

FINAL TRANSCRIPT

Thomson StreetEventsSM

WMT - Wal-Mart Stores Inc. at Morgan Stanley Arizona Field Trip

Event Date/Time: Apr. 01. 2009 / 4:00PM ET

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CORPORATE PARTICIPANTS

Carol Schumacher

Wal-Mart Stores, Inc. - VP, IR

Bill Simon

Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.

PRESENTATION

Unidentified Participant

It's my pleasure to introduce effectively our keynote presentation for the field trip, which is Wal-Mart Stores. I think the Wal-Mart story is obviously one you could write whole books on and people have. But clearly the turnaround that's happened over the last few years in the US operations in terms of making real changes to improve the stores and improve traffic is what's driving a lot of their improvement.

With that, I want to hand it off to Carol Schumacher, who is Director of Investor Relations, to introduce the whole Wal-Mart team and then take us through the couple hours we have with Wal-Mart. Carol, thanks for coming.

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

Thanks Greg.

Spread out among you are members of our Management team from not only the division here but also the market here and Phoenix and Scottsdale, so hopefully as we go through the presentation and interact a little bit over lunch, you will have a chance to talk to them and learn more about our business through their eyes as well. But you'll really get a chance to meet them a little later when you get to tour the store in Scottsdale here.

And I think what Bill is going to talk about today and what you're going to hear from Bill, you will really get to see illustrated when we head over to the store.

But first we have a presentation to share with you.

And the obligatory legal, forward-looking statement. As you all know we will be making forward-looking statements during today's presentation, and I would just like to remind you that any information that you do need about our Company we do have available on our website at www.Wal-MartStores.com under the tab "Investors."

One thing that I would like to mention a couple of you have already seen, and that is that just minutes ago we did file our 10-K for the fiscal year ended January 31, 2009, so as you may have some questions on that, as you have the opportunity to digest it, certainly we will be available back in the office starting tomorrow to answer any questions you have about our K.

I'm going to turn the program over in just a couple of minutes to Bill Simon. Bill, who has been with our Company three years, has responsibility for the bulk of our Walmart U.S. operations. He is EVP and Chief Operating Officer of Walmart U.S. And what you do see here on the slide is that he does have responsibility for more than the 3600 stores roughly that we operate as part of Walmart U.S.

He also has responsibility for logistics and the transportation system, and that does mean we have 121 distribution centers of which we own and operate 106 here in the US. He is also responsible for the store innovations team, and he will be talking about Project Impact later today, and some of that you will see illustrated (technical difficulty) not only in the slides but also in what you see when you tour the store later.

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Before Bill became COO he also served as head of our professional services area and the new business development area, and that included the pharmacy, optical, TLE -- that kind of business -- as well as the connection centers and photo business. And while he ran that part of our business for Walmart U.S., he was responsible for and one of the architects of our \$4 prescription drug program, a program that's been very beneficial to Walmart U.S. and one that I know you are all familiar with.

Before he joined Wal-Mart, he also has a background in a number of CPG companies, and he did serve under then Governor Jeb Bush. He was head of one of the departments for the State of Florida.

But before that -- and when you look at him it's hard to see that he's done all this, given Bill's career -- but he also spent 25 years in the U.S. Navy and the Naval Reserve. And we won't hold it against him that he is a graduate -- both bachelors and his MBA -- from UConn.

So with that, I would like to turn the program over to Bill.

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

Carol, you forgot to say the Final Four bound men and -- men and women's Final Four bound University of Connecticut Huskies. There was one response. One Husky fan in the crowd?

You know, we were -- I was a little bit disappointed. I'm glad to be here, but we came here to break some major news at this conference, and little did I know when I woke up this morning and read the newspaper, the April 1 edition of the Arizona zany press -- I don't know if any of you saw this -- our news was broken, and so I'm disappointed. The headline says "Wal-Mart to launch aircraft carrier to defend new civilization."

And with my navy background if -- it's true; it's right here in the paper this morning. With my navy background, now, I certainly support aircraft carriers, but I was hoping to break the news myself, right next to in fact the article that says "Bin Laden presumed dead after failure to update MySpace page." So you know now about our aircraft carrier.

But it is truly a pleasure to be here with you today. Our business in the US has had a terrific finish of a terrific year, and the opportunity to talk about it to you and to show you later one of our supercenters, our remodeled supercenters, is an opportunity that I relish.

I would like to take a minute if I could to talk you through our financials last year. Again, we had a great year and a very good start to the year that we are in. Most of you -- I hope all of you -- saw a 5 comp in February we are very pleased with. And just to remind you all that we are now giving 13-week guidance -- sales guidance -- and not the monthly.

And I think this quarter, this 13-week period, is a good opportunity to demonstrate why -- with the volatility that's in the marketplace and the movement of Easter from March into April -- very difficult for us to be accurate, as accurate as we would like to be in forecasting the monthly and the four-week periods. I think you will be happy with our projections in the 13-week periods as we go forward. [They'll] be more in line with the volatility that is in there.

But I want to talk about the financials that we put up last year because they are really indicative of where we are going in the coming months as well. As you will note, this is the US financials too -- for those of you who are listening on the webcast as well. You note profit growing faster than sales, which is certainly an objective, shows that there's leverage in the operation today, and with 220 basis points increase in comp sales, that leverage we expect to see in the business.

Also the reduction in CapEx, which is dramatic on this slide at 36%, 37% reduction, driven by a couple of different things -- the reduction in store build, movement in timing in years, and then the smaller store builds that we are making.

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But one number that is not on this slide that I would like to mention is our inventory performance for the year in the US business. On a 6.8% increase in sales, we were able to reduce our inventory by 1.2%. So it's an 8 point swing in inventory, and when you have your inventory under control that way, a lot of good things happen in the P&L, and that sets us up very well as we go forward. We believe those trends are going to help us in the year that we are in.

Now we don't disclose ROI by segment, but if you take the revenue generated from the first slide, you combine it with the operating income that that generates in a graph with the slope that you see here, the inventory performance that I mentioned on the first page and the reduction CapEx bodes very, very well for ROI. And as Eduardo said -- I believe in the last presentation that he made -- this is a -- we believe fiscal 2009 is an inflection point for us in the US business for ROI.

There's a growth coming from a lot of different segments for us in traffic, and on this chart here we've got two income level demographics set up. The top line -- the blue line -- is household income of above \$65,000. Below the yellow line is below \$65,000. And you will note growth -- traffic growth across both of those segments, all of those segments.

A lot of the press would lead you to believe that there is a big benefit to trade-down for us, and while that's accurate, it is not the whole story. We are seeking traffic growth across a lot of different segments, income segments, and a lot of different demographic segments.

This higher income -- \$65,000-plus folks traditionally shop the grocery side of our store focusing on food and consumables that are primarily nationally branded, but in the past 12 months we've seen them move into some of our general merchandise categories as we have improved that offering by adding some national brands in areas like electronics.

And I think that's a good example for us. In our electronics business, entertainment business, our main competitor in the electronics arena recently announced domestic comp sales of negative 4.8%, and when you factor out the refrigerators and the washing machines and stuff that they sell that we don't and you compare like to like, they would have been a negative 3.6%, and over that same period, that quarter, our business grew at 1.3 comp. That's almost a 5 point swing in comp, and that for us is driven by our consumer electronics business, which grew at nearly 9 comp.

In the past 24 months we've been focused as a group around a business framework that's kind of best illustrated by this slide. Our success recently and our growth at Walmart U.S. has come from alignment, and alignment around delivering to the customer -- which is the center of this chart -- 10 words that are probably the most simple 10 words to describe what we've been doing. They start with our new tagline -- "save money, live better"; "win, play, show"; and "fast, friendly, clean."

"Save money, live better" is what we stand for. "Win, play, show" is how we go to market, and "fast, friendly, [and] clean" is how we want customers to experience our brand. And that's going to be what I'm going to take you through by and large in this presentation.

21 minutes is all we get. Not for this presentation but for the customer. In our store the average shopper spends 21 minutes, and we have in our minds now 21 minutes to communicate to them those 10 words -- "save money, live better; win, play, show; fast, friendly, clean."

I'm going to start with the "save money, live better" part. "Save money, live better" is not only a line for us, at Wal-Mart we've always been about save money. That's not new. Always low prices, always brands for less. It's in our DNA.

But when you take the emotional benefit of "live better" and you put it with the powerful functional benefit of "save money," we have an incredible -- we come upon an incredible customer proposition, which by the way has also been a strong rallying point and rallying cry for our associates, a message to -- helps us define the brand and focus alignment of our organization around it.

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And it's driven an incredible awareness and been effective with our customers as well. And you can see on the chart here our ad awareness when we launched the campaign bumped up to 71%, and after 12 months of running the campaign is now at an 81% -- unaided advertising awareness of 81%. It is very, very strong, and as you can see the rest of the metrics, resonates very well with our customers.

You also see up here that that translates equally as well to some of our circulars or tabs where there is a very crisp, price focused message. And you will see the tab that we're running, that you will see -- that you will get in the store today, which is our \$4 over-the-counter program -- medication program. And that is our Easter tab up there as well.

And then the two lifts on the bottom of this slide represent the ad campaign, the television ad campaign that we are running now. And that ad campaign is broken into two segments. They're very, very hard hitting, price-driven, 15-second ads. And those are mixed in with 30-second ads that communicate both the functional benefit of "save money" and the emotional benefit of "live better." And we've got a couple of them to show you.

(video playing) (video playing) (video playing)

And the price messages, as I said, resonated with customers. It's also begun to be replicated by many of our competitors, and there's a lot of price-driven messages out there now. And I suppose imitation is -- as they say is the sincerest form of flattery. Welcome to the price game. That's ours. We like that. Anything played on price we believe will be in our favor.

For us "save money, live better" in store -- and you will see some of this as we go forward -- is about price presentation. And as you walk into our stores, we are making a very loud, bold price impression as we go forward.

And this slide is from one of our Project Impact stores, and Carol mentioned that project briefly, and many of you have seen some of this. But for those of you who haven't, it is a project that re-does and re-lays out the stores as we know them with a focus on expanding merchandise categories that are growing with focus on "clean, fast, [and] friendly" stores, a lot of the things that I'm going to talk about today. And in our -- through our remodel and new build program, we believe that we'll have all of our stores set this way over about a 5-year horizon.

But I wanted to point out the prices in this store, which is a Project Impact store, are very bold and very focused. And it starts and ends for us with price, as I said. And just as an example, in the market that we are in today, all of our pricing surveys would indicate that we have about a 13.5% price advantage over our -- the leading competitor in this market, and that's a significant and substantial price advantage for people who are looking to save money. Same products, lower price. And as I will show you in a little bit, a good and getting better shopping experience.

And by exaggerating the price in our signs, not only do we communicate our promise to our customers, but it helps to sharpen our merchants and our operators around ensuring that we have the best price, because we are so loud about it.

And in the new layout, some of it you will see in the store we are going to tour today, but some of it is still coming, and this store was remodeled -- about a year and a half ago I think it was completed, so not all the elements are there.

But you will also see -- start to see some of the warmth of the "live better." The big, bold price statements say "save money," but the greens and yellows in this, on the side of the wall, along with the vibrant produce also start to communicate the "live better" in store as well, and we believe that's important.

Our merchandising strategy -- and many of you have heard us talk about this before, and I just wanted to give you an update on it. We call it "win, play, show." And it's how we segment. It's how we go to market. It is now in play across all of our categories. We have taken -- in the sets that exist today where we haven't remodeled today -- and merchandised -- begun to merchandise according to these principles, for example in a show category likely to have fewer SKUs than we've had in the past while in win

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categories, price leadership is absolutely critical along with an exaggerated and more pronounced position and feature position and displays in the store.

And as we move forward, the strategy will become even more apparent. As we get into more and more Project Impact stores, as we redo the layouts through these remodels, we will not just make those changes inside the departments as they exist today, we'll begin to exaggerate departments, entire departments, expanding the win categories, contracting the show categories, and then supplementing some of the show categories and some of our assortment with our Walmart.com online business sold through multi-channel approach with site to store, which has been very, very successful to us and allows us to offer a broader assortment without distorting the store in a way that we are not happy with.

Now the bottom right here shows a little bit of some of the metrics of the "win, play, show" approach that we've seen to date with comp sales up, markdowns down, improvement to gross margin, and certainly as we've discussed, a reduction in inventory.

Some slides of some of the departments you're going to see today and kind of what that looks like, and this is a great place to start because this shows you what we mean by a win category and clarity of offering. This is a slide from our pet department, where you can see on the top left kind of what we used and on the bottom right what we're moving to -- crisp; clear; reduced assortment; big, bold price statements.

And in a category where -- while the economy has been difficult, in this category where folks are still spending money on pets, and it's a area where we've now expanded in the store with the opportunity to take advantage of it to deliver against the customers' expectation, and I believe we've previously stated our pet business is up double-digits.

Another example for us is product authority, and this is an example in our entertainment business where we have gone out and acquired some major national consumer electronics brands, brands like Sony and Apple and Samsung; and now we have a very, very credible offering; and we are redesigning the store to better show off those offerings. And in fact you will see on the photo here -- and you should see in the store -- we've gone as far as to take those national brands and put them on the wall, hang them on the wall and sign them.

You will also see a more open layout, a layout that takes the products and lets the customer interact with live demo models of phones and iPods and the camera bar, giving the customer an opportunity to experience the products.

I want to mention briefly fresh. We've done a lot of work in the last 12 to 18 months on our fresh business. We made some operational changes all the way through the supply chain that removed several days from the supply chain, and obvious result of that is product gets closer to the fields than it was by a couple of days before -- much, much better for the business.

We've also in October launched a locally grown program that now wherever possible takes in contracts with locally grown -- local farmers to bring locally grown produce into our stores. Not only does that improve the freshness of the product because of the reduction in miles traveled, it also helps deliver against our sustainability objectives by taking miles off the road, and certainly for us it helps the local -- helps us contribute to the local economies -- and all those are important.

Then finally, we changed something in our replenishment methods that improves the way we replenish our produce area, keeping fresher product closer to the sell than we had in the past, and that has resulted in a reduction in the throwaways in our produce sections -- in our produce departments -- allowing us to have a better overall gross margin, letting us focus on \$0.68 and sharp price points.

And as you tour the store, one of the areas that's probably the most obvious from a product clarity standpoint is our home area where we've had some recent success. We've redefined and restated the "good, better, best" proposition that we've had in this area by relaunching the three brands Mainstays, Canopy, and Better Homes & Gardens, and you will see those in the store. And the product clarity along with the color this year, which is certainly on trend, is having a very big impact on the business.

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Another interesting thing that has happened is, we've gotten the assortment where it needs to be. Customer experience in this area has improved substantially, and it's helped us -- much like in consumer electronics -- gain national home brands and have them available to our customers as well, brands like KitchenAid and Dyson and the Paula Dean Cookware line that in the past we haven't had. Now because of the experience and the clarity that's in this area -- allows us to offer those to our customers.

I talked about the marketing thesis -- "save money, live better." Just went through a few examples of "win, play, show" and what that means.

The rubber hits the road of course in the store in the customer experience with "fast, friendly, [and] clean," and I wanted to talk to you about those for a minute because they are very, very important.

"Fast" is not just the checkout time. It's the customer getting in and out of the store; finding what they need in stock of course; navigating a very, very busy supercenter on a Saturday afternoon.

"Friendly" is a greeting. It's a fast checkout, help in the aisles when you need it.

And "clean" -- not just the restroom, clean aisles, clean sight lines.

All those are things that we measure. We have a very, very robust customer sample that is somewhere on the order of about 500,000 sample size a month that allows us to break down almost to the cashier level -- if we would like to -- to see data on where "fast, friendly, [and] clean" is going.

I've put these three charts up which are composites of our "fast, friendly, clean" scores that go back to the time when we started taking these measures. And as you can see, on each one of the metrics we've improved every single quarter.

And particularly noteworthy, and one of things I'm the most proud of our organization about, is that in the fourth quarter of each year when we have the most people in our stores, when it's the very busiest that it could possibly be, in each of the years that we've measured this, the fourth quarter has been our highest "fast, friendly, clean" score.

Would've gotten this and we've achieved this as an organization because everybody in store operations, everybody in our merchandise group were focused on delivering this. It is now a piece of every store associate's management incentive at -- on the management level, and hourly -- our hourly MyShare bonus program are all paid in part on these "fast, friendly, clean" scores. So you get what you get, you pay on it, you get results, and then not surprisingly -- I think not surprisingly to anyone -- there is a strong correlation between comp sales and comp traffic in stores that have high customer experience scores. So focus on it, drive it, measure it, pay against it, and you get results.

So much happens inside of the store, I need to mention very briefly our logistics operations because sometimes we neglect to discuss what is one of the biggest enablers in the business right now, and that is this logistics operations.

Last year in a very, very difficult, up-and-down year, gas went -- diesel went as high as \$4.90 or -- in some parts of the country and then dropped back down by the end of the year. Our logistics operation delivered about \$200 million in savings to the group, and they did that through routing, reloading trucks, fuel efficiencies in how we drove, adding auxiliary propulsion units, nothing -- no magic bullet, no real one item except a lot of hard work and a very, very efficient organization.

Merchandise flow and logistics efficiencies have been -- and had helped us to reduce our inventory and have been catalysts for a lot of the things that have happened in the store, and I'm going to talk about those in a second.

But I want to make one note before I leave this slide, and it's the bottom bullet point here. The logistics efficiencies combined with the "win, play, show" assortments that I just took you through have resulted in lower inventories year on year -- first slide we talked about -- and allowed us not to have to invest more capital in our logistics infrastructure for the last two years, and

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we project that to continue for the -- at least the immediate future. And again, right now we are at lower inventory levels than we were this time last year, so our logistics infrastructure is now helping to deliver against that ROI as we sweat the assets more and more, and that's an important piece of where we've been.

All that really has resulted in what this -- what this graph shows you is our store level inventory as it's come down from about February of '08 to the point where we are running a very, very effective, lean inventory operation -- and I would add at higher in-stock levels than we've run historically. A lot of questions about that from time to time.

Because we've rationalized SKUs and focused our energy on "win, play, show" categories, because we have less inventory in the stores, it's easier for us to find and stock the shelves, order the products that we need from the distribution center, and stock the shelves. And so reduction in inventory has resulted in higher in-stocks, not lower in-stocks.

And as you might imagine -- just kind of do the math -- when inventories are managed this well, a lot of really good things happen in a retail P&L -- shrink is lower, accident costs are lower, markdowns are lower, and of course labor productivity is higher.

The other benefit for us to that is it allows our associates more time to spend on a customer. And these are shots from one of our Project Impact stores that are already -- that remodels are complete on, and you will note clean sight lines, uncluttered aisles, and just a completely different shopping experience than might have existed in the past.

Our analyst conference last fall had a lot of questions about labor productivity. We've had -- we had a couple of good years of labor productivity, and the questions were, gee, Bill, do you think you could continue that? And the answer is yes. I answered yes in October, and I'm answering yes and reporting now that we did continue it -- our year-on-year labor productivity increases of 3% across the system on average. And we see the initiatives like the front-end initiative now in its -- entering its third year and the backroom initiative entering its second year, still generating operating efficiencies for us.

And one of the real encouraging things about this slide for me is the right-hand bit here. You'll note how much is not yet shaded -- 70% of the store. So we believe there is still continued operating efficiencies from the front end, from the back end, and the 70% that we are now working on, which includes our apparel areas and some of our production planning areas like bicycle and grill assembly, deli, and bakery that we are working on today. And we'll roll those out. These have about a two- to three-year implementation lifecycle.

I think the net result, we've designed a friendlier store for our customers and done some things that allow us to focus and improve in certain areas. And the top left here shows our site-to-store areas that I -- of our new stores, Project Impact stores that I mentioned earlier. Site-to-store is a big opportunity for us because it allows us to expand our assortment of better -- better competing at retail and better competition with online competitors through Walmart.com.

The top right -- many of you have seen this. Many of you have not. Something that maybe some of you thought you never would at Wal-Mart -- clean Action Alley, no features in Action Alley. And in Project Impact stores these remodels remove the features from Action Alley and actually push them to bulked out end caps in Action Alley. The net effect is you open up the customer space, you improve the shopping experience, you provide access and visibility to departments in the store that were previously difficult to shop, like apparel.

When Action Alley was packed with pallets, grocery shoppers would stay on that side of the road cutting back and forth, up and down the grocery aisles. When you pull action Alley and clean Action Alley, it gives exposure to areas of the store that haven't had it in the past.

Bottom left -- in these stores where we can and we have space, we're moving the manager's office to the front of the store so that customers have access to Management as well as the associates.

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And then the bottom right shows our checkouts, and we've been very pleased with our checkout -- improvements in checkout over the last 12 to 18 months, and still allowing a customer to have exposure to those impulse items that drive margin, but that visibility across the front end lets the customers and the customer service managers know when another register needs to be open, and our checkout scores are very, very high right now relative to where they have been, and our ability to -- our line lengths have come down, and our ability to manage line links have improved.

So to kind of wrap it all up, this is a slide that we tried to give you a numerator and a denominator of ROI, and the 10 words -- "save money, live better"; "win, play, show"; "fast, friendly, clean" -- create kind of a virtuous circle that drives both the numerator and the denominator of ROI.

And it all starts for us, as I said, with unbeatable prices. And when we have great prices, we get sales velocity. When we get sales velocity, we get margin productivity. When margin productivity, we get operational productivity, asset deficiencies. You don't have to build as many distribution centers. There's less capital investment. And we had inventory efficiency -- and the loop continues. And when you get on a productivity loop like this and your entire organization is focused against this, as I said, both the numerator and the denominator of ROI are impacted, and we feel very good about where we've been and where we're going with this.

So with that, unless anybody has any questions about the aircraft carrier, I will ask Greg to come on up, and I guess we'll take questions for -- from you on other things.

QUESTIONS AND ANSWERS

Unidentified Participant

Maybe I'll just kick it off with one. You [had] some good detail on the labor productivity, 3% growth. Given that you're only about maybe halfway through the SKU rationalization, (inaudible) 80% of the store that hasn't really been dealt with yet, should we expect that 3% labor productivity to actually accelerate as you get through that, or is there another part of what came in early on the front end that you are just -- you're not going to get as much? Is that 3% a good going-forward bogey?

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

It's hard for me to -- the question was, we talked about 3% labor productivity improvement year on year, and is that a number that you can expect and bank on going forward? And the answer is, we are going to get as much as we can. It's hard for me to say that it will be 3%. It could be more. It could -- there could be periods where it's less as these programs come on. We feel very comfortable that there will be labor productivity in our business model because it's that loop I talked to you about. 3% I think was the number last year. If you sort of look at that historical two- or three-year trend, it's been about that.

Unidentified Audience Member

Can you describe the changes in culture incentives, whatever it took to realize what needed to be done? As long-term followers of Wal-Mart, this is kind of what we've all been waiting for, and interesting on what's to come relative to incentives in particular.

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

I think for us it starts with vision, and Eduardo had a very clear vision of what he wanted to accomplish. John Fleming, Stephen Quinn and I are all focused -- have focused our organizations around these 10 words, and we've built the metrics that deliver against these 10 words into each one of the pay packages, compensation programs for each one of our areas.

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And we believe -- I mentioned it briefly in the presentation. We believe in what we're doing. We believe that "save money, live better" is an opportunity for us as an organization to contribute beyond simply being a retailer, and I would tell you that I think everybody in our organization supports that as well. It's kind of the higher calling that I think we all want to be involved with, and so -- it's partly physical metrics. It's alignment. It's focus. It's paying against that focus, and it's the higher calling.

Unidentified Audience Member

Follow-up to that [incentive] question. It seemed like in the past it was sales oriented, and it's -- has the ROI orientation gone all the way down to the people that are producing the aisles and (multiple speakers)

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

Yes, in a way. We don't measure ROI and we don't incent to ROI at the store level, but we -- instead of paying -- our store manager incentives used to be purely a percentage of profit. They now are a mix of sales, profit, inventory turns, and customer experience, so the things that we want to move that drive ROI like inventory and sales and profit along with productivity and customer experience. So we've made subtle changes like that.

Unidentified Audience Member

I had two quick questions. One -- the last big initiative that Lee had presented was sourcing, and hasn't been a whole lot of updates since then, so what is that going to -- what does that bring forward this year and longer-term?

And then the second, funner question is, as you know, there is a lot of concern -- or has been a lot of concern on Card Check with you guys particularly the whipping boy in terms of that concern. You've definitely had to change your communication in terms of bonuses and jobs created this last year for your associates, but kind of for the next year what can we look forward to placate that concern in terms of your opportunities for your associates?

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

First with global procurement, as you all are aware, when the changes were made when Lee retired and Mike moved up, Eduardo now has global procurement in his organization -- in our organization, in Walmart U.S. Most of the products, 90-plus percent -- don't quote me on that number. I don't know what it is. A large amount of the products that are sourced through our [global] (technical difficulty) procurement are (technical difficulty) for the US business. So now that had Eduardo and John and our US operation is focused on global procurement, we feel -- and you should see -- the result of some of that this year, and I believe will be probably in the not-too-distant future.

As far as Card Check goes, we have been on record as saying we do not support the Bill in its current form. It interferes with commerce. It interrupts our communication, very effective communication, with associates who -- our associates who, as you all read recently, got paid pretty handsomely from a bonus perspective. In its current form the legislation that's in front of Congress is not good, and we are very confident that Congress will not pass it in its current form. We are working hard to make sure that that happens. We are working hard to make sure that those who have a vote on it know our position, along with others in our shoes.

I think that was it; right?

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Unidentified Audience Member

With respect to inventory, you guys have done a great job in managing it down. I'm just curious, are you still comfortable with the goal of increases at half the rate of sales? And maybe just talk to that in light of -- you suggested in-stocks are higher than ever, but as a shopper you kind of go in and there's a lot of holes sometimes. And they may be just sort of isolated, but I'm curious how you are measuring out-of-stocks or maybe the risk that you have some missed sales opportunities, especially if you want to maintain sales momentum for maybe a new shopper that's come back to your stores?

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

We measure in-stock by a simple metric of whether the product is on the shelf when the customer wants it. And they are, as I said, as high as they've ever been. That doesn't mean to say that there are not out-of-stocks in the stores. There are. They are driven in a couple -- other than a couple of isolated examples of bad management which might happen, modular changes that we do pretty frequently in different departments will run down inventory in a particular department, and as we change a modular and then take a little time to fill back in with the new mod changes. That is a large number of the out-of-stocks that we have (inaudible), and we exclude those when we measure our in-stock levels.

As we've improved our replenishment there have been a couple instances in a couple of categories at various times where we -- as we tweak the dial we've turned it too much in one direction or the other and have had inventory shortages, a matter of days in some areas until we turned it back on. But our stores are very keyed to it, and if the replenishment is not coming the way it's supposed to, they are very loud and aggressive to our logistics and replenishment groups to make sure that they get back in stock. So I feel pretty comfortable about that.

And the first part of your question -- we're -- we've reduced our inventory and are continuing to focus on reduction in inventory, management -- effective management of inventory. But I would tell you that we are hardly just-in-time now. Our inventory as it exists is still north of 30 days in the stores, and we have markets that -- entire markets that operate on 15 days, and so we believe that there is a big opportunity for us to continue to focus on it while having effective, efficient operations and in-stock levels to serve our customers.

Unidentified Audience Member

(Inaudible - microphone inaccessible) taking more shelf space; and if so, where it's coming from and what the implications of that might be in how private label is doing?

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

Sure. The question -- for those of you that might not have heard it -- was could I discuss our Great Value relaunch and any implications to shelf space -- and I forget what the rest of it was, but I will try to cover it.

We are a house of brands. We've always been a house of brands. And it used to say on the side of the building, "Brands for Less." And we believe that selling national branded product is a very important driver, a communication of value to our customers. If a customer walks into our store and buys Great Value cookies and then goes to a competitor and buys a private-label cookie, they may or may not have gotten a better price. They may or may not have gotten a better quality. The price -- the trade-off becomes price versus quality, and that's one that is not -- easy for a customer to understand.

When they go into our store and buy Oreos and they go into a competitor and they buy Oreos, they will get a better price in Wal-Mart. That's our promise. And then they understand what our business means. We are relaunching Great Value because the opportunity to update the packaging and the product specs was there for us, and it's also a way for us to fill in holes and gaps where we may not have a national brand or we may not have a national brand where we believe, for whatever reason, we

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can get the best price in the market. And it's an important initiative for us, but it will by no means overshadow or replace any national brands. We -- our customers prefer national brands.

Unidentified Audience Member

(Inaudible question - microphone inaccessible)

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

We are in the process of relaunching it now. It will be more pronounced because the packaging is different, but it only would gain more shelf space in the categories where "win, play, show" strategy would dictate there is no viable win opportunity in a national brand. Where there are and we get the best price because that's our promise to the customers it will not get -- there is no plan to replace it with shelf space.

Unidentified Participant

Great. Bill, Carol, thank you. We'll have you at the store, so if there are follow-up questions, we can take them there. And let's all get on the buses. Thanks Bill.

Bill Simon - *Wal-Mart Stores, Inc. - EVP, COO, Walmart U.S.*

I appreciate it.

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