FINAL TRANSCRIPT

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PRESENTATION

Bob Drbul - *Barclays Capital - Analyst*

My name is Bob Drbul and I am the broad lines department store analyst here at Barclays Capital. Welcome. So it gives me great pleasure to introduce Eduardo Castro-Wright, who serves as Vice Chairman for Wal-Mart Stores. He is responsible for leading Walmart US. In addition, he oversees the Company's global sourcing operations.

Eduardo brings a wealth of experience to Walmart. He joined the Company in 2001, worked in Mexico through 2005 first as President and later as CEO of Wal-Mart de Mexico. He then led the Walmart US team as Chief Operating Officer in early 2005 and was later promoted to President and CEO of Walmart US later that year. He was promoted to Vice Chairman in November of last year.

During his tenure at Walmart US, Eduardo has built a talented management team that has delivered strong results for the business and has positioned Walmart as the market leader. He is credited with having brought clarity and focus to the Company's brand, merchandising, and store operations.

They also have a few other people from Walmart here that I would like to introduce. We have Hank Mullany, SVP Divisional President for the Northeast Division. We have Dottie Mattison, SVP and Chief Merchant for the apparel business, and finally, Carol Schumacher, Vice President of Investor Relations.

So with that, I would like to turn it over to Eduardo.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Okay, let me get organized with the technology first. Good afternoon, everyone, and please keep enjoying your lunch. I will try to -- not to ruin it. So -- which is easy to do because quite honestly, contrary to what you hear or read, I have to say that we actually have performed quite well and have done so consistently over several quarters and every indication -- and I will share some of the information that underpins our confidence -- would indicate that we are very well positioned not only to take advantage of the current environment, but more importantly, to continue to serve our customers, our existing customers and new customers in ways that will make us even more relevant when this crisis is over. And it will be over. I don't know when and I'm not going to predict that, but it will be over sometime hopefully in the near future.

Without any doubt, however, in this crowd there are lots of people that actually could use a crystal ball, or so it seems from some of the information they have been reading about Walmart that in many ways apart from what we have been saying so, I'm going to make a point today to try to clarify where we -- where are we today in our journey. And maybe dispel some of those rumors that keep appearing every time that someone reports a number or reads a piece of news. We will show you hopefully by the end of this 45 minutes that our underlying strength is real, that the business performance quite, quite well, and that as I said before, there's a lot of confidence in the way that we see the future. Hopefully this works.

Before I do that, I want to make sure that I fulfill my legal obligations or else I won't be able to talk again. That is that as you can read from the statements here and I will direct you to our website to just read our entire statement on the fact that I will be making some forward-looking statements and therefore you need to be aware of that. As you can tell from this, I hope you take a couple minutes and read it. I won't and I won't spend a lot of your time doing that.

So let me just start with the business. The reason that our business is as strong as it is right now, it is basically predicated on the fact that we have a framework that we developed several years ago, not too many but several years ago, and a framework that actually we have been evolving across every single one of our businesses and every one of our geographies in the United States. And that framework starts and ends with the customer.

And the customer is at the center of what we do every day. Our cheer as you know has always said that the customer is number one, but I can tell you that the customer is fully number one today at Walmart in the United States and around the world. And the way that we have decided to address the opportunity actually starts with what we stand for.

We always have been known for great prices. We have made an effort in the last couple of years in the United States and more and more we are taking that across the world to move from great prices to a bigger concept that we have evolved into, and that is one that has an emotional connection with consumers. And that's the one of saving people money so that they can live better.

As we have done that, we have found ourselves in a quite -- in a very good place simply because of the existing situation, but beyond that because we are credible in that space. The customer trusts the Walmart brand to deliver on saving them money. I don't believe everybody can say that, but we certainly can. And I will show you some of the rationale that supports the fact that when it comes to prices, when it comes to people saving money, more than 80% of customers in America unaided will respond Walmart as the one that saves them money. And the number two retailer that comes -- that makes that list it is a single digit percentage, so under 10%, and as you can tell from that difference, it has therefore very little credibility.

So building a position where you are trusted by customers is something that is not done overnight. And one that gives us enormous confidence in our ability to continue to evolve saving money living better and taking it to the next stage. I will cover that with you today.

How we go to market, how we take save money live better to market is what you have been hearing about our win place show merchandising strategy. A lot of progress you will not only see in stores, but you will hear from myself and others about how much have been already achieved in terms of the win place show merchandising transformation and how that has allowed us to win in categories that would be counterintuitive in this time of this economic crisis. Categories for example or entire businesses like home where we have registered very strong comps now for several months. And I will speak a little bit more about it.

Then how the brand gets experience in the store. That is something that is close to my heart. It was probably the first presentation that I did to a group similar to this back four years ago when I was asked to come as the Chief Operating Officer and I showed some information on the connection between underperforming stores and the customer experience scores of those stores. And I conveyed the notion that there is a very close linkage as we all intuitively will think that between stores that offer great experience and the level of performance in sales.

So with that, let me just start with my first chart. Our alignment, the fact that we've got entire organization focused around those very simple 10 words but very powerful way of communicating has resulted in what I would say market-leading performance. This is the gap between Walmart's comp in one of those businesses and the leading competitor in each one of those categories. So we are not taking the number two, the number three, the leading competitor.

The one that is the number two in each one of those markets, the closest competitor that we would have, you take mass discounts against our closest competitor, the last quarter and we haven't updated that information for obvious reasons to include any information on this quarter because we haven't finished the quarter. But the difference is a mind-boggling 829 basis points higher growth for the quarter relative to that number two competitor in the what you would call mass discount market. That's not 50 basis points, not 200 basis points, over 800 basis points.

So if I show some frustration today, you are going to have to forgive me because I live this every day and I look at my numbers and I try to make sense of so am I not communicating? Are we not doing a good job in communicating our performance? Is that what is getting in the way of us getting some credit for what the customer is actually seeing? I don't know but I will go on with it and again I ask forgiveness for my frustration.

That's mass discounts, but it goes across the board. It goes across the board even in things that you certainly don't even think much about when it comes to Walmart, like our online business, which is a multi-billion dollar business and yet it is growing at least at the same pace or about the same pace -- actually it's growing faster than the leading competitor in '09. And that leading competitor gets a lot of credit for the growth in online. Somehow we have not been able to communicate that our multi-billion dollar online business is growing as fast as that leading competitor.

Actually it's not growing as fast. It's growing -- I take that back. It's growing 300 million basis points higher and I just said as fast but it seems that everybody has forgotten that 300 basis points is quite a bit. We grew our online business this last quarter. All these numbers are on the same calendar as the reported numbers for each one of the leading competitors. We grew 380 basis points faster our online business than the leading competitor in the market.

And the number that shows there is whether that was a change versus the prior quarter and what it shows is that in the online space, our growth, so being 380 points higher comps than that leading competitor, it's about the same growth. So the prior quarter we would have grown also at 380 basis points higher than that leading competitor.

If you go across every single one of the markets, entertainment, electronics, and this is only for the US, as you can imagine, 490 basis points higher than the leading competitor. Home, 871 basis points higher than the leading competitor. I don't know if I'm getting across but the notion is we are growing much faster than the market. It doesn't matter how you slice it, we are growing a lot faster than the market.

Now -- and the gap has been growing. This is a composite of the 35 retailers at Thomson Reuters Retail Index and the gap has been growing. March we had it flipped. Easter actually is important for us and I will show you some information. We probably did a very poor job in how we communicated this fact and think that we confused everyone, and we apologize for that. But Easter actually is very important and because of that in March relative to that Retail Index, the gap closed a bit. Still pretty wide, still about 600 basis points, not bad, but a little bit less than what it had been the previous month.

Then it goes to the next one. All this talk about our comps having dropping -- nothing further from the truth. That's not the way that it has happened. It is that the market sometimes forgets that calendar has an enormous impact on retail and particularly retailers like Walmart that depend heavily on when a Friday falls, if it's a first and customers have just gotten paid, it's going to have a much bigger impact than if it falls on a Tuesday. And that, if the first falls on a Tuesday, it's very different.

Because of that, we decided to stop providing guidance every month. Because we saw that the volatility created by the calendar was confusing everyone. So what we did is we went to quarterly guidance, didn't have much, unfortunately. Yes, we didn't have much because anybody could' have put this in quarters and say that this is quarterly performance. Q1, Q3, Q4, this one has -- remember this one is quarter to date, so it doesn't have the Easter flip yet. So I don't know about you, but I see pretty little bangs between 27, 28, 29 around 3. That's every quarter.

So I am asking everyone to start following a little bit our lead in terms of when we drive guidance and say that it's going to be between something and something, we actually mean it. But we mean it for the entire period. We don't say it in one month because we know that there are significant calendar issues that actually impact individual months. But by quarter in general trends except when you have some odd calendar, in the quarter they pretty much get evened out and you've got a real picture of the underlying business. What is really behind those monthly numbers?

You see in the second quarter that we did get a much higher comp than that underlying number that we have been talking about for quite some time and that was the stimulus checks, no doubt about it. Stimulus checks last year had an impact and it clearly shows in that second quarter.

Now what I feel good about is the fact that that comp has been driven by increases in traffic, increases in traffic that continue to go up and I did not include March -- March was positive by the way. I did not include the March number because I don't want anyone here to get skewed in fact that you don't of the April number and you should see both together because of the Easter flip. Again, a calendar issue that has nothing to do with the underlying performance of the business.

But if you see this going up and then you see up there there's a spike, that spike was the traffic increases that we experienced because of the stimulus checks. So that's, right there that spike right there. Now fortunately for us if you look at the number we have over there, without stimulus, our traffic is growing even faster than back when we experienced the benefit of the stimulus checks. Hopefully that also clarifies a little bit about how much impact stimulus had on the results.

And again, I want you to make -- that second quarter had impact from the stimulate checks, comps were higher. But traffic now is driving a lot of our growth and that should give us some help when we get the headwind of our stimulus checks this year.

Now what's interesting about the traffic growth that we are experiencing is that in many cases that traffic is also driving our ticket. So it's not only traffic that's helping. Also the mix is improving. Why do I say that? We know that for example in the month of February out of that big traffic growth that you saw there, the previous chart, 17% of those customers that shopped at Walmart in February were new customers. 17% of -- not of the total customers -- 17% of the new customers -- I'm sorry, 17% of the growth of traffic that you saw on the previous chart are new customers.

So new customers are driving some of this growth. So how do we know they are new customers? Trust me, they are new customers, okay? We know they are new customers because we have the data. Now those new customers are buying more than the rest of the customers. 27% of the growth in sales are being driven by those new customers. The average ticket for those customers is a 40% higher than the ticket for the rest of the chain.

By the way, those new customers are not changing their diet. So don't think they are buying more eggs. They are actually shopping for other stuff at Walmart that they might have shopped elsewhere before. And we know that because they have a higher income. 55% of those new households have incomes of over $50,000 and once you drill down our data on the market basket analysis that we do, we find that most -- more often than not those customers are shopping across the aisle, are shopping for other things that they might not have considered Walmart before for and they are considering Walmart for now.

And why are they doing that? Why do we have the kind of performance you saw? It starts with the fact that we have a very clear merchandising strategy. The leadership of John Fleming you have seen category by category and really this is a process. It hasn't finished, so we still believe we will accrue significant benefits from it, but we have gone and started with electronics. You will recall about a year and a half ago at our conference in Bentonville, we shared with analysts and investors that electronics had undergone all their transformation and that the initial results were quite compelling. And so much so that we felt that the same type of approach of driving brand and driving clarity and changing the experience for customers in the store would or could or should be applied to other categories.

And Linda Hefner at that meeting I recall shared that her home strategy we were going to introduce several brands, where were those brands going to be positioned? What was going to happen with the presentation? What kind of a assortments would we be looking for? What kind of price would we be driving for? And that, that transformation, obviously that started in our electronics business followed then to home and have been now moving to the other four businesses that we have at Walmart.

One of the questions I got today from some of the meetings I had this morning -- and Dottie is here so I can mention it -- is so when should we expect apparel to be -- complete that. And I told them that apparel was lagging home by probably about six months, eight months, something like that in completing the transformation. Because it's a structural change. We only recently moved our apparel buying functions over to New York maybe a couple of months ago. So it's work in progress.

Let me go back a little bit to price leadership because I think it's critical that I cover that at this point too. The reason that traffic is growing is because we -- as I said in the beginning -- we are trusted by customers to deliver on price. Some other retailers will have the -- it's the temptation to try to close the gap by going after price.

The question I have always is how credible are you as a brand to actually pursue someone else's position, and how much will you have to spend to grow that and how long will it take? And I don't have the answer. I just know that when it comes to price, Walmart is believed by customers to deliver the best prices.

Nowhere is that more so than in our grocery aisles, where we have made an additional effort to present merchandise with authority, but to present a price position that is different than what we used to do in the past. You will see a lot more, for example, of rounded numbers in our price strategy across the store. We are trying to bring -- to elevate the cues that would help customers feel reaffirmed that Walmart carries the best prices.

And those have been increasing. There have been some questions relative to inflation and how inflation might impact comps and how is that playing out. And this morning, I was sharing with some of you that there are a couple of things you can tell from this. And when inflation was more or less even, we were at about the same level as the CPI. So we moved with the price index. We were the price leader, so we started already from a low price position, and we kept pace with it.

When prices started going up last year, in food particularly, we lagged the market. We lagged when prices -- the market when prices were going up, because that is what the customer expects from us. And you can tell that by comparing the CPI food-at-home index from the Bureau of Labor Statistics, and the same basket at Walmart, what happened with price increases at that time. You see that we were not only below the CPI index in terms of how much price we took, but also that we lagged the market, as clearly indicated there.

When prices, on the other hand, started coming down, when inputs started coming down, we led the market in driving prices down. Again, that is the expectation that customers would have from Walmart. And so we did start -- prices start coming down in November for us, and they really start coming down in December for the rest of the market. So there is about several weeks of difference from where we start leading prices down and what the market does.

That has continued. The gap increased in March, and we don't have the numbers for April. Don't know what it will look like. But I can tell you that is a major, major focus of Walmart, ensuring that our price position stays very clearly differentiated in the marketplace.

Why is this important? A couple of reasons, of course. First one is -- and the most obvious one -- customers trust the brand. The second one is customers are challenged today and are making decisions in the way that they shop that require us to be very mindful of how prices play out in this environment.

This is a good example, particularly for those of you that are fathers and mothers of young kids -- which I'm not, but fortunately my chief of staff is, so he asked me to present this. So this is diapers. And it is interesting how customers are choosing to shop the category. Because the first thing they are doing is pull-ups -- when kids graduate from a diaper to a pull-up, they become almost adults. Pull-ups actually are more expensive on a per-unit basis. So moms are keeping their kids longer in diapers, because diapers are cheaper.

So what you see is the size 6 diapers growing 20%. There are not that many new kids. Right? So growing 20%, and yet pull-ups declining. Clearly, there is a transfer of consumption because moms have made a conscious decision that we are going to spend less inn diapers if we keep them longer in number 6 diapers as opposed to moving them to pull-ups. I don't think kids were asked about it, and I don't know what they would have said about it, but I think that is the fact.

And then that continues to be an impact. And I don't have the graph here, but the statement there indicates what is happening. Customers, when the month starts, because of the fact that they are getting food stamps, which by the way are increasing, and by the way, who do you think is getting more than the fair share of it? Good.

Food stamps are increasing -- use our food stamps. But also, people get paid at the beginning of the month. Those two things combined make people go and buy the value pack, which has about, on a per-unit basis, a 33% advantage relative to the smaller economy pack. That's the same thing that you see probably with traffic in the club channel. Beginning of the month, that increases because people have more disposable income at that time, in addition to the food stamps, that they can go and buy. So they can afford the value pack that carries a per-unit price differential of 33%.

When the month is ending, on the other hand, they don't have cash. They don't have the food stamps. What we see is a spike in the sales of the small pack, the economy pack, that has much lower out-of-pocket, but a 33% higher individual price. It is not that consumers don't understand that. Consumers are very intelligent. It is simply that the reality of the crisis forcing them to make choices. And we at Walmart are helping them make the right choice. And you will see that more and more throughout the presentation.

Let's put those two commercials that we have up there, please.

(Video playing)

So through our communication, we have continued to reinforce what moms know already, and that is that if they want to save money and live better, they need to do only one thing, and that is come shop at Walmart.

We've talked in the past about what are the businesses that we define as the platforms that we are using to anchor our overall merchandising strategy. And I am going to briefly cover four of those, simply because those are the ones that started the process earlier, and we have seen already results. And also because if you look at our project impact stores, and project impact is about that entire strategic framework, you will see that those stores, the new stores, have the fresh offering -- it's very important as one of the plans that supports the overall strategy. It's about price, and it's about fresh.

They have seasonal on the other side, because that is newness -- all right. Getting my Spanish right. Newness -- that obviously supports newness, and because we have so much traffic, we get customers back so often, we actually believe that we need to reinforce that every time they come, they will see something new. So seasonal, which is now in the new layouts is on the red side of the general merchandise -- opening -- general merchandise door.

So if you think about the way that we are organizing our new stores, you will have fresh on the right side; you have seasonal on the left side. You will have electronics on the back, because we feel very strongly that category provides us credibility and authority with new customers. And we have health and wellness close to the entrance on the grocery side, again, because we feel that customers more and more, in the demographics of customers today, would indicate to a big opportunity in -- with aging customers, and one that we are particularly well-suited to take advantage of.

So Easter has been a big thing. And remember, Easter was a flip. Am I making sense? Our Easter results 7% comp year-over-year in Easter categories this year. So did we have a good Easter or not? We had a good Easter --surprise. So I just mention this because obviously there was some confusion in terms of how our numbers have changed. And I want to bring again -- drive the point that sometimes you have to look behind the numbers, and you can't just make assumptions.

Clarity of offering, I've talked about it. Nowhere has that worked better to date than in our Home business. You saw that our home business relative to the leading competitor was a whopping 900 basis points higher comps, 900 basis points higher comps than that leading competitor in the past quarter. And it has been driven by that clarity of offering that we have today in Home. And the customer is giving us credit for that.

And by the way, that business has been registering positive comps in a market that, from everything else I read, it is a market that is not a friend of the Home sector. It is a market that has seen, because of the reduction in new homes sold and all the factors that we all know, has seen some significant declines.

So if I tell you that our furniture category, for example, has grown at double-digit, you might think that I smoked something. But it is not. It is being driven by the fact that the clarity of offering is driving comps.

Product authority in win categories, like, for example, in brands. The way that we have taken brands, made those brands affordable, and by providing access to brands to our customer base, have built the authority to play there. I was sharing this morning with someone, and I think, Carol, that we have said that in the past, that our comps in computers, for example -- computers' comps are double-digit. They have been growing pretty briskly. And again, it is because now we carry the brands and we present them with authority. So we are winning in this market, too.

Fresh. You probably didn't know about this, because I didn't know about it last week. The fact is that today we are opening a new format in Houston. It is called Supermercado de Walmart. And it is probably the most dramatic expression of win, play, show when it comes to the fresh category. Because we decided that if for this segment, fresh is important, and we are saying that we are going to win in fresh, that presenting it in the traditional environment was not enough.

So for the past two years, we've been working on so how do we build a store that actually speaks to that customer in the category that we say we are going to win? So it has much larger space for fresh than your traditional neighborhood market, and the assortment responds to the needs of that customer.

It opens today. It's in Houston. It is the first one. We are building several. We will see how it goes. I'll report back when we have some results. But we have great expectations of this.

Sourcing, global sourcing and what role will it play in the strategy going forward. Promise I will get back to this group with a little bit more information probably later on this year. Suffice to say at this point in time that we have defined a very clear strategy for global sourcing. That we've got now -- we are in the phase of putting in place a structure to drive it. That we have defined that there is -- there are such things as global brands that can benefit from scale. And therefore, that managing those brands globally in ways that we haven't done in the past makes all the sense in the world.

We have defined that even if you don't have global brands, global products under different brand names -- so same product specs, different brands -- because the brand might be not the right brand for a particular market, but the product is, it is also a big opportunity for us, and one that we will drive and are driving.

Global suppliers, even if you can't launch a global product or if you can't have a global brand, even if you have individual products to meet the needs of individual consumers across every single market around the world, there is no reason why we can't leverage the scale of the scale of Walmart to get -- through a global supplier approach, get the benefits of scale, even if you are driving for individual markets that appeal to local markets, local basis.

And last, in raw materials, obviously, there is a big opportunity for us, because of our scale, to leverage our global presence within raw materials. And packaging, it's a good example. Anything that has to do with cotton is a good example. Things where we can aggregate demand from around the world and become a factor in the cost structure of products.

Initial results of Project Impact, I know that some of you have asked about it. These are the initial results of a few stores. As you can imagine, our remodel program started only recently. We have very little information. So I don't want to provide this as any guidance that this is the expectation. But since we have had so many questions about it, I thought that at least I would show you what has happened in the first stores where we have completed our remodels.

They are running, on average, about 100 basis points higher than the control stores. Inventory levels are much, much lower times, five to six times the reduction that (inaudible). Because you have to start with the fact that the entire inventory levels have come down, so that's the starting point. And then customer experience also up.

Online -- I talked a little bit about online before. I just was trying to get some credit for our online folks that they are doing an outstanding job, and the customer believes that. We have been able to increase through our site-to-store business -- in one year, we've grown our customer base ninefold. That is quite a bit, because we didn't start with a few customers; we started with hundreds of thousands or millions of customers already. And then we've grown that nine times over 12 months.

So a lot of people are trying out for site to store. And that has been a big driver of, obviously, our online growth.

Customer experiences are the center of everything. We are very, very happy with the customer experience scores. The entire equation wouldn't work if, after the crisis is over, the customer would think that their experience at Walmart is not one that merits them to continue shopping with us. And we are making every effort to ensure that they continue to believe that when the crisis is over, Walmart continues to be a great alternative for them to shop across all multiple categories.

You can see there has been significant improvements in our fast, friendly, clean initiatives. And that is being driven by very happy associates, which is a good equation. Because if you think about the fact that happy associates drive happy customers, happy customers drive happy shareholders. So if you think about it, that is really the way it works.

And this is our latest score. I don't have the scores for the field management yet. I can only tell you that if you have your entire -- this is not a few people, right? That number there, FY10 is 1.4 million people. And if 1.4 million people think that they are almost 70%, which is best-in-class for companies of much smaller size, they are happy with the company, happy with their management, happy with the direction, happy with life. So they are happy people. And they are showing it to customers, and customers are helping us with giving us their preference.

This is something that the entire team at Walmart feels very good about, because this takes time to build. You don't do it overnight. But the highest scores in the nation are Hank (inaudible) scores right here in the Northeast. So we thank you, Hank, for all the effort. He's got the highest scores. You got 71 or -- you don't have the highest scores; you have the highest improvement? Highest in customer experience.

But we've got areas of the country where we've got a 71 engagement score. That is pretty significant. Those of you that might have had some experience in this kind of information will say so.

Inventory's a great story. You've seen it. We've talked about it. The thing we feel good about it is that if you think about the improvements in productivity that were driven in the front end and drove some of the improvements in our cost structure, those have been now taken to the back of the store.

We've seen productivity this year up -- oh no, that's last year, up 8.6%. Up 8.6% in the back room, with implementation of both the systems that we put in place in stores, so the new systems have resulted in very strong productivity performance. If you think about what that can do to our cost structure, again, we are very enthusiastic about the improvements that have been made here, and hopeful that as those get implemented across the entire store, we will continue to see good benefits and productivity.

Inventory, as you can see, that is the comparison of inventory growth relative to sales growth. So as you can see, quarter after quarter, our inventories have grown at a much slower pace than sales. The third quarter, as you can imagine, is a little skewed in that we buy merchandise too for the fourth quarter at that time, so you see a little bit of an increase in inventory there.

And this is the roadmap that we are working on. What I've covered today is basically what we are calling Project Impact. It is the framework that drives our thinking. It is what drives our current program. We are working on those other two, and as they evolve, we will be sharing with you information on those.

With that, I thank you for your patience and hope you got most of the answers to your questions. And if you didn't, I am going to stay here for a little while.

QUESTIONS AND ANSWERS

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

If you want. You tell me.

Unidentified Audience Member

You talk about the paycheck cycle and how that influences your sales. Have you seen anything -- I mean, as payroll taxes have gone down. I guess it has only been a month or so, but as paychecks have gotten bigger, do you think that is going to have an impact on Walmart on those days or related to that paycheck cycle?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

There are several things that are having a -- that are helping right now mitigate a little bit some of that headwind that the macroeconomic situation creates for every retailer. One is gas prices are over 30% below last year. That is more money.

Now, what we are seeing is that the customer who shops at Walmart is using that money -- or that is at least what the market basket analysis would indicate -- are using that money -- are using the money from -- that you just mentioned, from lower payroll taxes, to buy some of the discretionary items that they were not buying before.

So if you look at our best-performing categories right now are not -- are not the grocery categories. Best-performing categories, again, are things like sporting goods, things like bedding, things like towels. So there is most definitely some help from both lower gas taxes or the tax that the customers have to pay when oil prices go up and lower payroll taxes.

Unidentified Audience Member

Two questions. You talked about traffic patterns getting better, but you now have the offset of food deflation. So how should we think of those two things blending out?

And then second, what will you look for other than pull-ups sales getting better as the sign that the consumer is getting healthier?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

That's a good one. I hope that moms are able to graduate their kids to pull-ups. The first part of the question -- I'm sorry I missed -- oh yes, traffic and inflation. I showed inflation.

Two things you have to be thoughtful of when you think about Walmart. We are not a food retailer only. 50% of our business is not food. Therefore, you can't judge us just by what you are seeing happening at the supermarket aisle, because we are a lot more than a supermarket. That is the first thing.

We therefore have the benefit that as inflation comes down, that pressures comps in that side of the box. But if that same consumer takes that money and goes and spends that in the other side of the store, actually, it's not that bad. Because that side of the store in general carries higher margins. So the switch, as we have seen, as reflected by the size of the basket does not -- so far has not created a major headwind for Walmart.

Now, if we should see a deflationary environment that these prices go down and in ways that we haven't seen so far, and that deflationary environment creates a very different dynamic with consumers, then I don't know what will happen. But as I see things today, the way that we are seeing things today, I don't necessarily have seen yet that inflation is -- that food inflation is driving lower comps.

There is a tailwind that is offsetting that, and as long as that keeps happening and customers keep going from one side of the store to the other one, and the total basket continues to be positive -- and it has been; the ticket has been higher -- then I feel okay about the current scenario. Because you have to remember that as prices come down, there is a natural benefit for the overall economy that we are part of and would benefit from.

Unidentified Audience Member

Can you speak about your customer surveys just in regards to the new customers that you are winning? And what do you think is going to be key to retain that market share if the economy improves, and your ability to continue to grow traffic positively in an improving economy?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I think that it will have -- it is, I think -- the ball is in our court. Because I think the consumer is giving us credit for delivering what they need most right now, and that is helping them save money.

And because of that, if we can now, through those scores that you saw in customer experience -- Hank has the highest (inaudible) -- if we can actually continue to show that customer that Walmart is a good alternative at times of difficulty and at times of abundance, because it is smart to shop at Walmart and it is comfortable to shop at Walmart and Walmart has a clarity of offering that saves people not only money, but saves them time when they shop.

A lot of what Jon Fleming has done in merchandising has to do with this notion that the customer is only 21 minutes in the store, and we have to provide that customer -- if we want to sell more, if we want to be considered for more categories, we have to make it simple for them. And we didn't do that always. But I believe today, with the clarity of that merchandising strategy and how the merchandise is presented in stores, I believe that the customer will see the benefit of shopping at Walmart when all is said and done. That is -- I don't have any better answer than that.

Bob Drbul - *Barclays Capital - Analyst*

So I think with that, we are going to end this part of it. And people that would like to go and join the next session, we can do that. And Eduardo is going to stick around to answer some more questions for probably another 15 minutes.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Thank you, everyone.

Bob Drbul - *Barclays Capital - Analyst*

Thank you very much. Thank you, Eduardo.