well. [Mark Lamberty] we introduced earlier today. But he'll be the chairman of the new co in South Africa once that deal is completed. Thank you very much.

Cathy Smith, finance and strategy, J.P. Suarez leads development -- wanted to call the two of you out as well because you may help field difficult questions in a minute. J.P.'s been on the job for a few months and is doing a great job helping us strengthen our new store pipeline. And also leads mergers and acquisitions.



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Let me start out by just talking a little bit about growth. I mentioned some of the issues with a little bit of color this morning earlier in the meeting and I'll try not to be redundant. If I look at comp store sales in the first quarter, I was disappointed with those.

Some of our performance was a little difficult to assess in the beginning because of the Easter flip. And Easter for international, with the exception of Canada, really falls into the second quarter because of the way we report between a calendar year and a fiscal year. So, you won't see those results until a bit later.

As it relates to the new store pipeline, we gave you guidance in October relative to CapEx and square footage and we're on track to hit those numbers, which means we'll open more new square footage this year than we did last year. And I'm feeling good about the quality of those openings. So, on the growth side, you can count on the new store growth, and then the acquisitions that I mentioned earlier today still quite excited about those opportunities obviously.

Let's see, let's talk about local relevance for just a moment as it relates to format. We just finished our annual post-audit process on our real estate program, looking at how we're doing relative to what we modeled by format by country.

And as we went through that analysis over the last few months, I can tell you that I'm excited about what we see. I think we have good performance and we have good visibility into performance, so that we can make good capital decisions as it relates to not only how we invest by country, but how we invest by format.

As it relates to leverage and making sure that our countries benefit by being part of Wal-Mart, I'm excited about what's happening in the process area with Rollins' leadership, both in terms of process engineering and how systems fit together with those. And we have opportunities in some of our markets to create a lot more leverage by working together. And the team has done some good work in recent months to identify which processes should be scaled across markets.

We'll learn a lot from the US as we do that, but I hope that also we'll be able to share learnings back with the US, that will create a win-win from a process point of view. Pleased with what's happening with eCommerce and multichannel in the respect that activity is starting to happen by market. And Raul and Wan Ling will talk some more about that.

Talent development continues to progress. Susan, we're doing a nice job, I think, of moving some leaders around and rounding out their experience from market to market.

If I look at our performance by geography, the larger markets of Mexico, Central America, the UK and Canada I would say are solid. That's how I characterize the results. I have a high degree of confidence that we can see predictable results from them relative to their plans between now and the end of the year. We have got some outstanding performance in Argentina and Chile and also in India as things continue to develop -- Raj -- those are bright spots for us.

And then, we're feeling pressure in three markets, and those markets would be Brazil, China and Japan. And we knew going into the year that we were going to continue to feel pressure in Brazil. We're trying to get the productivity loop going there. We need to get our cost to serve down. Our total expense in Brazil has historically been too high. It remains too high.

And one of the ways that we can help get costs down in addition to the integration efforts that we're all focused on and making progress on is to move to an EDLP pricing philosophy, which we started in January, which will help us reduce markdowns, reduce labor as it relates to moving product around to support sales and things like that. So, actually implementing Wal-Mart within Brazil.

In China we're pleased with our recent approval from the Ministry of Commerce to be able to integrate the rest of the Trust-Mart stores. We had done pieces of that in integration, but weren't able to complete it until we did a couple of things. One of them was to achieve MOFCOM approval, which we've done. And the other one is to get all of the licenses and other legalities worked out, and that's done on a store by store basis.



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So what you'll see from us for the rest of the year is a Trust-Mart move, in most cases where we actually change the banner to Wal-Mart, and finish off those integrations between now and the end of the year. That's one of our big pressure points in China.

As we went through integration with Trust-Mart, changing some things and not others, created a situation where we chased off some customers and didn't attract the new ones that we wanted to attract. And we continue to feel that pressure.

We did not anticipate the problems, obviously, that we're seeing in Japan. Again, Noda-san and his team have done a great job of reacting to the crisis. We were disproportionately affected because of where our stores are relative to some of the other competitors. And so, from a relative comp performance, didn't feel good about where we were in February and March. April's been better. And the team is continuing to implement EDLC and get our SG&A down in Japan.

So, our expectation is that those folks are going to be fighting for positive comp in Japan, which we expect that they'll achieve between now and the end of the year, but the market's not going to help them. They're going to have to do that by taking share. And our confidence in their ability to take costs out of the system so they can continue to drive price leadership is what gives us confidence in our position in Japan.

So, I'll stop there and answer any questions that you all have.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

You might have answered all their questions already, covering every country. We'll go with somebody who hasn't had a question yet. So, I think (inaudible).

Unidentified Audience Member

[Hi] Carol, and hello, Doug. Just a question, first of all, the match moving forward between your rate of sale, your sales growth and your inventory growth -- what your thoughts are on that.

And then I had just one follow-up for David on Canada.

Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

Okay. Inventory's too high. Again, moving into Easter, it was hard to assess how much of our buildup in the first quarter was related to Easter. But coming out on the other side, we have more inventory than we need. The team is focused on making improvements there, and not only setting targets that are aggressive, but also on how to do it.

And Eduardo Solorzano, for example, just held an inventory summit for his region recently to help everyone understand how to help everyone understand how to manage inventory effectively and use it in an offensive kind of way. Because as we've learned in Wal-Mart, when you can reduce your inventory levels and have a higher quality of inventory, you can improve in stock because associates can find merchandise, you save money on markdowns and damages and everything else.

So, I think we had some teaching to do and some expectation setting to do and I think that we've done that. I think we'll feel pressure for another couple of months, and then we should see improvement. That's what I expect.



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Unidentified Audience Member

Dave, on Canada, just wondering if you could update us about the progress at the supercenters and whether the announcement by Target has any material change in terms of your approach moving forward.

Dave Cheesewright - *Wal-Mart Stores Inc. - President, CEO, Canada*

Supercenters, we're very pleased with the progress. We've got a portfolio of the different options from new builds to expansions to internal remodels, which pretty much allows us to go into every (inaudible) where we can get permission in a profitable way. So, very happy with the way that they're running at the moment. We've said publicly that we're opening about 40 a year and we wouldn't anticipate that changing too much.

As far as Target is concerned, we're looking forward to welcoming Target. We have two big positives. One is we've got a couple of years to get ready. And the other is we have access to an enormous amount of intelligence through our US business. We're working very closely with them to understand what we need to do. I think if we needed to change our strategy (inaudible) we probably have the wrong strategy in the first place.

And so, really what it does is it just causes us to accelerate a couple of things. We want to make sure that as we get clarity when they're going to come that all our stores are in good shape, have been remodeled. So it might be a bit of tweaking around the timing of our real estate program, depending on when we think they'll open.

And there's a couple of categories they are very strong in and that we need to accelerate. We've done some great work on apparel with the (inaudible) relaunch. I think that puts us in very good shape. We do a lot of work on home and (inaudible). So, yes, we're looking forward to welcome them.

Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

It's not as if David didn't have some good competition already.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, Neil?

Unidentified Audience Member

Thanks. (inaudible). Doug, under Mike Duke's tenure as head of international, one of the things that characterized it was reducing the size of the central -- the Bentonville office and pushing out a lot more of the responsibility to the local teams, allowing them to make their own decisions.

It feels as if some of that is being clawed back a little bit and that, for example, EDLP as a strategy is being pushed out a lot more to many of the divisions. I just wondered if you could comment on that and whether I'm right in thinking that it's been a little more centralized now. And what's the right balance between centralization and level of control?

Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

Yes, it is something we need to pay careful thought to. And I think the team, not just me as an individual, but what the team would tell you is that we have to protect freedom for speed of decision making, local relevance, et cetera, and we want to. At

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the same time, what we're trying to do as a team is find places where we can create leverage or benefit from being part of Wal-Mart.

And when Mike and I changed jobs and I started talking to the country presidents about what I could do to help, I was worried having to replace Mike because Mike did such a great job, obviously. I'm not just saying that because I report to him, he actually did do a good job.

What everyone said was we love the freedom. We would love to also find ways to benefit our business more by working together. And so, it's not a situation where I made an independent decision on EDLP and just mandated that we're all going to go do EDLP. It's a discussion that ensued where we all identified that as a winning operating model.

And as Susan said from the stage this morning, there are things we share, like our purpose and our values, and a few key operating principles. And Dave -- she's right, for example, led a project over a period of months to do a good job of defining what EDLP really meant, because when we started this conversation, not everyone had the same definition.

And so getting down to the detail of how you do it, what does EDLC really mean, what does EDLP really mean, and why is it relevant for customers in the future, not just the past, is the way that that conversation went.

And what we've done is we've asked the markets to transition to that operating model on a more pure basis. Some were close and needed to purify a little bit. Others, like Brazil, had a long way to go. And we haven't given them a specific timeline. What we've done is we asked them to identify a timeline where they can be moving to a place where their cost structure comes down, inventory management gets better, price leadership improves, and they become Wal-Mart.

It's more complicated in situations where we've had acquisitions. We pick up high/low sales histories. And in some cases even loyalty programs, and other things that don't fit what we believe is our core operating model.

Unidentified Audience Member

Are you also convinced that EDLP can work in all those markets, like Brazil, for example?

Doug McMillon - Wal-Mart Stores Inc. - President, CEO, International

Yes, for a number of reasons. First of all, the LP part, people want low prices. Secondly, they want to be able to trust. I saw a video from a Brazilian customer recently that said I don't have to wonder if I'm being taken advantage of when I come in today, the prices are prices that I can trust.

And then the other component is that it takes cost out of the system. A more consistent pricing philosophy reduces expenses so that you can, in fact, sell for less. So price transparency and the move towards more digital commerce, all those things at the end of the day are still going to relate to who has the lowest cost structure. And in our view, EDLP helps enable the lowest cost structure, which ensures that you win. You go broke last.

Hopefully, never actually do go broke, though, I should say.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Next question, Maggie.



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Maggie Gilliam - Gilliam & Company - Analyst

Maggie Gilliam, Gilliam & Company. On that note, Doug, could you comment a little bit about how you're integrating eCommerce into the stores in the international?

Doug McMillon - Wal-Mart Stores Inc. - President, CEO, International

Yes, Maggie, it's hard to comment holistically, so maybe I'll do it a little bit by market. Andy and the team have a great program going on with food. And we can take learning from that and implement it in places like Japan and in other markets as well. If we look at what's happening in China, it is incredible how much growth there is, what the size of the market is.

And what we need to be doing right now is just adding capabilities. And I'll let Wan Ling elaborate on that more when she's up here because she knows more about it than I do. But what I'm most interested in is trying to create a situation where in every market, because it is happening in every market, it looks a little different in India than it does in the UK, but in every market, technology is impacting how people shop.

And we've got to add capabilities to our business in every single one of our markets so that we can be where the customer who wants us to be in the future. And in some cases we have catching up to do.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

We'll go to the back to Mr. -- Joe.

Joe Feldman - Telsey Advisory Group - Analyst

Joe Feldman from Telsey Advisory Group. Kevin, on the same theme in the past couple of questions, how do you create a sort of cohesive group and knowledge sharing and transfer of knowledge? Because as you just mentioned, some things work provably globally, some don't. Some countries you change the banners after an acquisition, some you don't. Can you just talk about that and how you get your team, those seven or eight guys that you just had stand up, sharing knowledge?

Doug McMillon - Wal-Mart Stores Inc. - President, CEO, International

Yes, one example is that we have what we call a quarterly international leadership council meeting. We call it the ILC. And so once in a -- once a quarter Eduardo and Scott Price, who leads Asia, Dave Cheesewright and Andy Clarke come to Bentonville and we spend a couple of days working with people like Rollin, talking through the issues we're facing right now, exchanging ideas, deciding where we're going to work together and where we're not.

But the vast majority of the time, the decision-making is decentralized. I know from past experience, I worked in the international in the late '90s where we were trying to centralize a lot of things. We were very young in our international development. That will not work. You can't make decisions on a global basis in Bentonville or Beijing or anywhere else. You have to decentralize that and have great people who can make great decisions.

But as a team, we can identify places where if we just simply do a few things together, and I like to use the supercenters as an example, we have supercenters in Mexico and Brazil and China and the United States and Canada, and the backrooms look pretty similar. They have steel. They're about the same size. There's a truck that pulls up to the backdoor. Freight goes in the back, and then it eventually gets to the shelf and it's in stock.

If there's a best-in-class engineered process to move that freight from the back to the front, if you can take into consideration wage rates, I don't know why that process would be dramatically different from country to country.

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Now, we can't do everything together. But where we can do something together and then go to Rollin's team and say, hey, this is our process, could you automate this once instead of Rollin trying to automate something 15 different times, it makes sense that we would make more money and be more effective. And those are the types of conversations that we have.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Frank, we'll go to you, on the other side.

Unidentified Audience Member

Can you just kind of give us a candid assessment of what exactly your problems are in Brazil? It seems like you have a few different platforms, but (inaudible) and greenfield stores and I know there's integration issues there.

Just help us understand what exactly has to be done, whether it's a capital solution or investing in OpEx for some period of time. And is this the kind of thing that this is a two quarter kind of fix or this is a two year kind of fix? Because from the outside looking in, it looks like it's fairly extensive. So, can you just give us a little more color around this important market?

Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

Sure. And then, Eduardo, you can certainly comment as well. Maybe we could hand the microphone to Eduardo. What's complex about it has been the integration work. And it's related to taxation, legal entities, the way the processes work together, and it's been magnified by the fact we made acquisitions.

And those businesses that we bought had different business philosophies, different home offices, et cetera. And so, job one is to get a more efficient business constructed in Brazil and build a more sustainable model.

And we knew -- I knew that that was going to take some time to do. We've been working on it for a while, and it's been hard work. I think we have a good plan and we're making progress against that plan. And then we had the other issue, which was customer facing. Sorry, Eduardo, to say this much, but we had pricing issues with the customer as well.

Why don't you pick it up?

Eduardo Solorzano - *Wal-Mart Stores Inc. - President, CEO, Latin America*

I think that also we have today I feel a very strong value proposition -- probably was a bit inconsistent. Inconsistent just because geographical (inaudible) value proposition that we have was different than (inaudible). Now I believe that after EDLP we have a very consistent value proposition.

As matter of fact, if you take a look at a lot of indexes and interestingly you will see that our customer is being happier. The complaints of our customers are dramatically going down. They feel that we are much more transparent with them. And as matter of fact, I believe that we are building in Brazil a very fundamental in order to be different from our competitors.

Our price gaps in Brazil is higher everywhere we have (inaudible). And I am happy to see that some of the (inaudible) things or indexes are putting in the right position. So, I am really excited and I'm very optimistic about Brazil.



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Doug McMillon - *Wal-Mart Stores Inc. - President, CEO, International*

If you've been there and walked the stores, you've seen the amount of noise in the market. It's a high/low promotional market. It's a credit driven market. So you can buy low price points, like Band-Aids, on installments if you want to. Which means sometimes people price things at the installment price per month instead of the actual price.

So it's hard to assess what true value looks like. So what we have to do is actually deliver it, and deliver it in a way that is consistent enough that customers actually believe it to be true. And so, you can't do that as quickly as we would like to do it. It takes time. So what we've done is to first deliver it. We're trying to do a good job of communicating it to our customers so that they believe it and adopt it sooner rather than later, and then work feverishly to get the cost structure down as we go.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Doug, thank you very much.

Now we'll switch gears to Sam's Club. Brian Cornell.

PRESENTATION

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

Carol, thank you, and good afternoon. I'll make four or five initial points, and then we'll kind of open it up for Q&A. I'd start with, from an overall Sam's Club standpoint, we are clearly very pleased with the progress we're making, both from a strategic standpoint long term, but also the short term operational progress in the business.

For those of you who have been following Sam's Club for the last couple of years, you'll recognize that our strategy remains unchanged. We're very focused on powering our business through member insights and advanced analytics. That really has fueled our Savings Made Simple framework. And I'm very pleased with the progress the team is making in executing that strategy.

Linda Hefner, who leads Merchandising, continues to work with her team to make great choices on the behalf of our member. And if you've been in our clubs, you're seeing an improvement in quality, particularly in fresh foods.

The progress we're making in bringing great new brands to our member, the improvement in services, particularly in areas like pharmacy and technology, and as of late, an exciting new change in our proprietary brand portfolio, which we think is going to continue to fuel top line growth and, importantly, greater member advocacy going forward.

Todd Harbaugh, who leads Operations, continues to leverage those insights to improve and elevate our overall in-club standards, ensure that we're creating a great in-club experience for our members, and, importantly, elevate engagement with our associates. And we're very pleased with the progress inside the club.

Tim Yatsko, who's here today, who really supports all of our club support initiatives, continues to make sure that we're on track with our long term innovation agenda. We feel very confident we're going to deliver the commitments we have made on productivity, while at the same time enhancing our replenishment process, our planning, and also enhancing and improving our real estate program, whether it's relocations, remodeling or developing new clubs.

And, finally, from a membership standpoint, which is now headed up by Mike Turner, we continue to focus on growing our Plus Membership base, retaining our existing members, and also attracting members to Sam's Club. So, we think that Savings Made Simple framework that we've developed will allow us to continue to grow and leverage and bring great returns to Sam's Club.



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From a short term progress standpoint, Charles' presentation today talked about four sequential quarters of comp store growth, it's actually five after the first quarter. And while we're very pleased with the comp store results in Q1, the 4.2% growth we delivered, I think, importantly, what we're most pleased about as a team is the quality of those results.

The top line was fueled by increased traffic. The fact that our current members are shopping us more frequently, they're buying more items in an inflationary environment, we think it's very important to monitor unit growth. And we're seeing that. And, importantly, our members are shopping more categories within our club.

Despite some of the inflationary pressure in the first quarter, Linda and her team did an excellent job of managing gross margin. Todd and his team continue to leverage expenses. But at the same time, and you heard from the stage today, our member experience [track] scores -- what our members tell us about their in-club experience continue to improve.

So we really felt good about the quality of the results in the first quarter, in many cases highlighted by the fact that we're seeing improvement in membership income.

And we're very pleased with the progress we're making right now to connect with our existing members to make sure they're coming back to us more frequently, they're in our clubs spending more dollars. And, importantly, that were attracting new members to Sam's Club. So, the overall progress report is solid. We're committed to our strategy. We feel good about the short term results.

We're clearly cognizant that we're operating today in a very challenging economic environment. We're certainly very concerned about the headlines we're reading. The job report was not a good one. Consumers hearing that their housing situation is not improving, not a great headline. Consumer confidence continues to drift.

And we're seeing this in an inflationary environment, where we know we've got to carefully play our game to continue the momentum and continue to win. But we think we're well positioned to continue to win in today's environment. We think the value we bring our members is even more important today, both for business and advantage, than perhaps ever before.

And we think the changes we've made from a merchandising standpoint, an operational standpoint, the efficiency we're bringing, and the way we're able to leverage the knowledge around what our Sam's Club member wants, positions us well for continued growth.

Finally, I talk about the fact that we've developed and we're building a very strong team. You've had a chance in the past to hear from Linda. You've heard from Todd Harbaugh. I think you've had a chance to talk with Tim Yatsko. Mike Turner, who's not here, brings a lot of experience. Mike's been leading Membership for a number of years at Sam's Club.

We're happy to have Ann Bordelone on as our head of Finance and Strategy. Tom Waldron has joined us, after a number of years of leading global people at ING, as our head of People. So we're building a strong team. Whitney Head continues to lead our legal function, as well as AP. So, I'm very pleased with the quality of team we have in place and the new members we've added.

As Cindy Davis has moved into her new role, corporately leading Global Consumer Insights, John Boswell has joined us as our head of Marketing. And John brings extensive marketing experience from years at Kraft to lead our marketing initiatives and make sure we're matching up the right initiatives, the right messaging and communication, with our Sam's Club member.

So, that's my brief overview. And with that, I'll open it up for questions, and certainly look for my team to get involved in providing some of the answers.



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QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

We'll go with Mark for the first question.

Mark Wiltamuth - *Morgan Stanley - Analyst*

Thank you. Mark Wiltamuth from Morgan Stanley.

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

Hi, Mark.

Mark Wiltamuth - *Morgan Stanley - Analyst*

Brian, what do you think you could attribute the disparity between your account momentum and what's going on at core Wal-Mart? Do you think it's the demographic differences? And what is your customers' average income versus the Wal-Mart core customer?

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

Mark, I do think we're dealing with the bifurcation of today's economy. Certainly, while we recognize that customers and consumers overall are under stress, we certainly are marketing to, and our memberships days has a more middle and upper middle class consumer in that base.

Our average member is making \$75,000 to \$80,000. I've talked before, over 25% of our members make over \$100,000 a year. Many of them have their own businesses. So, they're in a much different position economically.

They still have concerns. We talk to our business member every 30 days. They're still concerned with the state of their business. They're searching for growth. They're concerned with cost. They're concerned with inflation. They're concerned with credit. But we are marketing and serving a very different demographic audience, one that comes to us because of the great value we offer.

They love the quality that we offer in fresh foods. They love the fact that we've got the latest technology, items like iPad 2 within our clubs. They love the service we provide in health and wellness and pharmacy. And, they're shopping more discretionary categories. So, a very different consumer position that we're in today. And we think, again, we're well positioned to serve that consumer going forward.

Mark Wiltamuth - *Morgan Stanley - Analyst*

And the average income for the core Wal-Mart customer?

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

Carol?



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Unidentified Company Representative

Less than Sam's.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, Scott. Can you guys -- David, pass a mike, please?

Scott Kaufman-Ross - *Goldman Sachs - Analyst*

Thanks. This is Scott Kaufman-Ross from Goldman Sachs. Just wanted to see if you could give us a little bit of color on the competitive environment versus your competitors, Costco, BJ's, and how they're -- what you're seeing out there in terms of how they're passing along higher food costs and then how you're responding.

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

I think we're all in that stage where we're evaluating the changes that are happening from a cost standpoint. I'm going to ask Linda to grab a mike and just talk about what we're seeing from an inflationary standpoint, our approach, and how our competitors are reacting to the pressures they're seeing.

Linda Hefner - *Wal-Mart Stores Inc. - EVP, Chief Merchandising Officer, Sam's Club*

On average, inflation across the whole box is 100 to 200 basis points at Sam's Club in Q1. And the categories that have driven that the most have tended to be our fresh categories, meat and produce, et cetera.

We work really hard to make sure that we mitigate, delay, take costs out, and we have some really great examples of where we've worked with suppliers in the face of some commodity cost inflation to find new ways to take cost out of the product. And then we didn't pass any costs through at all. And on other key items that we know are real important trip drivers to our members, we've held price.

So on average, as Brian said, our buying teams have done a great job. We have held margin during this time. But in some cases we've made a bet to hold price on particular items and not pass that cost because we think that that's such an important time to serve our -- such an important way to serve our member.

And then just a broader comment that in an inflationary environment, we think we're just that much more important to our members, where the value proposition is that much more critical as part of the solution in this environment. And that's what's showing up with our increased traffic. We think that contributes to that.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, before we jump to another question --

Unidentified Company Representative

I didn't mean to be so sarcastic with my response. I'm sorry. Our average income -- shopper income is in the low to mid 40s, and our unemployment rate amongst our customers would be above the national average.



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Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Okay, Deb, next question.

Deborah Weinswig - Citi - Analyst

So, Brian, I've been extremely impressed with what you've done on the analytical side, can you maybe dive into that? And also on the membership side, can you please discuss what you've done with regards to the Plus Membership?

Brian Cornell - Wal-Mart Stores Inc. - President, CEO, Sam's Club

Sure. Deb, we do have the benefit of very robust database. Our members pay to shop with us. It's something I try to say, as our team knows, every single day. So, we get access to how they shop, how often they shop, what categories they're engaged in, what categories they're not engaged in.

And we've certainly used that information [to not only] guide our strategy and choices, but also to make sure that with great new membership programs like eValues, we can talk to our members in a very targeted way, in a much more personalized way, to make sure that we reinforce the value that we bring and we introduce them to new categories, and that we make sure that they recognize we're there for them. So, we've clearly leveraged that data on a day-to-day basis with our Plus Members.

As Linda and the team would tell you, we stood back a couple of years ago and conducted some very granular research about our member to really understand the demand drivers by category, what were the key drivers in each and every major category in our club, so that we were able to serve their needs, so that we weren't projecting our own view on the member.

We really were just listening to what our Sam's Club members wanted from us in fresh foods. What their expectations were in health and wellness. How we serve their needs in technology or apparel. And I think that's allowed us to guide our merchants and make better decisions on behalf of our member.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Next question, John, on this side.

John Meredith - Jefferies - Analyst

Thanks, Carol. John Meredith from Jefferies. Hi, Brian. So you talked a lot about your confidence that you have in the value proposition. I was just wondering, with all the analytics you have, is there any consideration being given to membership fee increase?

Brian Cornell - Wal-Mart Stores Inc. - President, CEO, Sam's Club

It's a question we get all the time, as you might imagine. Right now we're stepping back and really thinking about the overall state of the economy, and wondering if this is the right time for anybody to be talking about price increases that we really can't justify.

So right now we're going to continue to play our game, execute our strategy, bring great value to the member in the products and services we offer. And we think that's going to continue to stimulate the traffic we have today, get them to shop more frequently, and become bigger advocates of Sam's Club.

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Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, we'll take one more question on Sam's. Joe?

Joe Feldman - *Telsey Advisory Group - Analyst*

Joe Feldman, Telsey Advisory Group, again. Can you talk about the eValues customer and how much incremental spending they may have versus the people that aren't using eValues and what the adoption rate has been with eValues?

Brian Cornell - *Wal-Mart Stores Inc. - President, CEO, Sam's Club*

Yes. While, we haven't revealed those specifics, what I can share with you is our Plus Members that are engaged in eValues, one, shop more frequently. They're shopping more categories. And that's resulting in a bigger basket and more units that they're engaged in. So, the primary trigger there is we're driving awareness of the program. They're more engaged. They're shopping with us more frequently and they're buying more categories.

So, we're really pleased with the way that program's performing. And again, it gets back to the fact that we can personalize our offers to our members to make sure that we're talking to you in a language that you understand.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, thank you, Brian. And with that, as Jeff explained earlier, Eduardo is not able to be with us today. And instead I'd like to have Raul Vazquez and Wan Ling Martello, who are direct reports to Eduardo and who are instrumental in leading our global eCommerce team, come up to the stage.

So, Raul, we'll start and kick it off with you.

PRESENTATION

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

Thank you very much. So we'll also try to keep our remarks brief, and then try to take as many questions as you'd like. Wan Ling and I are going to try to highlight three things that we're feeling really good about right now.

But the first, clearly, if you think about what our role is within the portfolio, is growth. We feel very good about the growth that we've had. Our growth continues to outpace the market, and it's really being driven right now by both increases in traffic and in conversion. So both of those things make us feel good about the value proposition that we've put forth in the marketplace in terms of getting more customers to show up and getting a higher percentage of those customers to show up.

A lot of the business, as you can imagine, in particular in the developed markets, is driven through multichannel efforts. And Doug talked a little bit about that. So here in the United States that means site to store, it means the Pick Up Today program, which we've announced and we've talked a bit to you about. It means in the UK certainly the home grocery delivery business, which is a fantastic business.

The same is true in Japan. And in Canada today, we've launched primarily with a Ship to Home business, but the roadmap in Canada certainly would contemplate also the multichannel efforts that we think are a key element of our strategy. So, growth would be the number one thing and we feel quite good about that.

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The second thing would be we spent quite a bit of time really focusing on getting the right leadership team in place. And if I can ask the leadership team from global eCommerce to please stand up for a second, especially because, depending on the questions you have, we will call on some of these individuals.

So what you see right now, Eduardo mentioned that Wan Ling was basically the first one that moved over. If you could have a seat, please. What we've done now is we've been able to have an organization that is focused on emerging markets, developed markets, HR, M&A, mobile. The Kosmix acquisition is something that we're very, very excited about, the creator of @Wal-Mart Labs.

And I imagine some people may have questions about that, so certainly I have Venky and Anand here, then having [Jamie] join us as well. We feel very good about the progress we've made there.

The other area that we're really focused on in terms of talent acquisition, in [Jebu's] team, is focused on mobile. Mobile, we think, is absolutely critical to the future of retail. So Jebu's team is also focused on really trying to hire very high caliber of talent there and be able to get even more done in the areas of mobile.

So then the third area, if we go again growth, talent, the third area would really be the acceleration in emerging markets. And if you want to cover that, Wan Ling?

Wan Ling Martello - *Wal-Mart Stores Inc. - EVP, Global eCommerce, Emerging Markets*

I mentioned this morning at the shareholder meeting that we're very excited to see the kind of growth in eComm in emerging markets. You know I mentioned China. It's amazing. One year's worth of growth is -- in China is equivalent to two years here in the US. And several things are driving that.

The first thing is the rise in disposable income for the Chinese consumer, combined with a continuing underdeveloped physical retail is driving the Chinese consumers to shop online. The second thing, clearly, is the broadband penetration that's really shot up. It's really accelerated. And last but not least is availability of platforms -- payment platforms like Alipay and Tenpay, which is a PayPal equivalent.

And so it's -- we are very committed to make the appropriate level of investment so that we can effectively service our customers, not just in China, but in Brazil and India or even in the US.

So, maybe with that, we'll open up to Q&A.

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

Absolutely.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Okay, we have lots of hands on eCommerce. We'll start with Greg.

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Unidentified Audience Member

Thanks. Last Christmas you did a pre-delivery option. What's your thought about that going forward in terms of building the model around that? what sort of loyalty did you build from that? Did you see people come back the next month and start to use the site? What did you get out of that? Going forward, how do we make sure we're not just taking traffic away from the stores and actually using it to drive it to the stores?

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

Right. So, I'll start with you last point. Absolutely, from a strategic perspective, our intent is not simply to shift business. What we want to try to do, and Bill alluded to this earlier, is build an assortment that is millions of products, clearly much more than you could ever have in a store, and then give a customer the option either to have that shipped to their home or have it shipped to a store. So, absolutely agree with the last point. The intent is not to shift.

To your first question in terms of free shipping, we were really pleased with it. One of the things that's always been true in our business is as we go into holiday, and we have a very seasonal business, that new level is basically what we build upon for the previous year. So, something like free shipping, which helped us a lot last year, basically established a new baseline level, which we're now building upon as we go ahead and continue to grow through this year.

So, price leadership for us online is as important as it is to Doug, to Brian, to Bill. And that'll be leading in areas like item price, and clearly in shipping price as well. Site to store is our most popular free shipping program today, and the growth rates there are fantastic. So I think you'll see us continue to test different types of programs in the free shipping area.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

We'll switch back to this side. David?

Unidentified Audience Member

Thank you. Going to pricing, pricing dynamics online are very different, particularly with the price grabbers and so on. And how do you maintain that price leadership and remain profitable? And also, how do you work with your vendors on that as, I guess, it relates to [map] on a bunch of pricing and stuff? And how do you enforce pricing around the -- I guess a lot of different questions there, but --

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

There are a lot.

Unidentified Audience Member

-- related to pricing --

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

Right. The thing is we have to think about the business in different ways. So, in the UK, for example, where it's a home grocery business, you get a pretty good cart. You get a high average order size. Even the test that we're running here in the US, we've been really pleased with the size of the basket.

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So when it comes to the grocery side of the box or our needs, in terms of grocery and consumables, that tends not to be an item business. It tends to be a full list that someone is working through. So, we don't have the same challenge on that side.

On the GM side of the business, to your point, because they tend to be highly considered purchases a customer's willing to go one at a time. And what that does is it puts the same pressure on us to really think about how do we get as lean as possible from a cost structure perspective to be able to make money on those orders.

And then I think to the point over here, how do you develop an experience and how do you develop other programs to really engender loyalty with a customer base? And those are the things that we're working on all the time, how do we improve the experience. Our Kosmix acquisition and what @Wal-Mart Labs is going to be working on is really trying to figure out how do we continue to innovate in the experience so that we get a high degree of loyalty.

Unidentified Audience Member

As you look at the basket, it just generally feels like (inaudible) basket isn't as good online, which can hurt margin -- gross margins as well. How do you make up for that? And is that an intent to drive site to store? What do you do to try and make up for some of that unit difference in shopping behavior there?

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

Right. Honestly, I would start by saying I don't like to use the language of good or bad because what we have to do is we have to respond to the way the customer is starting to shop. And if we start using kind of values that way in terms of good and bad, then we can create the wrong behavior internally. We have to solve for the way the customer wants to shop.

So to your point, we do it both through kind of the portfolio of products that we carry. Home and apparel are very important businesses for us, as they are in the store because they have a much higher margin than electronics or media do. So one of the things that we try to do is we try to figure out how do you get that portfolio to be appealing.

The Marketplace Program is certainly a part of that. It's a program we have. It's a program that we're going to continue to expand, to offer a healthy assortment with good margins. And then as you stated, then when you think about it from a multichannel perspective, a site to store order not only carries the profit of the order itself, but then also the activity that takes place in the store. The same is true of Pick Up Today.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Michael, next question.

Unidentified Audience Member

Consumables until very recently, were not a big business on the web and it was thought it a business that wasn't attractive to the web.

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

Right.

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Unidentified Audience Member

There was a major acquisition that one of your competitors just made that looks like it's portending a sea change in terms of that business. Consumables are very important to the core of Wal-Mart business, both in the store and potentially in eCommerce. Can you talk about how you are going to deal with consumables online going forward?

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

It'll be a variety of efforts. So, on the ship to home side, we have a lot of work to do in terms of improving the assortment. You've asked me about the assortment in the past, and it's an area that I think, going back to pricing, we have to continue to figure out how do you make the economics work on those types of items.

So the ship to home piece, I think, is going to be one of the most challenging ones, but we're going to have to solve for it for the reasons that you described.

The parts that are more exciting to me because I know how the math works, are things like Pick Up Today in consumables. The product is in the store. It's very easy to go over there, pick it. You get the additional economics of having someone coming into the store and get that item.

Then the last thing that we're trying to do that's a hybrid of the two things that we're testing in a couple of places is shipping from a store. And we think that that can give us an advantage from an experience perspective because the costs will be very low because the product's already very close to it. The speed will be very fast. Some of the customer feedback we've gotten has been surprise and delight, I ordered it yesterday, I received it today.

So it'll be a combination of those three things. Ship to home from a central location, some element of Pick Up Today, like Click 'N Pull that we do in Sam's, and then shipping from stores.

Unidentified Audience Member

Have you talked with your counterparts at Wal-Mart in terms of what they think the long term implications of the retail business are of this potential shift?

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

We do have those discussions. We have them, I think, in all of the categories, in electronics, in home, in all of those businesses. And one of the reasons why we were so early, if you will, in terms of wanting to start to test, at least the ship to home piece, was so we can start to learn. It's unclear in a lot of categories what the future is going to be exactly. But we figure we might as well start the journey and learn along the way.

Unidentified Audience Member

Thank you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Next question, Faye. And then we'll go to Scott.



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Faye Landes - Consumer Edge Research - Analyst

Hi. Faye Landes, Consumer Edge Research. It's fair to say -- I think it's fair to guess that Amazon is one of the more relevant competitors to you in the US. So, a couple of things there. First of all, [Prime] is very important to them. And work that we've done indicates more than 20% of Prime members bought eight or more categories on Amazon in the latest 30 days. So, they're in very deep with Prime customers. That's a big driver. And Prime is also very expensive program to run, which shows up in Amazon's margins.

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

Right.

Faye Landes - Consumer Edge Research - Analyst

And so, how do you think about that? How do you compete with that, with a program that's already very developed and entrenched and expensive? What's your tolerance for pain on that? What's your strategy (inaudible)?

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

On the strategy side, the thing that is true in all of our markets is we are going to focus in areas of assortment, of price, of experience and immediacy. So, to your point, one of the most compelling things about Prime has been the notion of being able to get the product in two days for people.

So what you're going to see us doing -- one of the things that is very exciting about the roles that Wan Ling and I have is we have a portfolio of businesses where we can try different things.

So Prime you can think of as a membership program, if you will. So, Sam's clearly knows how to operate membership programs, and that is a core part of their business model. So as we think about what the strategy is going to be and how we solve for immediacy it could be a combination of something like a Prime, but then things like shipping from store, Pick Up Today, some version of, say, grocery delivery.

And those will vary in the market, depending on the brand and depending on the customer base. But I think Prime is a very good customer innovation from a business model perspective that we are going to solve for in some combination of what I just talked about.

Wan Ling Martello - Wal-Mart Stores Inc. - EVP, Global eCommerce, Emerging Markets

Yes, just following on what Raul said, it's for us, our strategy how do we leverage our store footprint? And so, it's not because of something that our other pure players do not have. And so, how do we leverage the footprint to give our customers a very compelling offer?

Faye Landes - Consumer Edge Research - Analyst

Your tolerance for pain issue?

Raul Vazquez - Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets

I would frame it slightly differently. Mike mentioned today that we're committed to winning.



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Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Next question, Scott.

Scott Kaufman-Ross - *Goldman Sachs - Analyst*

Thanks. Scott from Goldman Sachs, again. Following on David's question, we heard over the last couple of days that Wal-Mart's pricing strategy is very much attuned to the local market at being the lowest prices online kind of gives you a new challenge.

How do you think about it, especially when it relates to Amazon itself? There are so many third parties and the third party sales, what the consumer sees. So, how do you deal with that difficulty of you're not just dealing with your competition in terms of big retailers in Amazon, but with every small retailer that sells through Amazon.

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

Right.

Scott Kaufman-Ross - *Goldman Sachs - Analyst*

What's your strategy and how do you cope with that?

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

There are a couple of elements to that. The first is clearly today it is not a level playing field. And you've heard a lot more dialog about that, as state and local governments are realizing the impact of the lack of that level playing field and what it's doing to their tax base.

So, one of the thing that we recognized is some of that price difference is simply based on that, and therefore we are participating in the efforts to try to change some of that.

To your point on the marketplace side, one of the interesting things, and again, one of the reasons we went into the marketplace, was we felt that that was going to be a core element of future success -- some variant of it. And we wanted to start to learn with certain partners. And one of the things we've learned is people have different needs in terms of the companies they're willing to pay for, how quickly they want the product, and the risk that they're willing to take on.

So what you're going to see from our marketplace is you're going to see us put together a variant of it that meets our customers' needs. We don't think that that very small shop that may be shipping out of their garage is going to meet the needs of our customer base.

And again, it'll differ by business. So for a Sam's in the positioning that they have, given what Brian just said, right, that's not going to meet their needs. But as we go to market across the world, you will see marketplace strategy that recognizes you need to have a high degree of availability, and in some cases multiple price points.

Wan Ling Martello - *Wal-Mart Stores Inc. - EVP, Global eCommerce, Emerging Markets*

The other thing, too, like, I just want to add is it's important to have a wide assortment online, but where the customer is going, it's not just about having lots and lots of stuff online. It's about editing the assortment so that it's relevant to you, it's relevant



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to me. So an acquisition like the Kosmix, which is today @Wal-Mart Labs, is going to help us. How do we use social media, how do we understand the customer better, so that the assortment that's presented to you -- to Raul, to me to you would be relevant?

Scott Kaufman-Ross - *Goldman Sachs - Analyst*

And actually, you just kind of perfectly gave a segue into my follow-up is, what kind of learnings have you had, Kosmix and [Yihaodian] for about a month or so now, just any initial learnings and how are you incorporating that into the business.

Wan Ling Martello - *Wal-Mart Stores Inc. - EVP, Global eCommerce, Emerging Markets*

The Yihaodian transaction we're very excited. We have not officially closed yet. It should close in a few weeks. But clearly it's a very impressive company. They started in July of 2008 and in a matter of a few short years they have done really well in the market. And they're expanding. They started in consumables and grocery, and now expanding into other categories.

So we intend to learn from them and hopefully cut down on the learning curve that we have to have in establishing our own online business in China.

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

On the @Wal-Mart Lab side, it's still very early, but the learnings I think we -- that I would say that we've had so far, it is great to have subject matter experts. We've sat and we've had meetings already with some potential partners.

And the extent to which this group has thought about what the future of commerce could look like and how you would incorporate all of the information that may exist about you or you or you, and how we present a [curated] assortment, how we differentiate the experience, it's just a level of depth of understanding and vision that is unlike what those of us that have been building the other business have had a chance to put together. And the same is true on the mobile side.

So that's been one of the great things is as we bring in more specialists, if you will, our roadmap starts to come together in a much more compelling fashion when you think about the middle and the long term.

Short term, one of the other things that they've brought is a lot of experience in search. So, already they've taken over a component of our search roadmap. And as a customer or partner of theirs, if you will, all of our businesses are looking forward to the enhancements they'll make to our search.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Wan Ling, and Raul, thank you very much.

Raul Vazquez - *Wal-Mart Stores Inc. - EVP, Global eCommerce Developed Markets*

Thank you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

And now I'm pleased to welcome up to the stage Charles Holley.

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Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

Good afternoon. good afternoon. there you go. How's everybody doing? Been up since about 5, 4:30. We were going to bring Fergie and the Black Eyed Peas over. No, we were. And then Mike reminded me we were under EDLC now, and we really can't do that.

Seriously, we really do appreciate your interest in our company. It's a long day, hopefully you've gotten a lot out of it. And I know you've come a long way to get here. I'm going to say a few brief remarks about our finances. I want to answer a couple of your questions, and then we want to turn it over to Mike Duke to close out for us.

First of all, a very strong balance sheet. Feel very good about our liquidity. We still are very committed to a double-A rating. We did \$5 million -- completed \$5 million of debt in the first quarter. And to put in perspective, over a 12-month period from that first quarter, if you go back, we've done about \$15 billion in debt transactions, and that's about 30% of our outstanding debt. We think the markets have been very attractive. And so, we've been very aggressive as far as that's concerned.

Reminder about our capital allocation and how we view capital. Of course, the first thing we want to do is invest in stores. And the second thing would be acquisitions. The third would be dividends. Just as a reminder, I think everybody knows we increased our dividend to \$1.46, 21%, for this year. If you look at the past 10 years, we've increased the dividend on average 18%. So, I think the Company's demonstrated it's been very committed to returning back to shareholders.

One of the things that will affect share repurchase -- one of the questions that I get quite a bit is, well, how much is it going to be this year? A lot of it depends obviously on operating cash flow and how well we do. It also depends on acquisitions. Right now we've got around \$4 billion in acquisitions, and that will have an impact on what we would have available for share repurchase.

SAP. SAP conversion, we converted Mexico very successfully last month. We now have 90%-plus if you look the revenue -- global revenue of Wal-Mart has been converted. And I think every country, [Robin], except China is on some form of SAP right now. So, we've made a lot of progress on our SAP conversion.

As far as everyday low cost and overhead, the Company is very focused on productivity, even in the overhead area. If you look at our first quarter, just on the reported basis, you'd think that, well, you say that, but you didn't do very good. Well, there's one area that'd be an exception and that's global eCommerce, who you just heard from.

If you took out the global eCommerce increase that was a very strategic decision to obviously increase our expense in that area and invest in it, we would have been up less than 2%. And we will continue to look at ways to be more efficient in the overhead area.

So with that, I'll turn it over for questions, Carol.

QUESTIONS AND ANSWERS

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

We have a few minutes for questions from Charles.

Okay, Greg?

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Greg Melich - ISI - Analyst

Hi. Thanks, Charles. Could you help us on the CapEx, which you have a budget and each year? We've seen it come in about \$1 billion less than we think, which is great. Sort of the bigger picture part of it is, why do we keep spending \$12 billion or \$13 billion when the depreciation for the Company is \$7 billion or \$8 billion, when the top line is, let's say, growing 3%, 4%, 5%?

Sort of help us bigger picture understand, is it that there's just a lot that needs to be done to fix and improve the stores we have? Or, is it that we're spending money on land and buildings to get into Chicago that have no revenues yet? Just because that gap is relatively large compared to a lot of the peers.

Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

Yes. I think what -- the way that we would do it is, first of all, as you know, we're not really capital constrained. But what we do look at in a very focused way, whether it's real estate or acquisitions, what's going to bring long term shareholder returns for the Company.

If we were to limit our -- I think our CapEx at just our D&A level, I think you would stunt your growth quite a bit and you'd miss out on opportunities. So we're not trying to use a formula to say, well, we have to keep it at D&A -- at the D&A level, and therefore that's just the formula we're going to follow. We want to go where the opportunities are. We didn't do any M&A activity last year, and we're going to do some this year.

So, as you know, we don't plan the acquisitions. We have to be able to -- those take time. And so, we're not going to be formulaic about it and say at the D&A -- and even at the D&A level, like I said, Greg, I think you would stunt your growth. And we think there are still a lot of growth opportunities, both in the US and abroad.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Frank?

Unidentified Audience Member

Someone asked Bill a question earlier about how much longer on SG&A. And I think he was a little bit vague. So, I mean, I'll ask the question again. How much longer can you go? I mean, if we fast-forward a year, let's just say some of these top line initiatives don't work out and sales are -- comp store sales are negative one or negative two or something.

I mean, this time next year are there still SG&A opportunities, where we can see SG&A flat or down? Or when -- at some point it has to kind of delever, and I think people want to just get a better idea of when that would run out.

Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

Obviously, the longer you go with negative comps, there's more pressure on that productivity loop. There's no doubt about that. But I've had the luxury of being with the Company longer than Bill, 17 years. That question was asked 17 years ago, and it will get asked five years from now also.

It is my -- one of my top goals is productivity for the whole company. And I can tell you we're looking not just at this year, we're going to be looking at two and three and four years out across the Company. And it's just the nature of how Wal-Mart operates. And I know it sounds kind of corny to you, the productivity loop, but it's alive and it's real in this company. It's part of what I think has made us a great company.



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So, we're not going to give you specifics right now, but I can tell you all of us are focused on that. How are we going to get better, and how are we going to reduce costs and be able to drive the prices down. It's just our business model.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Deb, next question.

Deborah Weinswig - Citi - Analyst

Deborah Weinswig, Citigroup. Is there -- back to my earlier question on global sourcing, isn't there also a significant opportunity as you continue to increase the amount of (inaudible) globally sourced to lower prices, and isn't that also an opportunity with regards to the productivity loop?

Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

Yes. I would say it is. Bill, do you have any comment on that?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

I mean, it's an important element in what we do, clearly. We can lower our expenses and we can lower our cost of goods, and global sourcing is a key component of it. As I was trying to address earlier, one of the reasons why you'll see a movement in our inventory levels is just the way that it's calculated.

Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

And I'm going to go back to the original question on trying to understand, well, how much is really out there. You saw the graph I had today in the shareholder meeting. We did a terrible job, I think, and I was part of that, those first four years of that graph. We allowed expenses to really creep up. So, I think we have a lot of productivity and cost to wring out of the business still that we let -- that we allowed to build into the Company.

Deborah Weinswig - Citi - Analyst

So would you say you have more opportunity with regards to reducing cost or expenses -- or reducing cost of goods or reducing expenses?

Charles Holley - Wal-Mart Stores Inc. - EVP, CFO

Yes.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

We'll go -- we'll take one more question for Charles. Faye?

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Faye Landes - *Consumer Edge Research - Analyst*

I just want to make sure that I understand Bill's comments on gross margin. Can you just tell us what your -- the gross margin -- what your guidance is for gross margin, longer term trends in gross margin?

Charles Holley - *Wal-Mart Stores Inc. - EVP, CFO*

I think for the year, Bill, we said, well, we're not going to go up. It's going to stay at least flat. And I think she's asking both mid and long term.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Month to month and day to day, we expect obviously fluctuations. The plan for this year is to stay flat. The discussion I was having earlier was around long term strategic. If you were a low cost operator you can -- and need to be a low cost -- or a low priced retailer -- in order to be a low priced retailer, you're a low cost operator.

As we save money in our expense structure and in our cost of goods, our intent is to lower our prices. When it comes out of cost of goods, that may or may not go into gross margin. When it comes out of the expenses, it will be reflected in a reduction in gross margin as we pass the savings through.

Faye Landes - *Consumer Edge Research - Analyst*

Sorry, still a little confused. Sorry. So, I don't think that's exactly what you said before. I don't know.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Well, I thought it was the same thing, only different.

Faye Landes - *Consumer Edge Research - Analyst*

Okay. So, in other -- I think you said something like you hoped that -- or whatever. I'll go to the video tape later. But so -- because until now, I mean, you've been able to keep prices very sharp without -- with generally, at least, stable gross margins.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Is that a question, or --?

Faye Landes - *Consumer Edge Research - Analyst*

No. That's a statement of fact.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

Yes.



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Faye Landes - *Consumer Edge Research - Analyst*

And so, is there any reason why over the intermediate to long term that you couldn't do that?

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

With lower prices we'll sell more, and we'll be able to take more of more customers. So as we reduce our expenses and lower our cost of goods, we can lower our price.

Faye Landes - *Consumer Edge Research - Analyst*

I'm still confused. But I'll -- I don't want -- I'll follow-up later.

Bill Simon - *Wal-Mart Stores Inc. - President, CEO, US*

I don't know how to be any more clear than that. I'm sorry.

Charles Holley - *Wal-Mart Stores Inc. - EVP, CFO*

All right, thank you. And we'll go on to Mike.

PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Now, welcome up Mike Duke, please.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Good afternoon, and great to see all of you again. And welcome back to the annual shareholders event. Hope, again, for some of you have been for quite a few of these. I hope it's been a productive day.

One of you asked me already today, so I'll start with a Q&A and I'll just start with this question and go ahead and answer it, and then I'll open it up to other questions. The question was, how do you feel? And really complicated question. And I have two answers. I feel really good on one hand, and not so good on the other. So, I guess you'd probably like to know some details.

What do I feel really good about? What I feel really good is about the Wal-Mart business and where Wal-Mart is positioned. So, I might give you a little detail behind that. First, the Wal-Mart US, let's start right with what Bill Simon -- I just want to reiterate my perspective because, as I mentioned this morning, I have spent a lot of time out visiting markets.

I've dropped in on stores, Bill, in Portland, Washington state, California, New Jersey, South Carolina, Alabama, Iowa. All those in the past four to five weeks on drop-in visits, where I can just go in and talk to store managers and associates and customers. What I really like about what I hear from the Wal-Mart US is this positioning of the assortment, plans that are now being added back and even the plans as we go into the third quarter and the fourth quarter, is really resonating.

Where the steps have already been taken, some of those categories in the consumable area or food area that actions have already been taken, customers -- I had an elderly couple in Des Moines, Iowa that came up and they pointed out to me of some



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of the food that had been put back in the store and how pleased they were. And that ends up being an inspiration, but it also says that we're on the right track in terms of getting really Wal-Mart US to meet the needs and exceed the expectations of customers.

And then even the discussion on price. I do believe there is so much opportunity to churn the productivity loop. The productivity loop has several components, reducing expense, reducing prices for customers, and then growing volume. In any business, there is an element of fixed cost. When you have a business like ours where there are buildings, equipment, and a lot of CapEx, that means that fixed cost then is related to volume. And we really need to get back to growth.

That's why I said, again, and I've said a number of times, comp sales growth for Wal-Mart US is the highest priority that Bill has, that Wal-Mart US team. It's the highest priority that I have of leading the organization, of all the different businesses we have. Frankly, the growth of comp business in Wal-Mart US is critical. None of us would underestimate the importance of that. And we believe the critical answer is that broad assortment that Bill described and the productivity loop that leads in a business model called EDLP and EDLC.

Then I have to feel really good every time I drop in a Sam's Club. I've also, in all these places I've been, I've dropped in and surprised the club managers. And I will tell you, I've seen nothing but consistent club performance across the United States. The Sam's associates are excited. You could see that. But because the leaders, from club managers up the organization, are really, really enthused today. They're enthused about the merchandising, Linda, that the product, the quality that's coming into the clubs.

But what I really like is the execution level. The consistency of execution inside the Sam's Club organization is something that's probably the best that at least I ever know us to be in terms of consistency of how we operate the clubs in the Sam's US business.

And then international, again, I obviously have a very close, fond relationship with associates all over the world, from my time in the international business. And it's just a very special thing that I really -- still really enjoy. And the upside, the opportunity, the millions of customers today that we don't reach and where the opportunity to. But what's really interesting is the opportunity to grow comp sales in the international business is also.

We now have a -- it's a reasonable sized business. You know [\$109 million] last year, it's going to be something a lot bigger than that this year. And then after we integrate acquisitions and we grow comp sales and we add more new stores, it's going to be something a lot more than that next year. The opportunity for growth outside the United States is still just one of those things you just couldn't help but feel good about.

If any of you had been with me -- some of you visited Brazil when we had a trip there, some in China when we had the trip there and other markets that we've had outside the United States. Well, I don't go on those because when I go to the markets, I like to spend all of my time in the stores.

And like the recent trip to Brazil, I was there all week, visited three cities and 25 stores, along with a lot of competitors. And in that, what I end up looking at is our business, but what the opportunity could be. And I come back with even more enthusiasm about the opportunity.

And then, I think it was fantastic, Raul and Wan Ling, the discussion of eCommerce. This is really an emerging and gigantic opportunity globally. This is not just a United States opportunity. It's not just the mature market opportunity. As Wan Ling described, it's an opportunity all over the world.

And the big emerging markets also, where there's already a rapid transition and the use of technology and smartphones, and other things that really just create a reason to feel really good about where Wal-Mart is positioned and where we're headed in the area of eCommerce.



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So, that's why I feel so good. So then you'd say, well, what's the other side of the question? I will tell very much like has already been described, the customers I talk to in stores across the United States, but in other markets, particularly mature markets, like the UK, Canada, and Japan has, of course, an unusual situation, but the customers and particularly here in the US are under a lot of pressure.

And we haven't talked a lot about it, but one that I think even is more complicated, but yet we've seen over a number of years, this topic of gas price. And just -- it's just a pure direct transfer of disposable income, where I have X dollars to spend and I've got to spend more to put fuel in my car, that means I have something less than X.

And so, when I do talk to customers about the pressure or still the concern about job -- if I have a job but I'm still afraid or if I lost my job and where am I going to find a job in this environment. And I'll tell you, I talk to real people, real customers, and that is a concern.

And it's a concern in the -- I like to do it because I read all the data that you do, but I don't get the passion, the emotion enough from just reading the data. I like to talk to real people. And, really, the ones that are going through the experience, and that's what I do when I visit stores. And then the data makes much more sense.

It causes me, then, to have greater emotion about what our customers are going through. I think it becomes a greater inspiration, then, to be Wal-Mart, to help those customers, then, that are going through difficult times. So that would be the area of concern that I've got, would be the overall economic environment that we've already have discussed related to the job situation, the fuel price and the overall consumer confidence in the US. But in the UK and some other markets around the world also.

So, that's my first question that I answered. That's how I'm feeling. I try to focus more on the first part of that, and that's why I spend 95% of my working time on that first part, which is what we can manage at Wal-Mart. I really can't manage the economy.

And I'm not interested in getting into government service at this point. So, I go ahead and focus all of my time, or 90% something. I do spend a little bit of time reading about it so that then I'm aware of it. But then all of our energy is trying to run a better business.

Now, with that, I'll open it up for questions. But now is your opportunity for questions. It could be for any of us. Again, this is if you didn't get a chance to ask a question from someone else that's already presented or any other Wal-Mart associate that's in the room today, if you just happen to see somebody you want to ask a question to across the room, this could be an opportune time. So, I'll open it up.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Mike, that could be dangerous for a couple of people We'll start with Robbie, who had his hand up first.

QUESTIONS AND ANSWERS

Robbie Ohmes - Bank of America Merrill Lynch - Analyst

Mike, I don't think you're going to like this question. But you said Wal-Mart US comps getting a positive is the highest priority. Can you -- the time that it's been taking to get back to a positive comp and given that you've been probably more focused on it than anybody in the world, other than maybe Bill, how much of it do you think is your customer being pressure?



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How much of it do you think is mistakes you're still making in merchandising and pricing, et cetera? And how much of it do you think really is competition, whether it's the Dollar Stores or Target or Walgreens, or whoever you want to throw into the mix there?

Mike Duke - Wal-Mart Stores Inc. - President, CEO

That's a -- it's hard -- clearly, it's some of all three. So if it's 100%, I'd divide by -- and come up with some ratio. I would tell you that -- first I'd say that 90%-something of our time is on the Wal-Mart side. So, the economy and the external factors, we don't spend a lot of time talking about the weather. We do try to do heroic things, like our store manager in Joplin did.

But the situation is we work on that one piece of it, which is the Wal-Mart business execution. And I think still that a significant portion of it is within our control. It's really our opportunity to have the right product in the store, having the right price, and running good operations in our business. So, something greater than 50%.

I don't -- it's hard for me to put a number on it. But it's -- I would hate to be here and give you an impression that it's much more external than it is internal. It's much more internal. It's -- the ball's in our court. It's not out there up to jobs report that needs to improve. Those are factors, but I like to view it as the, frankly, the ball's in our court. And that's why I'd feel good about fixing it.

I do say, to your point about competition, I have great respect for our competitors and I think they are better than ever. And I also think that Sam Walton's statement many, many years ago that we run our best operations where we have the best competitors. And I think Sam did that when he would be flying around the country and he'd go to one town and the competition wasn't very good, and we didn't run a very good store. He'd go to another area of the country and we had great competitors, and we ran better stores.

I think the fact that our competitors today in retailing in the US, I'm kind of focused on right now, it's true probably in most international areas, the fact that our competitors are better, more innovative, means that we are getting better and more innovative and we'll end up with a better company because of that, too.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Next question will be from Maggie, down front.

Maggie Gilliam - Gilliam & Company - Analyst

Thank you. Mike, in the last two years you've been putting a lot of money into logistics and improving the supply chain, one thing and another, and having to contend with your own rising fuel costs.

Could you comment a little bit on -- I mean I'm under the impression, rightly or wrongly, this is a major reason why you've been able to hold your costs of goods the way you have. And could you comment a little bit on breaking it down or telling us a little more about it, please?

Mike Duke - Wal-Mart Stores Inc. - President, CEO

First, Bill commented on it this morning. Bill, I might let you share, or if you want to even ask anyone else, because this is primarily the US operation that the logistics group in the US. And I obviously have some prior experience there, too, but it really is fantastic what has taken place in recent years in terms of productivity in some of what you mentioned this morning.



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Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Yes. I'll just very briefly, and then turn it over to Johnnie Dobbs, who really leads that incredible organization. We actually haven't put that much capital into logistics in recent years. We've been just running the wheels off of it. We always consistently renew our trucks and trailers and upkeep the DCs. We haven't had -- we've just gotten so more productive, we haven't actually built a new DC in four or five years.

And I'll let Johnnie talk very briefly about some of the things that they've been doing.

Johnnie Dobbs - Wal-Mart Stores Inc. - EVP, Logistics & Supply Chain, US

Yes. Transportation obviously is a big piece of our overall supply chain costs. And so, if you go back and look at routing efficiencies, alignment of suppliers to our ship points, putting more cube on trailers, we've come back in, particularly in our dry grocery and general merchandise areas, and focused on cube and better visibility and routing tools.

If you think about our networks, we have spider web networks that overlay each other. So every time we can align those spider webs of different types of merchandise, whether it's inbound and outbound, it'll eliminate empty miles. That drives productivity.

So if you go back to 2007, the work that we've done in that area and compare it to 2010, we've shipped, almost comparison years, we've shipped 300 million more cases in 2010 and drove 200 million less miles. So when you take that out, it's allowed us to flatten out and offset a lot of those fuel costs.

Productivity in the distribution centers, if you looked at a CAGR over that same period of time of about four or five years, would be in the mid single digits. So, we're working on process improvement and taking labor out of that process. The number of associates that we used in the year has come down dramatically. 2006 we would have had somewhere around 95,000 associates. If you look at the number of associates in logistics network today, somewhere around 72,000.

Mike Duke - Wal-Mart Stores Inc. - President, CEO

Wow. That's impressive. When I hear information like that, it's a little bit like when I visit Doug McMillon and the international operations. On one hand, I'm really, really impressed. On the other, I'm embarrassed because I used to run that area back years ago and it is so much better today, so much more productive, Johnnie. And the efficiency and the service level that comes from the logistics network is at a -- levels higher than when I would have been there.

And it's a lot like that in the international businesses around the world that I visit, too, is how much better and improved we are in running businesses. And it's just part of raising the bar. We talk about at Wal-Mart striving for excellence, and that's why you're never satisfied and you keep raising the bar. Even when you've got something working well, that maybe is an area to capitalize on even more and raise the bar even more.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Mike, we have a question from Dave Strasser for you, and the we'll go back to Teresa behind Dave.

David Strasser - Janney Montgomery Scott - Analyst

David Strasser, Janney Montgomery Scott. So, going back to the internet sales tax, and Raul touched on it briefly, it's a big dip issue. You -- a lot of retails haven't gotten very aggressive in trying to fight that. It feels like maybe that momentum is starting to switch.



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I guess a couple of questions. Why haven't you been as aggressive in trying to push that legislation? You guys have, obviously, a lot of interaction in Washington. Where do you think we are in that process or where -- and where do you think that comes out in rough timing, if you could guess on it?

Mike Duke - Wal-Mart Stores Inc. - President, CEO

Oh, I think, clearly, over time that that'll change because states need revenue. It's a serious financial problem for states across the country. And I have talked to some governors and sometimes I kind of picture it as a leaking bucket. There's a -- and because the bucket has a big leak, when the customer -- the same customer buying a television can buy it through one way, or the same customer might buy it an alternative way and not pay sales tax, and the state loses the revenue out of the revenue bucket.

So, I think there is a clearly momentum now that is starting to -- state by state starting to cause states across the country. So, it's not anything that's a 30-day fix. It'll be -- it'll take a period of time. But, clearly, it's an awakening that's taking place. I think there are more -- particularly small retailers that are really banding together now. This is the case where the alignment, we would be probably in agreement with, as sometimes people say, the small mom and pop.

But the small retailers that might not have all the resources and the financial strength that a company like Wal-Mart would have are ones that I think are working together to bring this to attentions of their state legislators across the whole country.

So, that's why I'm confident that over a period of time that this will get rationalized to what it should be. And that what it should be is that a customer buys a product and it's not important about how they bought the product, that the tax systems would be equitable either way.

David Strasser - Janney Montgomery Scott - Analyst

On a scale of one to 10 or something, how big of an issue do you think it is for you today or into the future as you think about your business, particularly on the general merchandise side?

Mike Duke - Wal-Mart Stores Inc. - President, CEO

Yes, it would be in the -- particularly related to eCommerce and product -- if you're that particular (inaudible) would be a big issue. On a big issue today, let's say today I said the biggest issue is Wal-Mart US comp sales. So obviously, you could see there's a space there between how big an issue that would be today for Wal-Mart compared to all the other things that we've talked about today.

But over a period of time, I think it will be -- it's a bigger issue over time. But that's why obviously we're engaged in discussions on it. But I think, again, to the smaller retailers, it's an even more critical issue today.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Teresa, next question.

Unidentified Audience Member

I guess this is more of a strategic question on US Wal-Mart. We heard everyone's presentations. We heard Sam's give some illustrations of the way -- different ways they're reaching their members and slicing and dicing the data that they get. Target and Amazon have loyalty programs and targeted programs to customers.

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What's your thinking as to what and if Wal-Mart US should be doing similar things? Or alternatively, what is it that gives you the confidence that proceeding with the beautifully simple model of everyday low prices for everyone is the way to go going forward?

Mike Duke - Wal-Mart Stores Inc. - President, CEO

Well, I think there's kind of two questions you have embedded. One is related to insights information about consumers. And there's no reason that we shouldn't be world-class in the Wal-Mart US business, just like we should be at Asda in Brazil or Sam's Club in really knowing consumers.

A company with our abilities and capabilities, no reason we shouldn't have the ability to understand consumers geographically, by income level, by their purchasing desires. And consumer insights is one of those core strengths that I will really see us build.

I'm really pleased with Cindy moving into this job on a global. Her job is to now create global competency in this area of consumer insights. And how that will apply to Wal-Mart US will be a really, really important part of that.

Now, second part of the question -- I'd welcome, Bill, any thoughts. But I don't see a need to start to give special discounts. So, I think a separate issue is the question about EDLP. And I don't really feel that there's any reason. I think if anything, EDLP is even better.

But any thoughts on loyalty cards, because that's kind of the second part of the question, I think?

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

Be happy to address it. The way we view it, and I think Doug said this earlier, we have the best loyalty program, probably the original loyalty program, and it's called low prices everyday. And if we execute that model with the capability that we have, we don't need -- you don't need a card, you don't need to sign up, you don't need to be exclusive. We don't want to keep anybody out. We want everybody to come and get low prices.

I think our issue, and Mike said it very well earlier, some large portion of it is that we haven't executed it that well recently. And we're going to be better at it. Our prices will be lower. They'll be more consistent. We have shown that we can sell the free world supply catsup at \$1. We've done it. We did it. We drained the system. There was no more catsup left after we were done, and that didn't do it.

What'll do it is having a great price on catsup every single day so that customers come methodically and regularly and know that's trust, and that's the best form of loyalty that we can see. And we've continually seen in our business for 50 years and we see it around the world in every market that we run it in. And that's what we're committed to.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Greg, you had -- you were next.

Greg Melich - ISI - Analyst

Thanks. Greg Melich with ISI. Just a quick follow-up on the comp and one on marketing. Given the importance of it, like, why did the Board switch the performance shares metric back to total sales growth from comp store sales?

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And then on marketing strategy, given the changes going on in the store, Action Alley, more inventory in the store, are we going to start advertising that, or are we going to dial it up so that people know that there's been a real change? Thanks.

Mike Duke - Wal-Mart Stores Inc. - President, CEO

I'll let Bill answer the second question. But I'll take it in sequence. So your first one, the Compensation and Nominating Committee of our Board of Directors, then, revised last year. And but the -- recall this was related to comps for Wal-Mart US and Sam's US.

That is still the major component of compensation, because comp sales represents for our US business about 98% of total. And so, the -- if you really look at total sales, the way to make or break results there is not trying to open another store. It really is working on the 98%.

I can tell you I've never seen the level of energy right now focused on comp sales growth in the US business. So it really is just saying all of this is important, but comp sales makes up total sales in the US business. In our international business it was already total sales. So it's really just having consistency across the Company, which then adds up to total sales for someone like the corporate officers and myself. That's what the Compensation Committee looked at.

The second question, Bill, related to the in-store activity and marketing.

Bill Simon - Wal-Mart Stores Inc. - President, CEO, US

We started around the first of April with a new campaign that talks about the broad assortment and Ad Match. We haven't gotten to the point yet, and we will, where we talk about how much is in the store and the broad assortment again.

We've been a little bit concerned that while, as we -- as it takes time to put the items back, particularly in the general merchandise side, to tell somebody that their favorite thing is there and they come again and it's not is worse than waiting. So, we're working hard to get the assortment right.

We started to talk about the breadth of assortment with some of the ads that we're running today, and you've seen them. They're the conveyor belt ads where it talks about a lot of different items at Wal-Mart. But we have -- we have stopped short of saying the assortment is back. And as soon as we have it where we'd like it to be, we'll do that.

Carol Schumacher - Wal-Mart Stores Inc. - VP, IR

Neil, you were next.

Unidentified Audience Member

Thanks. Mike, we've seen over the last day or so your new smaller formats. And I can actually see the logic behind what the smaller formats are trying to do for Wal-Mart in terms of either gaining access to new geographies or new shopping missions that the big supercenters aren't currently achieving.

But to make a meaningful contribution to Wal-Mart's growth in the US, once you've tested these formats and decided which is the way forward, you're going to have to open thousands upon thousands of them to be meaningful.

So, given that, would you contemplate making an acquisition in the US? And if you are comfortable making an acquisition in the US, what's your confidence level? You obviously do this internationally with regularity, but you haven't really made a retail acquisition in the US before. So, I wonder if you could comment on that.



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Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

First, I think you're right about the fact that it would take a large number to move the needle. But, first of all, before you, let's say, jump to the Wal-Mart Express, there's -- Bill said it well. The supercenters still will produce the most opportunity for top line growth for a number of years.

But the neighborhood market, then, that next size, that's already a proven and successful, with very good results. The last two or three years we've been very pleased with the market performances. And that is one that's no longer test. That's really now expanding and rolling out faster.

But the Wal-Mart Express, the small store, the 15,000 square foot, I think it is one that's looking out longer term over a strategic period of time. And if you look at the way Wal-Mart has built formats in the US, we've been patient. Even the neighborhood market we worked on for a number of years, would adjust and tweak.

The supercenter was a great example, from the very first Hypermart, until we really began to roll out supercenters, was six or eight years of development before we really moved into a rollout kind of period.

So, I think in terms of the Wal-Mart Express, I would not -- don't -- would not suggest you get ahead of any of us in terms of modeling any of that because it's a test and it'll take a period of time.

On acquisitions, I probably couldn't comment on that because we look at those -- even we look at situations. But I don't know -- in the United States, small stores like that might not be a good fit. I mean, where you're acquiring something. So I wouldn't really anticipate, but if something came up, we'd sure look at it. We'd weigh all the considerations.

But, again, I would not -- I wouldn't be counting on in the near term a great deal of impact from the very small stores. That's more of a strategic view of looking out over a number of years. And that's why it's even in a pilot, a test period of 15 -- maybe 15 of these, and then we'll learn from it and adjust and go from there.

Carol Schumacher - *Wal-Mart Stores Inc. - VP, IR*

Mike, we are out of time. So, we thank you for your remarks and also for all the time with Q&A.

We do have a couple of other announcements. For those of you who are staying for the Saturday meeting tomorrow, there is a bus for those of you staying overnight that will take you back to the Embassy Suites.

For those of you heading to the airport, and that's why we wrapped up on time because we know that many of you have flights to catch, there will be a bus also outside in front where you came for lunch. That bus will be heading to XNA. We have for the Wal-Mart people who are heading back either to Bud Walton or to the home office, there are buses marked for Wal-Mart associates. And all the buses will be out front.

We thank you all for coming, and for the financial community, we look forward to seeing you in October. Thank you.



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