

**The 20th Annual Meeting for the Investment Community
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Corporate Speakers

- Rollin Ford Wal-Mart EVP, Chief Administrative Officer
- Greg Au Wal-Mart VP - Walmart Financial Shared Services
- Karenann Terrell Wal-Mart EVP, Chief Information Officer
- Stephen Quinn Wal-Mart EVP, Chief Marketing Officer
- Carol Schumacher Wal-Mart VP - IR

Participants

- Scott Mushkin Wolfe Research Analyst

PRESENTATION

Unidentified Company Representative: Thank you, gentlemen. Over the last couple of years, you've heard us talk a great deal about our leverage initiatives and our investment there is designed to deliver, as Mike often says, that EDLC driving EDLP part of the productivity loop. So here today, to provide an update on where we are under the leverage banner, Rollin Ford who also is our Chief Administrative Officer. Rollin.

Rollin Ford: Great. Well, good afternoon. It's great to be with you. And I've been coming to these things for a long time and it's neat to think about how we're thinking about our company as a portfolio of capability.

Our team is developing these capabilities across the enterprise; innovating on what matters most to our customers, creating consistency, accelerating the productivity loop, and enabling controls and compliance. Today I'm going to share with you some of our progress that we've made to date, our strategies for mapping those core capabilities across the world.

Like Doug mentioned earlier, there's very few things that we do inside of leverage by ourselves; it's in partnership with the markets, it's in partnership with the businesses. But before we delve into the specific strategies that bring all of that to life, let me take a minute and just talk to you a little bit about the team. We can get the next slide up.

That's not the next slide. There we go.

Tim Yatsko now leads our Global Sourcing effort, Ramesh Chikkala leads our International Logistics, and Robin Forbis leads our team which is responsible for deploying our enterprise SAP platform. This team, I'm really proud of because they have the honor, the ability to work across the enterprise in multiple areas of subject matter expertise. Later on you'll hear from Greg Au, who leads our Global Shared Service team, and Karenann Terrell, our CIO who is going to talk to us about Big Data.

Our leadership team leads a global workforce. And it's important for you all to know that 35% of our resources are located outside the US. Our team works horizontally across all the segments plugged in to our business partners to provide strategic capabilities that enable long term growth for our company.

We do this by aligning with our business and that's extremely important that you understand that.

Simplifying end-to-end processes through technology and innovation, measuring results consistently across the business. And I've been around a long time and I have never seen this do a lot of things extremely well, but we can focus on a few things that matter most to the customer and deliver a lot of results.

So as you think about our five key strategies which if you'll flip forward, our key strategies that we are going to enable across Leverage are best practice implementation led by Rick Webb and his team; back office efficiency which again Greg will talk to us about.

Accelerating our sourcing capability and you've heard global sourcing talked about throughout the morning, and building customer knowledge, our big data, our analytics, applied across all business segments with the right maturity lens for each and every market. I'll try to unpack a few of these strategies for you this afternoon.

Our first strategy is best practice; again, enabling innovation, simplicity, and consistency as we operate for less. Driving productivity and efficiencies from our DCs, to our store operations, focusing on process improvement and compliance discipline. Partnering with the markets around the world to deliver SG&A, savings with short term focus as Doug mentioned earlier on Mexico, China and Brazil.

When we started this journey, we didn't know exactly how all of this was going to work because what we thought was 80% difference around the world and 20% the same, we found out exactly the opposite. We were 80% the same with 20% customization or localization, especially the further away that you get from the customer.

I mentioned earlier the addition of Ramesh Chikkala to our leadership team. International Logistics represents a real opportunity for us to drive down transportation cost and distribution cost through optimization of our logistics network.

Our Global Business Process team is focused on simplifying; really simplifying what matters most around process improvement, making us more efficient. An example -- and I always like to give this group real tangible stuff that you can see; we've got a quick video clip of how we're working with Scott's team inside of China to build efficiency. Let's run the video.

(VIDEO PLAYING)

Rollin Ford: The video mentioned that we've taken out over 10 million hours while improving our service to our customers by taking what we've learned in one market and applying it broadly. The China example is just that. It's just an example and it represents a capability that is being replicated around the world. We're working also in Mexico, in Brazil, and other markets around the world.

Let me now turn it over to Greg Au to talk to you about our Global Shared Service journey. It's a journey that honestly we were behind in and we're catching up quickly and we're really pleased with our results. So Greg.

Greg Au: Thank you, Rollin, and good afternoon.

Over the past year, we've consolidated the financial back office transactions from eight countries to our Latin American Shared Services Center in Costa Rica. We're really creating a regional

Shared Service Center for Latin America similar to the capabilities we have now for Wal-Mart US, Sam's Club, and Wal-Mart Canada. We're reducing transactional cost now and building a continuous stream of SG&A savings for the company.

Right now in Latin America, we're realizing savings of around 20%. These benefits are being realized from simplifying the whole end-to-end process, leveraging technology, and improving productivity by aggregating like activities. And the benefits actually extend beyond the savings. We're focusing on improving service levels and facilitating stronger compliance and controls. The Latin American Regional Center is already processing at the annualized rate of 25 million transactions with suppliers in over 7 million payments to associates, which is in line with our plan.

There are additional opportunities to extend the back office to other regions and additional support activities. In the near term, we're aligning with business segments, our business segments to re-engineer stores, back office activities with the support of the Global Business Process team.

We're continuing to invest in enterprise SAP platforms, common processes, and applications that will help us extend beyond financial transactions such as human resources, customer contact centers, and goods not for resale which represent services and goods like store shelving and forklifts that we don't sell to customers.

Using this approach, we are confident we can realize the same improvements in cost, quality and service levels in other parts of our business. Rollin.

Rollin Ford: Thanks, Greg. I'll tell you what, I am really excited about our shared service capability, and again, what we are able to do as a one-entity versus being done in individual markets across the globe. As a global company, it's important for us to do what's right; what's right by our customers and what's right by the countries that we operate in.

Our preference will always be to buy local, to buy local whenever we can to be relevant to the customers. The role of imports, our Global Sourcing operation is providing, innovation, quality, value, and differentiation in our assortment.

Our third strategy that I want to talk to you about this afternoon is building sourcing capability, is all about enabling the merchant strategy, not invading it. I think in years past, what we've done is we've tried to sell things to our merchandising organization. That doesn't work. Coming alongside the merchants is where we want to be.

Our Sourcing team is focused on aligning very closely with all merchants around the world and it's paying off. We continue to grow our direct import volume by double digits and we'll grow it again by double digits this year. Strategically, our sourcing capability allows us to take greater control of our supply chain and making sure that we're in control of it all the way from manufacturing to store shelf. Our plan is to continue to grow our sourcing volume, generating benefits and lower cost of goods, improved quality and stronger assortments.

Our fourth strategy is to build customer knowledge. And this one is very, very important to us. Wal-Mart is in a unique position to understand over 200 million customers that shop us each and every day. You heard Neil talk about taking Big Data from noun to verb. This is the actualization of that capability. We are using our data to inform the business of what our

customer buy and why they buy it.

Our Global Insights team led by Cindy Davis has made great progress in helping us anticipate what our customers' needs are, but this is a journey. So that can continue to deliver the right products at the right time, at the right place. Knowing our customers and connecting them with the scale of Wal-Mart at the speed of retail is our ability to harness our Big Data capability. And to think about talking about that this afternoon, let me invite Karenann Terrell, our CIO to talk about Big Data. Karenann.

Karenann Terrell: Thanks, Rollin. We are living in an age of innovation. I'm sure you hear that all the time.

In the area of Big Data, that is an absolute truth. Wal-Mart has always been an early embracer of data. We were Big Data before Big Data was cool. But in this area of innovation, we can now combine our internal data, our POS data, our inventory data with external sources of information, as well as with our supplier partners, our retail supplier partners.

So if you look at Wal-Mart's scale, data can almost be viewed as a natural resource. The data about our customers, about our product provides a richness when you put it at the scale of Wal-Mart. When you marry a data fabric together that has product information, customer information, external sources of information, it is not matched in the world. That has always been true about Wal-Mart. It is going to be true as we go forward.

The use of the data not just by Wal-Mart, but by Wal-Mart's partners to work on our business all together, is really what brought us to the point where we are today, the largest retailer in the world. So if you look at Big Data and how it will provide a 360-degree view around customers and product, the next generation is more exciting than the past. There's opportunities for both customer insight, and capability which we've never had before as well as productivity and productivity around our operations.

Twenty years ago, Wal-Mart embarked on a very bold venture called Retail Link. In many ways, it set the gold standard for the industry about data, not just because of the size of the data but because we shared that information. Over the last 20 years, we've continued to innovate in the area of Big Data in order to enable unique business relationships between Wal-Mart's merchants and operators and its retail suppliers.

We worked on Wal-Mart's business together. That's what data allowed us to do. It provides all of us this increasingly large view of Wal-Mart's business. That gold standard goes one better in Retail Link 2.0. So in the world of Big Data, Retail Link 2.0 will provide us with capabilities with external data, with our partners' data, and with data across Wal-Mart's entire enterprise, all channels; online, offline, mobile, whether a customer sees us in a store or whether they see us in a mobile experience, we will have so much more richness in this fabric in Retail Link 2.0. That's just the beginning.

What we started with in thinking about just data and information sharing, now we'll work on collaboration with our suppliers and not just collaboration around the information, now we'll move to advanced analytics. Are you starting to get the picture?

If you look at the capabilities that we will have together around productivity specifically in Retail Link, we will be able to serve our stores, our operations, and all of our retail partners. We will

work together on productivity from our store point of view. We'll be able to assort our stores better. We'll be able to assort our stores one at a time all the way to a store of the community concept.

Rollin, you talked about serving our customers better through the use of Big Data and the Big Data vision. The customer at the center of all of that data is as important as any change in the future for Wal-Mart. It will give us the ability to engage with the customer. It will give us the ability to use product data and customer data together.

If I'm painting the picture right for you, you'll see our data as it pivots on customer. I'd like to invite our Chief Marketing Officer, Stephen Quinn to the stage to talk a little bit about that pivot on customer.

Stephen Quinn: Thank you very much, Karenann. Good afternoon, everybody. I'm really excited about this new era that we're all living in with Big Data because of the exact slide that Karenann just showed us with the customer right at the center of everything that we do.

And our purpose, that's not going to change. We've got to save people money so that they can live better. And our job in marketing is frequently to prove that to customers. And today, customers are just bombarded with offers. They've been handed a ton of new technology and so the standard by which they judge whether they're saving money at Wal-Mart has been raised.

Back in years ago, we would talk about always low prices always. And that was a great era of growth, but it's too general for today's customer. And we brought a few years ago Ad Match and we really talked about that. Last year we brought the Local Basket Challenge and that's working great for us because it's very relevant to a customer because it compares prices right in their community. It's right home where they live, it's local.

And what I'm going to show you now is something that I think is going to enable through Big Data even more value for shoppers. It's going to show them even more of the savings and prove it to them than we've been able to do in the past. So I think that there's a new vision here and that is that we can drive traffic and loyalty through increasingly personalized tools for our customers. This could be everything from e-receipts to e-returns, making it easier for customers to interact with us, do the shopping list, and helping them to efficiently navigate through our stores and find things.

Let me just demonstrate one possible application right now. This would combine our customer data with external data in a way that has never been possible before. Ad Match has been great for our customers, but it's a lot of work for them and it's a lot of work for Wal-Mart as well. This is how it could work in the future. Let me just do this live.

So, this is an example of what an application could look like. And you could see that this customer's name is Jane and what Jane would do is she would shop at Wal-Mart and she'd see a number on her receipt. She'd enter that receipt into her mobile device, wherever she happens to have this application. And let's just add that receipt. And what she can see is that she spent \$5.39 and that over \$50 of that, she got Wal-Mart's EDLP, Everyday Low Price, and so she can be very confident that she got the lowest prices in her neighborhood.

However, she can also see that \$9.35 was Ad Matched and what that means is that our competitors were running sales in their flyers in her neighborhood in her exact zip codes and

we've noted that for her, we've done all that work for her. And in fact, she can even just have that loaded on to a Wal-Mart gift card that could be used on Wal-Mart.com or coming back into our stores which will be great because it means that she'd be back in our store really soon.

What's awesome about this is as we start to build in more and more capability, she can see the savings over time, all the different shopping trips she's taken, she could drill down into one of these trips and see exactly what she purchased, what she got the EDLP price on and what was Ad Matched. And so, what you can see is that this will save shoppers time, it'll save them money, but it'll also guarantee that we keep our promise to her to save her money so that she can live better. And that's going to build loyalty over time. So back to you, Rollin.

Rollin Ford: Great. Thank you, Stephen. And hopefully you can see the power of our data capability and what we plan to move forward with into the future. On your iPads, the application that you have on your iPads, that demo is not on there, just in case you're searching for it.

This next slide is my "So What" slide. The So What, so what does all this leverage capability mean? What are we shooting for? And at the end of the day, I shared with you my five pillars of strategy and the impact that we're going to have across the landscape of the company. And this slide would break down our benefits inside the SG&A and Cost of Goods.

And so at the end of the day, what we're saying is that for every dollar invested in Capability and Leverage, we will have \$3 of benefit back to the organization. So if I go to the last slide and say that our company history is built on applying what we learned in one store, one DC across the landscape of the chain, refining our operations to be more productive and more efficient, listening to our customers so we know what they want at the end of the day. Now we're applying those principles globally across our businesses and with the power of technology and to fuel our capacity for growth. If we want to grow, we got to have a strong foundation.

And now I'll close by inviting my team to come up and we'll answer whatever questions, Carol, that we may have.

QUESTION AND ANSWER SESSION

Carol Schumacher: Okay. Rollin, as your team comes up, Jason, you just had your hand up first, we'll start with you.

Unidentified Audience Member: Excuse me. Hi. I was just wondering if you could help quantify what the expenses are this year flowing through the P&L? I guess it flows through in corporate expenses and then maybe thinking about in future years as that gets allocated, the -- it gets allocated out to the divisions and what kind of benefits we're currently seeing, maybe in some numbers? Just help us understand it from a modeling point of view.

Rollin Ford: Yes. If you can hold that, what we're going to do later on in Charles' presentation is we're going to fuel all of those expenses. We'll show the technology and everything through Charles' lens, so if you can hold that until Charles' presentation, I think that will come unfolded at that time.

Unidentified Audience Member: Okay. And since I didn't get that answer, just a general question about the Big Data capabilities, could you line that up with what's currently happening at Wal-Mart? I mean I guess coming out of Q2, and it happened to a lot of retailers that

inventories were too high and sales were too low, so what kind of real time Big Data application are happening this year that can help in the back half of the year?

Karenann Terrell: So I think we actually have put together across the brands and the channels a few of our sales historically. So, we've been able to look at it historically. There's not a lot going on right now in Big Data in predictive analytics, but there is a lot going on in being able to answer the question why.

A lot of the work that's being done on analytic modeling is actually being done in collaboration with the work of the technologists in San Bruno, so we do have a pretty good view of what is happening real time.

Unidentified Audience Member: Okay. Thank you.

Carol Schumacher: Scott.

Scott Mushkin: Thanks. Scott Mushkin at Wolfe. So, I just wanted to understand how you think you can leverage yourself the EDLP strategy versus some of your competitors that -- or traditionally you thought of as high-low but they're more and more becoming mass customizers delivering prices to a specific customer, how do you deal with that with your EDLP strategy? And do you even know what prices they are delivering to their best customers?

Rollin Ford: Doug or Bill or Roz, you all may have a comment on pricing schema. We do have an ability, whether it's online or -- price transparency is here. And so we know from a price transparency what's going on in the market. Is your question, how do we -- make sure I understand, how do we invest ---

Scott Mushkin: Your Everyday Low Price and so you don't offer special deals to special customers. A lot of your competitors are doing an individual relationship which you actually -- I don't think you can see, so I wonder how you think of EDLP in a mass customized world.

Rollin Ford: Bill, you may want to --

Bill Simon: Our price is the lowest in the market most of the time, if not all of the time. And the intent and the ability to use and leverage the data that they're talking about will allow us to deliver a price match where we're not the lowest price. So we go to market with EDLP that's designed to be the lowest price.

I think with price transparency the way that it's evolving, individualized pricing is going to be revealed as what it is, which is a scheme that benefits the seller and not the buyer. And when you get a better price than I do, I have a really bad feeling about the person that sold both of us. And so the more pricing becomes transparent, I think the more relevant EDLP is going to be.

And actually, the easier it'll be for us to deliver it, not the more difficult because we'll be able to see what everybody else is getting and much like some of those advertisements we showed earlier, like the [Buy One, Get One], and I know it was a physical retailing example, but we'll match those too.

So the principle is one that equals and levels and delivers value to every customer, not specific individual customers.

Rollin Ford: I think at the end of the day what our jobs are is to deliver that leverage capability back to the business segments and they can invest in price the way they feel like they need to inside their segments.

Karenann Terrell: I think, too, I just add one thing, as we see more and more of our customers in the eCommerce channel and in the stores as we have that integrated approach, we will know our customers one-on-one.

I think we won't use loyalty in a high-low way, but the example that you saw earlier is really meant to give the customer a reason to connect with Wal-Mart so that we can prove to them EDLP, we have that relationship more and more and I think that will be in that one-to-one business because we'll know customers in our eCommerce channel and connect them from the eCommerce into the store.

Carol Schumacher: Okay. Jason.

Unidentified Audience Member: Actually, just on this idea of collecting data, you do the local Match Ads and people are sending in receipts, I guess in hopes of being on TV, but how do you use all that information to change what's happening real time in the market with your prices?

Carol Schumacher: Would you want to?

Rollin Ford: Sure. Actually, people don't send in the receipts but as you can imagine, we have a really strong database now of all these local basket challenges we've done. And it's really been helpful to us because we provide that information to our merchants so that they can see where we're at risk of having a competitor get too close to us on price. At the same time, we're also aware of what's happening locally in a way that we never had been before and so we can really see the level of competitiveness by market.

And what we're doing in these local basket challenges in the version that we're in right now is we're actually tailoring messages to the most compelling offer in that particular market. So, as Bill mentioned, we had BOGOs happening in Florida, that's why that message was playing out. But we've got gas cards playing out in other markets and so the message is there.

So I think we're becoming much more aware of what our competitors are doing to try to lure customers and we're able to counter that because as Bill said, we're committed to having the lowest prices and to saving people money.

Carol Schumacher: Okay. Rollin, I think we're -- we appreciate that.

Rollin Ford: Right.