

Walmart Inc at Bank of America Merrill Lynch Consumer & Retail Technology Conference

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PRESENTATION

Robert Frederick Ohmes, BofA Merrill Lynch, Research Division - MD

Robbie Ohmes, the food and discount store analyst at BofA Merrill Lynch. We're very pleased to have Greg Foran, President and CEO of Walmart U.S., with us here today. Greg has been with Walmart since 2011, working in many different roles in Walmart International, including President and CEO of Walmart International.

Prior to Walmart, Greg held a number of positions at Woolworths, the large retailer in Australia and New Zealand. He's been extremely busy, as some of you probably know, with strategy and performance at Walmart U.S. over the last few years. So this is a real, real treat that he is -- he made time to be here for us, so we really appreciate it. I also want to thank Michael Dastugue, who's here with us as well. He is Walmart U.S. CFO. And Kary Brunner is right there, and he made the trip also. So again, real pleased that these guys are here.

I'm going to turn it over to Greg for some comments before we do Q&A.

Gregory S. Foran, Walmart Inc. - EVP, CEO of Walmart US and President of Walmart US

Good morning, and thank you, Robbie, for the introduction, any excuse to get out from filling the shelves. Greg Foran, I look after the Walmart U.S. stores business. And before I get into Q&A, I'll just take a few minutes and just give you an update on how things are going with the business. But first, we've got to show you the legal disclaimer. So as a reminder, we may make forward-looking statements during the presentation this morning. So please review our entire safe harbor statement on our website.

So to the business. Strong momentum in the stores in FY '18, as you can see from the headline. And look, I'm pleased with how the business and the stores has been going. We've got a strong -- a reasonably strong year of comp sales. And the good thing about it is that it's healthy. That was led by really good traffic increases. And in fact, in Q4, our 2-year comp stack was 4.4%. And Michael, I think that's the best it's been in about 8 years. So we're feeling pretty good about some of the momentum that we're seeing there.

I'm really pleased with, as I said, the health of that. And in particular, inventory has been a bit of a highlight and a focus for us in the U.S. stores business. We continue to bring the comp store inventory down and we've done that for 11 consecutive quarters. There's still room there for us to do more. And the importance of that is that breathes life into the store. If any of you have ever worked in shops, it is really tough turning up to work knowing that your backroom is completely filled and maybe there's 30 or 40 shipping containers out at the back full of merchandise.

I can now turn up to stores, and by and large, I can see no shipping containers out at back of stores, apart from when we're running layaway. And in most stores, the backrooms now have empty steel. And at the same time that we're bringing the inventory down, actually the on-shelf customer availability, our in-stock for customers, is actually improving. And that's not surprising. I've seen that play out in other businesses. And it's because effectively it's just a healthier way to run your business.

Technology is helping us get there. A lot of investment from Mark Ibbotson and his team around developing the right technology and then we layer in the Academy training so that our associates actually are able to perform their task easier. There's about 14 to 15x that they have on TC70s or if you're like some of us, we have these downloaded on our phones. I can check in-stock. I can check availability. I can check things like what associate turnover is on CAP 2 teams. I can check customer service scores, Clean, Fast, Friendly. I see customer recommendations or complaints. All of that is available digitally to all associates in our stores. So good year, good progress and momentum and good momentum coming into this year.

Our plan to win and our strategy hasn't changed. But I'll just give you a bit of an update on a few things. We've been executing against this consistently now over the last 3 years. And customers are responding to it. And as you can see running great stores, providing convenience, being great merchants, delivering value. What is changing is that we're changing our mindset around this. For the last 3 years, we've been focused on fixing. And I think that's been appropriate, fixing things like in-stock, fixing the quality on leafy greens, fixing the associate experience. Now we are moving to a mindset of leading.

And let me touch on how we're doing that across each objective. So firstly, running great stores. Lots of progress we have made, and you've heard me already mention things like Clean, Fast, Friendly. We have seen improvements in that week-on-week, month-on-month. We continue to be focused around driving our grocery business. That is core to our strategy, and included in that, fresh foods. And we are seeing the customers responding to what we're doing there. So whether it's developing a much better croissant, which is just hitting our shelves now, or whether it's improving the quality of our frozen foods, we're seeing customers responding to that.

But we also see significant opportunity in omni-channel. And our view here is that customers should be able to shop when they want, where they want and how they want. And I am completely ambivalent as to whether they want to drive our supercenter or Neighborhood Market, park their car and go in and do the shopping themselves or whether from the convenience of their home or maybe they're at work, pull out their mobile device, order what they want online and then come and pick it up or, as you've heard us say today, at their convenience, order online and we'll deliver it to them. I'm ambivalent as to how they want to do that. And I'm excited about the opportunity that, that presents. I'll talk some more about that in a minute.

But we're also in the game of taking friction out wherever we can. And the way I think about that is I look at customers' experiences, customer journeys in our store. And whether they're coming in to return a product that they bought, get a refund,

whether they're trying to order a birthday cake, whether they're trying to get their car checked in to get the oil changed, whether they're trying to get a script refilled, whether it's checking out and using Scan & Go, I think there's an enormous opportunity for us to double down on this area and take friction out for the customer. So that's a key part of the omni-channel experience as well.

In terms of our grocery pickup, another key part of it, we've shared with you the fact that we rolled out basically 1,100 locations over the last 18 months and we've gained momentum through here. We'll do another 1,000 this year, actually just over 1,000. And that's a pretty rapid pace. And I'm really pleased with the way that the team are doing that. We're doing it once. We're doing it right. The customers like it. Our NPS scores for what we're doing with Online Grocery is incredibly high.

At the same time, these pickup towers, and some of you will have seen these, are getting rolled out at an increasing rate. I think we're up to circa around about 118 of these at the moment. And you're going to see several hundred of these at our key stores. The wait time for getting a parcel out of one of those towers is about 15 seconds. So you can imagine the customer experience is pretty good.

And then of course, today, we have said we need to get into the business of delivering products if customers want them to their homes. That hasn't been something that has just cropped up on our screen. We've been quite deliberate about how we have approached this. First and foremost, you had to fix the basics in the stores; secondly, develop the skills to be able to pick items from the store and make them available for pickup; third thing, as you develop that muscle, work out how you can deliver those to customers.

And I think that plays well into this concept that here we are, a business spread pretty much across all of America, majority of our stores within 10 miles of where most people live and within those stores, 100,000 of the best-selling SKUs. So theoretically, if we've done our job properly, we got them into the store at ideally the most effective cost of anyone in America. Now if you want to come go shopping, you can do that. If you want to pick them up, you can do it. And if you want it delivered, we'll provide that as well.

Next part of our strategy, great merchants. Isn't this a key part of being a retailer? And you often hear people talk about assortments. But actually, I get much more excited talking about items. And I do that because customers buy items. We've done something recently, which has just been incredible. We've taken our VPI, volume-producing item, and some of you who know the story of Walmart will know the story of the moon pie, and we have invigorated this. We now have a VPI app for our associates. I go into the stores now and associates are pulling out their devices, their phones or their TC70s and showing me their ranking on where they are on the item that they picked, how much margin they're making, how much they're selling.

But as well as that, Steve and the team have been leaning in to both national brands and private brands. And the great thing about Walmart is you know we can do both because we've got big boxes. And we can do a great selection of national brands. And we've been working hard to get some new ones added into the stable. And you can see them down there, whether it's Bose or Cuisinart, and then of course, the opportunity to do a great job with private brands but not just in food.

We've leaned into that over the next 3 years. But now as we move from fixing to leading, let's get really good at general merchandise. And I can tell you that apparel, when Walmart does that well, is powerful. You can go in our stores and you can buy a woman's cami. It comes in 8 colors for \$1.68. And we make pretty good margin on that item. Why? Because we actually buy about 60 million units. So there is competitive advantage in general merchandise just as there is in food when we execute it well.

Finally, delivering value. Our mission hasn't changed and nor should it. Save people money, so they can live better. And I can tell you as I get around the country and I learn more and more about the U.S., what a fantastic mission for Walmart to have. There's a lot of people out there where we operate stores that rely on us to do this every single day, so they can live well. And I'm proud of the fact that what we continue to do is to provide better value. At the same time, we lift quality, we drop our prices.

Academies has been a key part of our strategy. And you can see a picture there. And you can pull out your phones at any stage and google if you like, Walmart Academies, and you can see pictures of associates who have graduated from Academies. What are Academies? We've rolled out 200 in the last year. They're located strategically, so any associate in our stores can get to them within a couple of hours of where their store is. And there, we provide proper training and how to use all the technology that we're creating in the business.

Whether you're doing section work and you're changing on-hands, whether you're placing manual orders because you want to drive your VPI, people are being trained in new skills or it could be you've moved from being a department manager to now being a personal shopper in Online Grocery, you've got to train your associates. So this year, we will put through 140,000 associates on top of the 250,000 we did last year. This is a meaningful difference to our business.

We continue to think about what else we can do. We had an opportunity at the end of last year with the changes to tax rates to think about how we might accelerate some things. And I can share with you that there are 3 things that we were very thoughtful about doing. One of them, not surprisingly, was to say, "Why don't we put a little bit more into our associates?" What we're seeing is as we invest in our associates, we get a return on that. We get better productivity. It helps us leverage. In fact, Michael, we basically leveraged all 4 quarters last year in the stores.

So despite the fact we're investing, as we improve productivity, we reduce turnover, we improve fill rates, pick rates, we're actually able to leverage in this business and at the same time drop prices. So we invested more in our associates. We took some action on start rates. But I think even more importantly, and I hear this from our associates, we did a better job with benefits.

Second area. We're encouraged by what we're learning as we continue to offer even better value to our customers by dropping prices. So we have invested a bit more, Michael, into pricing. Very thoughtful, very strategic about how we do that. And then the third area, which I'm really excited about, is that we brought forward some more investment in IT because we know this is a critical enabler at us driving even better productivity in our stores. So excited about what we're seeing here as we continue to work to drive the productivity loop.

So quickly in closing, I'll close where I began. Store business is strong and we've got pretty good momentum. Our strategy remains the same, and we execute against that very focused and very diligently. The change is that we're now moving from a fixing mindset to a leading mindset. Let's not play defense. Let's get out there and play offense. We're going to continue to push down the journey of driving even greater value to our customers. And we're excited about the year ahead, good momentum.

Robbie, back to you, happy to take your questions.

QUESTIONS AND ANSWERS

Answer – Robert Frederick Ohmes: Absolutely great. I think the first question that I think everybody always wants to know from Walmart, so you mentioned the acceleration in your momentum. And obviously, all these things you're doing are working. But is there an aspect that's also your core customer feeling better? And can you tell us if you're feeling any change or seeing any change in spending habits that imply sort of any momentum related to rising wages or a better economy or better confidence, et cetera?

Answer – Gregory S. Foran: Yes. We felt the customer was in pretty good shape last year. And we felt that certainly played out Q3, Q4. And we're not seeing too many changes at the moment, Michael. And when we look at the broad sort of indicators, whether it's employment or whether it's the price of gas, we think that's all pretty good. I can tell you, as I get around the stores and as we pay out my share payments to customers, which -- to associates, which we've just done this week, my sense is that everyone's feeling much like they did last year and for our customer, in reasonable shape. Anything...

Answer – Michael P. Dastugue: Yes. Well, I think with the employment, with a little bit extra money from the tax checks, I think we're reasonably upbeat about FY '19.

Answer – Robert Frederick Ohmes: There hasn't been a whole lot of inflation in your same-store sales for the last couple of years. How should we think about puts and takes for seeing or not seeing some inflation come back into your comps?

Answer – Gregory S. Foran: I'm actually really proud of the fact that we don't have any inflation. To be honest with you, I think it plays well to the story that we're seeing with comp sales. And I like what I'm seeing in terms of units in the business. And most importantly, it plays to saving people money, so they can live better. So last year, you're right, pretty much no inflation. I'm not going to forecast what I think it's going to be because I don't really know. I hear chatter around the corridors from the merchants that they're saying they can feel it coming. I can tell you that our attitude is we're going to continue to invest in price thoughtfully as we have been doing. That's sort of where it sits.

Answer – Robert Frederick Ohmes: Can you speak about the role that the stores are playing in the omni-channel strategy? What is your big focus at the store level that supports the Walmart.com business? And what are the most important initiatives this year?

Answer – Gregory S. Foran: Yes. As I shared in the presentation, I think this is really starting to leverage some of the assets that we've got. So just to replay quickly what I said, 4,700 stores, roughly 4,000 of those are supercenters. The supercenter has circa 100,000 SKUs. At a point in time over a period of the year, they have about 270,000 SKUs. What's the difference? You put Christmas in, you take it out, you put Easter in, you've got dilutions, new lines. But fundamentally, here you are on the corner of central and main, in most parts of rural America, and you've got a good box that we're remodeling. We're doing 500 good remodels a year and you've got the best 100,000 SKUs you want in your life 10 miles from where you live. I bought them in a truckload, moved them in a truckload and got them on the shelf in a case. The economics for that have got to be good. So why don't we now -- as we have improved the running of the store and the in-stocks improved and I can have better confidence on the accuracy of the PI, let's enable a customer to get access to those from their home. And as I said, a lot of people are still going to drive to the store and do their shopping. But I guess increasingly, what you're going to see is some people are going to say, "Let's order it and have it available for pickup." And if we can get really good at this pickup, so it's quick, and by quick, I mean we see you coming along the road -- and we do this now, by the way, about 85% of our customers who use Online Grocery use the check-in app. So we see you coming along the road. We stage the order. You pull into the store. We burst out through the doors. You pop your trunk. We put the groceries in your car, high five, particularly for a mom with busy children, and off they go. And of course, today, we've said, "Let's get to 800-odd stores this year with delivery." Now our view of delivery, that last mile costs you. If I go and offer free delivery for that last mile, you don't have to be -- you can work out. I've got to pay for that somewhere. So that's why we're going to charge \$9.95. We're going to give you Walmart's everyday low prices. And if you want it delivered, there will be a fee associated with it. I guess as we get more efficient at that, we can probably bring that fee down. But I'm excited about the fact that we've got the set of assets that we've got to a point now where we can really leverage them.

Answer – Robert Frederick Ohmes: Can you give us -- can we get you to give us some more metrics on grocery pickup? In terms of, I think, you say you're doing 1,000 more this year, any idea of what happens to it? Can you give us some idea? Like when you add one of these, what kind of lift does it do overall to the stores? How important is it as a contributor to the overall Walmart.com business?

Answer – Michael P. Dastugue: Let me start and, Greg, jump in. I think what we clearly is that when we add this to our store, both the customers that use Online Grocery and those customers that don't both benefit from the store because frankly the store has to up its game. It has to be better in-stock. The Net Promoter Scores are terrific. It's some of our best in the company. We don't really get into the granularity of talking about lift. But let's just say it's a meaningful part of our overall e-commerce business and we're excited. And I think that you're going to continue see us invest in it in a big way over the next several years.

Answer – Robert Frederick Ohmes: And maybe a follow-up on that. Greg, can you talk about how the vendors have been responding to the omni-channel strategy versus the old way of doing business? And how supportive are they in what Walmart is doing?

Answer – Gregory S. Foran: Yes. Look, we made some pretty significant changes, didn't we, about 3.5 years ago as we pulled together what we called our legacy plan for the business. And we committed ourselves back to everyday low price. We reduced the amount of tabs that we were running. We became disciplined around how we build modulars. We have headed down a path of shelf-ready trays. We've been quite thoughtful about the role of private label, national brand. We've pulled down inventory. And to be completely transparent, I think a lot of people probably said, "Not too sure how this is going to play out, particularly initially if my order volume comes under pressure." Actually, how it's playing out at the moment is pretty good because sales are up, units are up. We're easier to deal with, we're more efficient to deal with. I look for balance in anything that we do with our suppliers. I think suppliers are a key stakeholder in our business, just as you are, just as customers are, associates are and the community is. So getting that balance to the relationship was right. Too easy, you leave money on the table. Too hard, it comes back and gets you. So Michael, Steve Bratspies and myself spend a lot of time actually going, "If we've got this balance about right, are we being transparent, are we being clear on what we're doing, are we delivering on what we said we were doing?" I think we are riding this one pretty well at the moment. And I spend a lot of time with suppliers. I was with -- at the Housewares Show in Chicago last Saturday and Sunday, meeting lots of suppliers. My sense is we're about where we need to be. And we've got to keep it going.

Answer – Michael P. Dastugue: Yes. The only thing I would add is in addition to Steve Bratspies, who leads the merchandise effort; and Greg; also Greg Smith, who leads our supply chain team, he came in a little over a year ago, and he's doing a terrific job. He actually has experiences previously with some of our vendors. And supply chain, we've got to remember, is an important part of that cost structure. And some of it is just inefficiencies, right? And it's just better communication between Walmart and the vendor community. So we think there's some real opportunities to continue to help us invest in price there.

Answer – Robert Frederick Ohmes: Another thing I want to ask you about was ship-from-store. One of your competitors is very big in ship-from-store. And that's not a big aspect right now of what you guys are doing. Can you walk us through the pluses and minuses of ship-from-store from the Walmart point of view?

Answer – Gregory S. Foran: Gee, hasn't the world changed? Online Grocery, you could argue, is now going to be ship-from-store. And of course, we do pickup in every store in general merchandise but Online Grocery pickup in 2,000 stores by the end of the year. So the complexities of all this play itself out. We then have another 80-odd stores that we actually use deliberately to ship from store to customers to help offset what we're doing in our FCs. I think what we're seeing, Michael -- and if Marc Lore was sitting here, he would jump into this conversation as well. What we're seeing is not every item is the same. And if I had to sum it up, it would be generally lower average unit retail, lower GP items, it's quite efficient to actually handle those from a store because you bought a truckload, moved in a truckload, moved in a case. It's quite hard to do those out of a fulfillment center when they're lower AUR, low GP. Higher AUR, higher GP items, of course, behave differently. So if you're buying a set of crystal wine glasses and they come in a box of 8 and that's \$80 and you've made 40 points of margin on it, that's a different economic. And I probably have got issues about holding inventory across 4,700 stores on that SKU in terms of rate of sales. So what I'm seeing play out here depends on what you see. So I think ship-from-store has a real role in our business. And we're going to use that in the same way I think fulfillment centers, Michael, have a real role in our business, we're going to use that. And that should be the beauty of the Walmart experience.

Answer – Robert Frederick Ohmes: Can you talk about some of the things you've done at the stores to sort of convert them to Walmart online shoppers? And is there new initiatives in 2018 you can share with us?

Answer – Gregory S. Foran: Yes. Such an important thing for us to do. I think we shared with everyone here before that this customer that shops in-store and online spends about double. And we see that as being a real sweet spot in our business. So getting people to engage with us both physically and digitally, getting that app downloaded, we're looking at all kinds of things. And in stores at the moment, we've got about 92 stores at the moment where you can use your phone to go around and do your shopping. Or we'll give you a device, if you don't want to use your phone, go through, scan the items, get them in the bag, get up, you go through a slightly different point-of-sale terminal at the front end, bang, transaction is completed. You're not having to go through a checkout or even a self-checkout. Apps around how you refill your script, how you skip the queue in financial services, we're continuing to delve and move as quickly as we can in all of these things so that the whole friction of the experience goes away for the customer.

Answer – Robert Frederick Ohmes: I just want to pause for a second to just see if there were any questions in the audience. And while we're moving over to here, can you -- Greg, can you mention to us anything in terms of relative category momentum? Are there any categories -- I think you mentioned apparel in your overall remarks. Any insights you can give us on what categories could be upticking right now?

Answer – Gregory S. Foran: Well, I am pleased about what we're doing in apparel, that we have just put 4 brands out there, Wonder Nation, Time and Tru, George, Terra & Sky. That's been about getting the quality up, improving the price ladders. What do I mean by that? You could go into our stores and you could buy a T-shirt. It might be the cami at \$1.68. We might say, "That's our good." Our better might be \$2.28 and our best might be \$2.74. And we've been working with the merchants and saying, "Come on, let's improve that ladder. When you're talking about good, better, best, let's make the best 280 grams. Let's put in side vents, let's do triple stitching, let's do some embellishment on the product, and maybe we can sell it for \$5.38." So that whole concept of improving the assortment, the items for the customers is playing out in apparel. One of the reasons I like apparel is you stand in our stores and you just have a look at our apparel and you just go, "Wow, the value of that is incredible." And it's instant gratification for a customer. So if we can ensure that we are really disciplined around being in-stock by size, by color and it's the right item, what happens when we turn that on for an item that could be shipped to a customer's home from the store? We think that's a real opportunity for us, so I like apparel. We still have so much to do in fresh foods. I go into our stores, we have improved. The in-stock position has improved. Leafy greens have improved. Quality of bakery is improving. But we're not where we need to be. We've got about 250 stores out there now where we're doing fresh convenience meals. Now I want that in pretty much every store over the next couple of years. But that's a hard category to get into. And initially, the markdowns are going to be tough. But should Walmart sell great quality, great value, fresh convenience meals? Of course, they should. So, so much opportunity still in fresh, so much opportunity in apparel. And I could go through entertainment. Should we be much better at selling mobile phones? You bet. So we've got work underway in that category at the moment, so lots happening.

Analyst: Unidentified Analyst,

Question – Unidentified Analyst: I think you started to address this when you talked about the mobile checkout. And I guess I wanted to delve a little more into that because that's the worst -- everything you've done is great. But still when you go to checkout, there's nobody there to check you out. And half of the little self-serve things don't work. That's always the worst part of the Walmart experience in my mind. So I was going to ask you, when are we going to get mobile checkout? Or what else are you doing to improve that part of the experience?

Answer – Gregory S. Foran: Yes. So look, unashamedly, we've got to change our front end. That's what we call it, our front end. So we have leaned heavily into what we call front-end transformation in our business. We have a project on it. We're on the front-end transformation 3. We have doubled the usage of self-checkout in our stores. And by the way, that bifurcates customers. There are some customers who will tell me they absolutely love self-checkout and there's others who object to it. So this is a journey. But you can sort of see where this is going to play out. And where it's going to play out is, well, you're not going to have checkouts. And I don't think anyone has really solved this yet. I'm sure a lot of you read of what competitors have done in terms of scales on shelf and various cameras. That's fine, but it's got to be scalable. And it's probably not in its current form. We're working on that. But we are going to get to, I think, probably in about 5 years is a situation where we have taken as much friction out of this thing as we can. We've got about 90-odd stores at the moment, as I mentioned, where you can use your phone or you can use a device that we give you to check out. I think we'll get that working quite well over the next few months. And you'll see us roll that out even into more stores. I think there will be a solution beyond that. And we're looking at that at this stage and have got trials underway with that. It will be a journey.

Question – Unidentified Analyst: Yes. In regards to grocery pickup at the store, I have two questions. One is you indicated the basket is much bigger. But I'm interested in what happens to that impulse item when the customer is not going into the store. And so how do you deal with that issue? And then you indicated you're indifferent between where a customer shops. But in a pickup, you do have extra labor in picking the items. And so I'm curious how you think about that in the sort of the economic model.

Answer – Gregory S. Foran: Maybe I'll deal with the impulse and you deal with the economics. The impulse, there's no doubt that an impulse buyer is there for a reason when you go through a checkout. And for any of us who've had young children, we know the

delights of that and it serves its purpose well. And when you're in the business of going for sales per square foot, I like impulse buyers. How do you deal with that online? I'll tell you how we're dealing with it. If you go to our orange Online Grocery app, you will see that as we get into events, whether it's Valentine's Day, whether it's Mother's Day, whether it's Easter, which is what's happening at the moment, we are expanding the assortment that's available to the customer. And it's working for us. I wouldn't go as far as saying that it solves the entire problem. But the good thing is it solves a part of it and we are learning and we're continuing to see what we can do. But there's no doubt in my mind that part of the beauty of a store is that you buy things that you weren't necessarily thinking about buying. And that's one of the things I love about pickup is that not every customer who does a pickup order simply comes in and picks up. Some do. A reasonable amount of them actually go and park their car, go into the store and get a few items, go out, use the pickup check-in app and then drive around to the pickup lane and pick the other things up. So we're partway to answering it. We're not all the way there.

Answer – Michael P. Dastugue: Yes, I think from an economics perspective, I can understand your perspective. And as a kind of a finance geek, yes, if I can have the customer do all the work, that's great. But I think let's be honest, we're in a world where the customer today wants it better, faster, cheaper and easier. And I think that what we're seeing is when we can get a customer to try Online Grocery and have a great experience, we're getting more share of wallet. We're seeing improvement in the store performance. But there is some additional cost to it. And we have to figure that out. But we're optimistic that as we -- if this is the highest NPS that we have within our box, then there's something there that we've got to figure out how we're going to leverage it.

Question – Unidentified Analyst: Greg, could you talk to us about the e-commerce business for a few minutes? Maybe talk about why you believe the business slowed sequentially from Q3 to Q4 last year and why you believe it will reaccelerate back to the 40% growth rate that you were seeing. And also if you can maybe just touch on why, on the call, I think Doug mentioned that, at Q1, you may not hit that level. So why will it get better as the year goes on?

Answer – Gregory S. Foran: So a couple of things. Obviously, if Marc was here, he would answer the question. But he's not, so you're going to direct it to my area. Number one, we made a deliberate decision not to go quite as heavily into that period as what we could have. So you think about Black Friday and you think about that lead into Christmas, we could have put our foot to the floor. We made a thoughtful decision not to push as hard in that period. We're working through building the muscle. And that's one of the reasons that we pulled back. So getting items mirrored, getting associates trying to pick faster, getting deliveries either the home or the store operating more effectively, we need to continue to build and work on that muscle. And we use that period deliberately to do that. And the third piece of it is that, of course, we were overlapping some acquisitions that we did last year. So we weren't all that surprised by the number. That was a deliberate decision by us. We sat down and we said, "Hey, let's, number one, not blow our brains out too hard during that promotional period; number two, build the muscle; number three, you've got some acquisitions." Having gone through that period, we're now looking to increase the momentum again. And that's exactly what we're doing. Now do you turn these things on and off overnight? You don't. You build into it. And that's why Doug or Brett would have made the comment, "Yes, we know where we've guided you to for the year. That's what we're going for. All things aren't going to play out equally on each quarter. And it will be where it will be for that first quarter." Anything you want to add?

Question – Unidentified Analyst: The confidence is still high heading...

Answer – Gregory S. Foran: Yes.

Question – Unidentified Analyst: Greg, you mentioned inventory in your presentation. And I think one of the things that we've heard across the specialty consumer packaged goods vendors is a sort of surprised at the inventory reductions towards the end of the year. So I guess two questions. One, is there more? Is there room to actually take inventory down more? And the second is what we've observed from a lot of companies is they may not have the capabilities to run your inventories that lean, so if you could just address that as well.

Answer – Gregory S. Foran: First part of the question, yes, there's more. What are we trying to achieve here? Fundamentally, one touch. I need the product to arrive either in the distribution center and then from the distribution center to the store. And I don't need to be handling a cart more than once. We have all done the studies of what it costs every time I pick up a cart and have tied and I move it from here, put it on the end cap and then stick it out the back and then move it from the back and put on the side stack. And from the side stack, it finally ends up on the shelf. I don't have the labor for that. I don't have the energy. I don't have the associate engagement to want to do that task. I need that truck to arrive at the DC. I need that product to flow through that DC. And I need it to arrive at the back door of the store just in time. I'm not out of stock. I've fulfilled all of my Online Grocery orders. I've dealt with ship-from-store. And I'm in-stock for the customer. And I've put it on the shelf. There is more to do. How do I know that? Because when I walk into a store, I still see either too much product out the back or I see too much product sitting on the top stock. And I'm going to work our DC. We've made improvements there, but I still see too much there. That's why things like on time and flow is important to us. Getting it early is actually just as bad as getting it late. Now this is a muscle that everyone has to build into. I can tell you when I first spoke to the team in the U.S. and I said, "We're going to take several billion out of our inventory," they looked at us, Michael, and said, "No way, this is not happening, you have no idea what you're going to do to the business." Actually, what happened is the in-stock rate went up. Accidents have gone down. Cash flow is better, all those things. So you've got to build the muscle and you've got to believe in this. And the same way that we've had to teach our associates that whether you're in a store or whether you're in replenishment, I think we've got to do the case with -- that case with some of our suppliers. Most suppliers I talk to are actually enthusiastic about the direction we're going, starting to be more concise about what the items are that we're doing, being more deliberate about the assortment, honing in on when we want orders being placed, when we want them delivered. The good ones are ahead of the wave. Some of them are surfing it and some of them missed it. We've just got to keep at it. It is critical that we get this right, so really, really passionate about that. What was the second part of your question? Sorry.

Question – Unidentified Analyst: You answered it. Just in terms of some have the capabilities don't seem to (inaudible)

Answer – Gregory S. Foran: Yes, we've got to help. And technology can help us in some of these areas. And I'm just thrilled with some of the work that I'm seeing getting done in our team. So GRS is now being rolled out. We've changed the replenishment function under Scott Pleiman. We've got a significant project now working with flow because imports are going to be really important to us because they're a part -- an important part of the margin mix, to be honest with you. So we've got to work out how we're going to flow this product. And if we're buying it from Vietnam or Thailand or China, all of that has got to come together.

Answer – Robert Frederick Ohmes: And unfortunately, we are over time. We'd probably sit here all day. Greg and Michael, thank you so much for being here today. We really appreciate it. Thank you.

