

FINAL TRANSCRIPT

Thomson StreetEventsSM

**WMT - Wal-Mart Stores Inc. with Andrea Thomas at Thomson Reuters
Food and Agriculture Summit - Chicago**

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PRESENTATION

Nicole Maestri - - *Thomson Reuters Journalist*

I wanted to welcome Andrea Thomas to our summit. We are very, very excited to have Wal-Mart here to talk about Private Brand and their Great Value relaunch. But just we will go around the table and introduce ourselves so you know who everyone is. I am Nicole Maestri. I am based in New York and I cover Wal-Mart.

Nicole Volpe - - *Thomson Reuters Journalist*

Nicole Volpe and I am based in New York and I am the editor in charge of Reuters summits.

Martinne Geller - - *Thomson Reuters Journalist*

Martinne Geller, also in New York. I cover beverages and apparel.

Jessica Wohl - - *Thomson Reuters Journalist*

Jessica Wohl, based in Chicago. I cover consumer products and retail.

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Ted Kerr -- *Thomson Reuters Journalist*

I am Ted Kerr, based in New York. I run the company's editing [space].

Lisa Baertlein -- *Thomson Reuters Journalist*

Lisa Baertlein, based in Los Angeles. I cover restaurants and grocery stores.

Thomson Reuters Journalist

I'm [Cary] (inaudible). I am based in Kansas City and I cover ad agency (inaudible).

Nicole Maestri -- *Thomson Reuters Journalist*

That's our photographer. He will be snapping pictures (multiple speakers).

Jessica Hall -- *Thomson Reuters Journalist*

I am Jessica Hall in Philadelphia and I cover mergers and acquisitions.

Ben Klayman -- *Thomson Reuters Journalist*

Ben Klayman based in Chicago. I'm on the consumer and retail [space].

Brad Dorfman -- *Thomson Reuters Journalist*

Brad Dorfman also in Chicago. I'm the senior correspondent for consumer products and retail and I cover food [companies].

Nicole Maestri -- *Thomson Reuters Journalist*

And just so you know, people are taking notes. That's what's going on at the computers.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Understood.

QUESTIONS AND ANSWERS

Nicole Maestri -- *Thomson Reuters Journalist*

Well, we are very excited to have you. Thank you so much for coming. We know Great Value is the big story right now. You have been working on the relaunch and it seems like it's ready to hit stores. So if you want to tell us a little bit about the thinking behind the relaunch, sort of why now, why is it a good time for Wal-Mart to undertake this?

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Excellent, thanks for having me. I am excited to be here. I wanted to start with just a few things about Wal-Mart in general and then we will quickly get to the Great Value relaunch. Wal-Mart was founded in 1962 by Sam Walton. It has become the world's largest retailer. Last fiscal year, which ended January 31, Wal-Mart had \$401 billion in sales. We have 7888 retail stores worldwide and two million associates worldwide. And in the US, we have 4259 stores.

Wal-Mart is committed to national brands and private brands that help our customers save money so they can live better. Great Value is one of the ways that we provide our -- we provide solutions to our customers to help them save money and live better. This brand was founded in 1993. It spans more than 100 categories in food, beverages, and household consumables. It is the largest retail food brand in both sales and volume. The majority of the Great Value items are sold in the US, but we also sell the brand in Japan, India, China, Mexico, Canada, Argentina, among other countries.

Today I am discussing the Great Value relaunch which is happening in the US. We have done new packaging and we have reformulated products and you'll start to see those on shelves at the end of this month. We will also be rolling in in a phased rollout through April and May and then some items, seasonal items that are grown and packed out in specific times through the summer like frozen fruit or canned vegetables, those will roll out as we have new products there.

The reason that we are doing a phased rollout is because it reduces waste and it supports our commitment to both low costs and sustainable practices. If we threw a bunch of old packaging away to do this, it wouldn't be supporting either sustainability or low costs.

So we are not planning any markdowns on existing inventory and there will be a period of time where you will see both the old packaging and the new packaging in stores.

Nicole Maestri - *Thomson Reuters Journalist*

So you will use through what Great Value is already on the shelves and in stock.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes. Absolutely, yes.

Nicole Maestri - *Thomson Reuters Journalist*

And then slowly we will start to see the new brand come (multiple speakers).

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Exactly. And also at the supplier they have packaging. They will use all the packaging that they have at the supplier before the new packaging, and so that's the best way for us to save costs for our customers.

Okay, the reason that we wanted to relaunch Great Value is because consumer demand for private brands is growing. Our customers are expecting more out of our private brands and we are responding to their needs. They are in a challenging situation right now where they have to really focus on saving pennies to make the budget for their family work, and this brand reinforces Wal-Mart's commitment to helping customers save money by offering national brand quality for less.

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So what's different? The packaging is simple. It's clearer and it's much easier to find. We created a package with better pictures on a white background so it really pops off of the shelf and that makes it easier for our customers to find when they go aisle to aisle on their shopping trips.

I know I have three kids and when I go shopping I don't want to spend any time, any extra time than I need to in the aisle. I want to just get on with what I need to do and our customers are exactly the same way.

So we also wanted to create a consistent look across all categories to help our customers find the solutions that they are looking for. So for example if our customers have always trusted our Great Value apple juice and they are down the frozen food aisle and they see the Great Value lasagna, they will look at that and be able to see and connect it back to the apple juice and know that that could provide a solution for their family dinner.

Nicole Maestri - *Thomson Reuters Journalist*

How different does it look right now, say, if you are looking for the apple juice and the lasagna? Can you really tell that it both is Great Value or is it more different?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

It looks pretty different. Right now the branding is down the side and you see just a picture of the product and there really is no background color that brings them all together. We've moved the Great Value up to the front so you can absolutely see the brand and the background of the package what gives the consistent look, so you can start. It will pop off the shelf more amongst what's around the shelf and it will also connect item to item across all the aisles.

So it's a pretty big departure. We are providing you with some pictures so that you can take a look at it. It is not on shelf yet, so I couldn't bring product, but you will have pictures that you can see.

The other thing that we have done is we have made it easier to just on the package find information that our customers care about. So for example on the front panel, we have got a place where if it provides 100% of the daily requirement for vitamin C, it will say it on the front there. If it is made with no artificial flavors or colors, it will say it on the front there. And so those are the things in addition to the nutritional label where you would be used to finding it, it just calls out things that our customers care about.

In addition, the allergens, we actually exceed the FDA requirement on reporting allergens. A lot of our customers are trying to work through gluten issues that they have or allergens that their kids have, so they want to be able to look on the package in a consistent place and see if there's any allergens in those products.

We have also made the customer guarantee much more prominent on the back of the package and most of the packages are bilingual with English and Spanish. Some of the packages are really small, a can of tuna, little yogurt cups, so we weren't able to do it on 100%, but the vast majority are both in English and Spanish.

Nicole Maestri - *Thomson Reuters Journalist*

So how many products are included in the relaunch that we are talking about today?

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

All of the Great Value items and as I mentioned, it's over 100 categories and there's a couple thousand items. We don't release the exact information there, but it's all the Great Value items that will be staged into it.

Nicole Maestri - *Thomson Reuters Journalist*

Okay, because when you talked about it at the analyst meeting I think the number was 5500 SKUs.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

So that's the testing that we did. And I will go through that right now. We actually in order to support the launch we did a lot of quality testing to make sure that we were consistently delivering what we are promising our customer. So we conducted more than 2700 consumer tests. We tested 5250 products against the national brand to ensure the Great Value quality is equal to or better than the national brand. And as a result, we ended up changing formulas for 750 of the items, which was less than we anticipated back in October when we guessed how many we would end up reformulating.

Nicole Maestri - *Thomson Reuters Journalist*

And why was that? Was it because when you tested them they were held up to what was --?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Exactly, exactly, we only needed to reformulate the items that were not hitting the national brand's standard, and so we ended up with 750 items. We also developed some new products, too, because consumer tastes are always changing. We want to make sure that we've got the relevant product for our customers. So we are introducing with this line more than 80 new products, items like frozen pizzas, like double stuffed sandwich cookies, which I brought some for you to taste.

We've got cage free eggs and a new line of yogurt for kids with Omega-3s and some of the nutrients that kids are going to -- that moms are going to want to feed to their kids. So we've got quite a few new items, 80 coming out. And then we reviewed every specification of every product and actually went a lot more detailed on the specifications than we have done in the past. The reason that we did that is because quality is so important to us we needed to hold our suppliers accountable and hold ourselves accountable to the quality that our customers expect.

And so we've initiated and enhanced quality monitoring program. It allows us to evaluate the quality of the products from the farm to the factory to the shelf, and we are doing this on an ongoing basis.

So with the customer, we put the product guarantee on the back of the package. We have had a product guarantee in the past but we haven't communicated it in such a visible way. The reason that we wanted to do that is our customer actually wants us to stand behind our product and showing her that product guarantee gives her a trust, makes her trust that we are standing behind every one of our products.

And in order to support that increased visibility, we have a professionally staffed toll-free number with dedicated Great Value consultants on there. We have expanded the product information available on Walmart.com and we also have a place where our customers can provide ratings and reviews on all the Great Value items.

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Nicole Maestri - - Thomson Reuters Journalist

And that will be new, ratings and reviews on Walmart.com?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

That's new as well, exactly. And so this is many more ways that our customers can talk to us, tell us what they think. They will always still be able to go in the stores and talk to her associates in the store about it. That hasn't changed. That will still be there. These are just new ways and some enhanced visibility of what we have done in the past.

Nicole Maestri - - Thomson Reuters Journalist

But they won't be for sale on Walmart.com? (multiple speakers) is you can just see the products --

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Correct, exactly. They are not for sale.

Nicole Maestri - - Thomson Reuters Journalist

You can just see the products and so you would be able to put a review in there?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Exactly, exactly. And then if you are looking for additional information, we have expanded -- there's only so much you can fit on a package, so we have got expanded information on Walmart.com.

Then I wanted to take you through just an example of how an item went from beginning to end of our process here before I open it up to questions. So I am taking cookies as an example because who doesn't love cookies? Right? And so we went well beyond the average taste tests. We hired a quality control and testing lab to train our panel of our customers, so they went through a training for 12 hours. And it taught them how to talk to us about flavor, aroma, texture, color, and appearance of the Great Value items as they compared them against the national brand. So they would taste a Great Value item and a national brand and they would tell us what they thought.

If they noticed a difference, we would send the product to a second lab to identify the specific more technical attributes so that we could change the product and some of the things were missing. Some things needed to be changed, but it kind of gave us a picture of what we needed to do. At that point we contacted our current supplier. Sometimes we got additional suppliers to provide products for us that we were looking for and they sent in cookies.

This is where I got involved in the process and we would sit in a room and taste a lot of cookies and evaluate the cookies that came from each of the suppliers against the national brand to narrow it down to the cookie that would meet the expectations of our customer. Once we had a cookie that we thought was the right recipe, then we did the detail specification and this is more information than the average customer needs to know, but it's what our suppliers need to know to make sure that they are manufacturing this on a very consistent basis.

So we did the very detailed specifications and then the information that came from the specification went on the package and that is where the new design came in. So we didn't do the new design on items that we knew we were changing. We wanted to make sure when the new package was on the product that the product inside is what our customer expected it to be.

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And so once the cookie is on the shelf, we will do the quality testing on an ongoing basis so that our customers can get the same great taste in cookie every time.

Nicole Maestri - *Thomson Reuters Journalist*

So I know one of our big questions is how long did this whole process take? When was the idea started? How many people were involved? How intensive would you say this relaunch is versus maybe other relaunches that Wal-Mart has done in the past?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Great question. I have been working on it for 18 months. The first six months was really about bringing the team together and kind of setting the standards, but we started actually designing product about a year ago. And we started the testing in the summer and started really reformulating new things in October. So we have got several thousand items and to try to do all the items in the same (technical difficulty) periods, in the same time period, there's quite a bit of complexity that we manage through. And so we knew, though, that we wanted to do this in a way that our customer could trust. She needs to be able to trust us. She's looking to us to help her manage her budget.

And so we knew while there was a lot of details associated with it, bringing it all out at the same time while ambitious was important for her to be able to have the solutions that she was looking for.

Nicole Maestri - *Thomson Reuters Journalist*

How big was the team that worked on the relaunch at Wal-Mart?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We actually don't communicate specific numbers of people. We actually -- it was not only the private brand team but our merchandising group was involved in it. All of the support functions are our field. We had people that are in the stores that helped feed into the process as well. So I think it's fair to say that most anyone that deals with food at Wal-Mart touched this in some way.

Nicole Maestri - *Thomson Reuters Journalist*

So would you say in terms of pricing, how do you look to price the Great Value products as part of the relaunch? Will they still be the same price you see on the shelf now? Will they go up? Will they go down?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Well, we carefully designed this so that the price of the product wouldn't go up, that there were not additional costs in this product that the customer would have to pay for on the shelf. And so prices were not impacted by the relaunch. We are consistently looking at prices to make sure that we have the unbeatable prices on the quality products that our customers are looking for. On average in private brands, there's usually a 5% to 20% gap between the national brand and the private brand and that changes category by category and it even changes sometimes week to week depending on what's going out in the market.

So we are constantly looking at the prices and ensuring that our customers are getting the value that they need with the Great Value items.

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Thomson Reuters Journalist

With what you've done with Great Value, would you expect to be able to have a little bit smaller gap to the branded item because you have improved the product so much?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We actually think that our customer is definitely looking for value in the Great Value items and expects it to have high quality, and so it's not an either/or. It is a both. And so we are paying attention to both sides of that equation.

Thomson Reuters Journalist

Okay, so putting -- making something that -- my sense of this is Great Value obviously isn't a branded product, but it's not what I would have thought of as private label a couple or three years ago. Is there then something somewhere in between that you can also get on price because of that?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, well, private label has definitely been evolving since it was launched in a couple decades ago. And it really is now. There is an expectation of quality that goes with private label that our customer expects to get the kind of quality that she's looking for. And especially as we have items that are similar to national brands, she expects to get good quality for that. And so right now you can't win unless you've got both price and quality into the product.

Nicole Maestri - *Thomson Reuters Journalist*

Do you see giving Great Value more shelf space with this relaunch? How are you positioning it versus the brand -- brands that you already have in store?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, that's something that's also a category-by-category decision. We are working very closely with our merchandising group and we are optimizing the shelf set as the customers buy the item. So we know what they buy. We know how much they buy, and the shelf space will be consistent with how the product is performing. That's the way it has always been and that is the way it will continue to be.

What does change here is the packaging is so much more visible than it was before and so it pops off the shelf more because of what we have done with the package. That is something that even if it is the exact same amount of space, visually it definitely you can see it a lot better than you have been able to in the past.

Ben Klayman - *Thomson Reuters Journalist*

Net-net though across all categories, would you expect Great Value to be taking more shelf space?

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

They evaluate that category by category and they make the decisions category by category. So we have not given them an expectation of what we think the shelf space needs to be on that. Every one of our items has to earn its way just like every one of the national brand items does.

Nicole Maestri - *Thomson Reuters Journalist*

Are there certain categories where you are seeing consumers being more interested in private label? Say is it cookies where people are really -- I don't know if trading down is the right word -- but looking for private label, are there certain categories where really right now the customer is looking to save a few extra pennies and maybe buy a cheaper store brand?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes. We are actually seeing that she is looking to save pennies on her entire budget. She has items in her mind that she wants national brands with. She has items that she's looking at other alternatives for. And so it really -- our whole mission in this is to offer her the choices that she needs. We sell national brands. We will always be a house of brands and so we want to give her the option to have the unbeatable prices on the national brands as well as unbeatable prices on the private brands.

There are certain categories that have a higher private brand penetration because there's not as many national brands. For example milk, flour, sugar, there's some of the staples that have traditionally been a little bit more private brand associated. We have seen private brands be purchased more frequently by our consumers. They are growing. More consumers need them now and so they make the decision category by category, though.

Nicole Maestri - *Thomson Reuters Journalist*

How long do you think that switch in behavior will stick around? Is the relaunch an effort to -- if people in this environment are willing to try Great Value and they didn't before, is the hope that when the economy turns around they will stick with Great Value? How do you see this building customer loyalty over time?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, what we want to see is customers rely on Wal-Mart to help them make their budget -- their food budget work and we want to provide the items that help them do that. They -- when you have a limited amount of money that you want to spend on groceries, you don't want to buy something that's not going to perform for you. You want to make sure that everything you buy is going to perform the way that you expect it to. That's what we want to do. We want to make sure that everything our customers buy at Wal-Mart, whether it be national brands or private brands, meets or exceeds her expectations so she continues to come back to Wal-Mart.

Nicole Maestri - *Thomson Reuters Journalist*

So if the things get better and people have a few extra dollars in their wallet, are you then expecting them to go back to their old purchasing behavior and say go back to the national brand?

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We want to be prepared for them to do whatever they choose to do and to have the items that they need so that they can choose either way. We are not trying to make this be bigger than it needs to be. We are letting the customer choose how they want to use these products.

Nicole Maestri - *Thomson Reuters Journalist*

Okay.

Thomson Reuters Journalist

Does this allow you more room in keeping inventory from other brands? Like do you have to keep as much inventory of, say, branded product if you know that you have other stuff on the shelf people can take from if there is an out of stock situation?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, we are actually always working the inventories of our products to make sure we are not out of stock on anything, and that's based on how much is selling. And we've got some -- we have got a whole group of people that is dedicated to making sure that the inventory flow of our products is working. And so that is something that's the same for national brands and private brands. So we want to have the product there as the customer needs the product.

Nicole Maestri - *Thomson Reuters Journalist*

So just numbers wise just to confirm, how many SKUs are there now in Great Value? And how many of those are part of the relaunch? Or else how many of those were reformulated as part of the relaunch?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

So we don't report specific numbers out of numbers of SKUs. What I can tell you is every Great Value item has been touched. Every Great Value item has been tested. We ended up reformulating 750 items and launching more than 80 new items.

Nicole Maestri - *Thomson Reuters Journalist*

Is there a way to say 750 is you know a quarter or --?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

No.

Nicole Maestri - *Thomson Reuters Journalist*

I'm trying. (multiple speakers)

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Thomson Reuters Journalist

So you can say the total number of SKUs in the relaunch, though?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

No, no. Every Great Value item will be in the new packaging by the end of the summer and the majority by the end of May.

Nicole Maestri - *Thomson Reuters Journalist*

Can you talk about either how much it costs to reformulate all these or how soon you are expected to pay off in terms of maybe people will be buying more Great Value items than they did in the past?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, we don't release specific numbers on, as you know, on project costs. What I will tell you is we've been very diligent. This was not about adding costs to the product at all. It was about doing what we've always done on Great Value, continuing to do it, to focus on the item, and to make sure that we have the best products out there for our customers.

I think the biggest change is that the packaging really shows that we are proud of these products. Visually you can see it a lot better. We have guaranteed it even though our products are always guaranteed. We have come big, more visual with the guarantee so that our customer knows that we stand behind everything we sell.

Nicole Maestri - *Thomson Reuters Journalist*

Did you have to line up new suppliers at all? Are you -- in terms of reformulating and making sure that you have the quality control that you wanted, are you using the same suppliers that you did in the past? Did you branch out and change who was making these for you?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Both. We are using the same suppliers. In some cases, we have new suppliers and in some cases we are in new categories that we haven't been in before with new suppliers.

Nicole Maestri - *Thomson Reuters Journalist*

Are you -- do you find in this environment do you have the type of suppliers that you want? We have obviously seen a lot of issues with food recall and food safety and clearly that's top of mind for Wal-Mart. So how do you vet your suppliers and make sure that they are going to be part of this Great Value relaunch, they are up to the standards that Wal-Mart requires?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Absolutely. Back in October we had a supplier summit with all of our private brand suppliers. We reinforced for them the commitment that we have to our customer with Great Value. We are working very hard to have transparency in the supply chain all the way from the farm through the supplier to our shelves. So they are working with us on that and the majority have been very supportive and have been great partners. We have been working through the issues as you would expect that we would do in the normal course of business.

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Nicole Maestri - - Thomson Reuters Journalist

So when you added the 80 new products, did that mean bringing on new suppliers or were they ones that you had worked with on similar products and they were able to help you out in bringing in new products?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Both. We always go to -- when we do a new product, we look at the supply base out there, the capability that is out there. In a lot of cases it is existing suppliers but not always. And we are always looking for the best supplier that has the lowest cost on the quality that we are looking for.

So it's an ongoing thing and it will continue to be an ongoing thing. But our suppliers for the most part, they have been very excited because they are very committed to the Great Value products that they produce.

Brad Dorfman - - Thomson Reuters Journalist

Rough ballpark, what percentage of your suppliers are also branded food makers?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

We don't release that information.

Brad Dorfman - - Thomson Reuters Journalist

Not even just on a general scale, not talking about individual suppliers?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

No, we don't. We have some that are both national brand and private brand and we have some that are exclusively private brands.

Ben Klayman - - Thomson Reuters Journalist

Can you give us an idea of the margins on the (Inaudible question - microphone inaccessible)

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

I can't, I can't.

Ben Klayman - - Thomson Reuters Journalist

Presumably the margins are much better (Inaudible question - microphone inaccessible)

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

I don't know. You can make that call.

Brad Dorfman - *Thomson Reuters Journalist*

Well traditionally a private label product would be a higher margin product for the retailer than a branded product. Is there any reason that would be different at Wal-Mart for Great Value?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

As you know, we don't comment on margins.

Ben Klayman - *Thomson Reuters Journalist*

I was just going to ask a percentage of total sales, where do you see your private label (Inaudible question - microphone inaccessible)

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We actually don't report out on specifics of the private brands within the total number.

Thomson Reuters Journalist

Do you have plans --? I mean I know Great Value is the largest private label brand that you have. But are there other brands that you plan on reformulating, packaging on or changing anything?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, there are other brands in the food portfolio and we want to make sure that all of our brands are providing our customers with the quality products and the unbeatable prices that they are looking at. And so we are in the process and will continue always to optimize the brands so that they are performing the best that they can.

This was really about -- the Great Value launch was about optimizing the customer experience for Great Value and then we will go on and do the same thing for the other private brands that we have.

Thomson Reuters Journalist

So when might we see Sam's or Ol' Roy or something like that?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Well, last fall we did Ol' Roy and so it's already in stores today. The packaging is a new package. Ol' Roy was the first private brand at Wal-Mart in the early '70s and so that's the one that has a lot of heritage. And so we will continue to look at the packaging, optimize the portfolio and the mix of products in there, and we will continue to focus on quality for all of our private brands.

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Nicole Maestri - - Thomson Reuters Journalist

How do you see in terms of marketing Great Value -- I mean when I got my Target flyer the other weekend in the paper, the whole front page was all Archer Farms, their whole spread of Archer Farms. How do you see positioning Great Value? Will there be a marketing campaign where it's more getting someone to buy Great Value? I mean, how do you see that playing out?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Our best tool is the 140 million shoppers that come into our stores every week. It's like bigger than a Super Bowl every week in our stores and so having the products in the stores, having them, you know, look great, pop off the shelves is really our best marketing tool. There are others that we will use as needed and we are still working on the details of the marketing plan. But we are in a great situation because we have got traffic coming to Wal-Mart and we have got a lot of people that shop our stores. And so seeing it on the shelf is the best thing we could do from a marketing standpoint.

Nicole Maestri - - Thomson Reuters Journalist

So you don't have right now, say, a special marketing campaign planned where we will see TV ads really pushing the Great Value brand?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

We are working on integrating Great Value as one of the brands that Wal-Mart has. We spent a lot of time on the national brands and how we market to our customers all the choices available to them at Wal-Mart. And so we are looking at how Great Value fits into that and we are still working through the details of that.

Nicole Maestri - - Thomson Reuters Journalist

Okay, but it is something that maybe down the line we could see it played out more as a --?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Yes, one of the things that we will be doing that we know is a benefit is getting our customers to taste the products, because they haven't had an opportunity in all categories to use them. And so we will again in store with 140 million people that we have every week, we will be doing some sampling and we do that with national brands as well to help them really experience the brand and see how they can create the solutions that they're looking for with the brand.

Nicole Maestri - - Thomson Reuters Journalist

So what did you find in the products that you did reformulate? What necessitated the reformulation? What made it that going through the taste tests, what seemed to be missing or why were there certain products that really stood out that needed to be formulated?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Yes, it definitely changes item to item, but over time things change in national brands. They change in private brands, and so we just -- it give us an opportunity to just really focus and look and make sure that we had the right flavor profiles. In some cases, we added new flavors. In some cases, we added new forms. So for example in the cookie here, that's our Twist & Shout

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cookie. We now have Twist & Shout in the -- the double extra thick cream. We have got the Golden Twist & Shout. And so we are just always looking to respond to the needs of our customers. And those do change.

In some cases, we actually have been working on taking out artificial flavors and colors and added trans fats and making our products as great quality as we can. So there's new ingredients that come out that give us an opportunity. Our ice pops now don't have any artificial colors in them, and that's something that the category had evolved and we wanted to make sure that our product evolved as well.

Thomson Reuters Journalist

No plans for Canada?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

We actually have been staying pretty close to our international teams that have products in their markets and we are working with them and sharing the designs with them, and they are all putting together their plans. So it will relaunch in some countries and we are working pretty close with Canada as well, but they are on a separate timeline and have different specific plans. So you will need to talk to Canada about that.

But we have been communicating and we are happy to share with all of the countries and we just had them in last week and so we are communicating and sharing best practices. In fact, we actually -- the agency that did the packaging design was ASDA's agency out of the UK. So we are always sharing best practices across and making sure I go over there, see what I like there vice versa. So we are all one company and one team on this.

Nicole Maestri - Thomson Reuters Journalist

So in the areas where you are adding the new products to Great Value, why did you decide to add those new products? Was it that there weren't branded products that met a demand there? They were not at the right price point?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

You know, it's always changing. Our customer needs are always changing and so it was just a matter of continuing to identify where there were opportunities and where we needed to have more choices, more value choices for our customers.

Nicole Maestri - Thomson Reuters Journalist

Can we talk a little bit more broadly about how the consumer is shopping today? I mean clearly consumers are under pressure, so when they are doing their grocery shopping, what are you seeing in terms of when they are deciding to buy a brand versus a private label? When are they using coupons? Are they buying little amounts at a time because that's all the cash they have left? What are you seeing in terms of shopping patterns and trends?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Well, we are committed to everyday low costs, so we don't do couponing. We don't do high/low. It's just everyday low cost, so the patterns on couponing is not something that we actually see in Wal-Mart. What we do see is that they are on a tight budget and so we see beginning of the month, middle of the month, end of the month just ways that our customers are trying to manage their budgets.

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We are always looking for ways that we can give them unbeatable prices on both the national brands and the private brands. And depending on the rollbacks that we have and other things that we are doing in there, it might fluctuate a little bit how they're purchasing our product. So it's all about choices and we have been seeing them move from certain categories as they take lunches to work and to school more than buying lunch at work and school. We see lunchmeat and bread and some things like that increase. And so we have seen pretty big increases in items like pasta and things like that that offer less expensive meal solutions.

So we are seeing our customers use our whole range of products to manage their budgets the way that they need to.

Nicole Maestri - *Thomson Reuters Journalist*

Is there a split at all in terms of people that want brands or those shoppers that are looking for brands are willing to buy, say, the top tier, maybe the most expensive brand? People that are looking to save monies are going for the private label and it's those middle brands that in this type of market is a little more difficult for them to get by and attract the customer like they did in the past.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Well, our customers are motivated to buy what makes sense for them. The products that are performing for them, the prices that make sense to them. So I think everybody out there now needs to make sure and be recommitted to providing products that our customers need at the price they need. If that's not happening, our customers are very creative about how they are making their budgets work. They don't want their kids to feel the pressure of the economy. They want the security for their kids and so they are using all the tools we can give them to help them do that.

Nicole Maestri - *Thomson Reuters Journalist*

What are some of the creative things that you are seeing them do?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

So they actually -- as we talk to our customers, they are actually empowered to find solutions. They are cooking at home more. They are coming up -- they are sharing. We have got some great blogger moms that share ideas for how to do things, how to create solutions, how to have a birthday party and do it in a really cost-effective way. And they are using all kinds of things across the store to be able to do that.

Nicole Maestri - *Thomson Reuters Journalist*

In terms of the bilingual packaging, you said that will be on almost all of them except the ones that are small.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, everywhere we could put it we did, but you need to provide information twice basically to do the bilingual, and so some packages were just too restricted to be able to do that.

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Nicole Maestri - - Thomson Reuters Journalist

So can you just give us an idea of what it would look like? You see Great Value in English and then what -- would the product name also be listed in Spanish?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

So Great Value is always in English. That's the brand name. Then we have the descriptor of the product and then we have that translated in Spanish and then the nutritional are in both English and Spanish. The net weight of the package is in both English and Spanish. So not everything on the package because we also have, you know, the website that can give them more information.

Thomson Reuters Journalist

Are you in a position to take advantage of falling commodity prices and you can use that competitively?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

We actually spend a lot of time looking at everything throughout the supply chain that can work costs out of the product so that we can continue to offer the unbeatable prices. And so we are always watching commodity prices. We are looking for new ways to take packaging out. We are looking for ways in logistics to save on food miles and to look at the case pack so that we can be more efficient. So we are pulling all of those levers.

Thomson Reuters Journalist

Do you have any --? Were you able to [rub] off your contracts so that earlier in the year (inaudible) you could take advantage of the low prices?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

I can't speak to the competitors. I can tell you that we are always looking at ways that we can throughout the supply chain to be able to find cost savings.

Nicole Maestri - - Thomson Reuters Journalist

Is there any worry about taking on -- they always say with private label you have got the margins, but then you take on more risk because it is your product. So was that the thinking as well when you were looking at reformulating, getting on the shelves what consumers wanted as well as adding new products? I mean is there any worry that you are taking on added risk with increasing the Great Value products that you offer?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Well, we have had Great Value since 1993, and so we stand behind all the products in our stores and so it was really just a matter of making sure that all the items that we had were meeting the needs of our customer.

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Nicole Maestri - - Thomson Reuters Journalist

So you don't feel that by adding anything new you are taking on more -- I don't know if risk is the right word -- than you did in the past?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

We are always adding and deleting products as our customers need them, and so we just continue to make sure that we manage the business the way that the customer needs it. So it's more of how we have been doing it for the last -- since 1993 on this item.

Nicole Maestri - - Thomson Reuters Journalist

Okay, did anyone have --? I guess Bob wasn't in the room. I didn't know if he had hedging questions as well on commodities. Did Bob have any?

Ben Klayman - - Thomson Reuters Journalist

I'm not sure.

Nicole Maestri - - Thomson Reuters Journalist

So then in terms of, though, as you are looking at your whole product portfolio, you talked about maybe reformulating some of the other brands. But how comfortable do you feel with once this relaunch hits the shelves and all the new products are out there with the new packaging, in terms of your offering? Are there other areas, trends in food that are emerging that you are looking to take advantage of, different consumer segments that are shopping in Wal-Mart that you are looking to appeal to?

Andrea Thomas - Wal-Mart Stores, Inc. - SVP of Private Brands

Yes, we are always looking at what our customers are doing. We are looking at trends. We are looking at indications that they are going to change what they are doing and we have an innovation pipeline that develops the products that our customers are looking for. So for example part of this launch is a yogurt item for kids that has Omega-3, some of the nutrition elements that moms are looking for kids. And so we will continue to meet her needs that she has there.

We are continuing to look at ways that we can take out artificial flavors or colors in our products and making sure that we are -- we also have the new trends that are coming out. We have got a line of individual desserts that are coming out that are more portion controlled. We have got items, these cage free eggs are coming out, because that's something that our customer is looking for. We have got organic milk and lactose free milk and things like that.

And so we are always looking at consumer trends and not just one because we are over more than 100 categories, we are just looking at everything that's happening and the quickest indication is how things are doing in the store. So there are items that we will see that aren't selling as quickly as they were in the past and so we will delete those items and we will add items that our customers are asking for.

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Nicole Maestri - *Thomson Reuters Journalist*

What are you seeing in terms of demand for organic? There's always talk about do people want it, don't they want it? What products do they want? So what has Wal-Mart found in terms of when do people want organic products? How much of their shopping bags, say, are they looking to have be organic?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, I know specific details on organic and we actually don't set targets for organic. We want to provide the assortment of products that our customer is looking for, and so we have organic items in the store. As they are sold, as there is more demand for those, we add additional items and so we are managing our portfolio. We have got information. We have got 140 million people in our stores every week. So you can be pretty safe knowing that watching what consumers are buying and responding to those, we can respond pretty quickly. So that's how we manage the business.

Thomson Reuters Journalist

Do the trendier foods allow you to price differently? You know, does it change the mix?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Well, right now Great Value is really focused on the national brand equivalent items, and that's where we spent most of the focus on the private brands. From a national brand standpoint, we always want to make sure that we have unbeatable prices versus anywhere else our customer can buy similar items. And so we are always looking and making sure that we are giving them the value that they are looking for.

Thomson Reuters Journalist

But you know on brands you'd be paying a premium for something organic or something a little bit trendier or healthier or what have you to find you are able to capture some of that as well?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, we are not interested on private brands at trying to do anything but give unbeatable prices on the quality products that our customer is looking for. I know they -- we bring new national brands in to try to figure out and provide the demand that our customers are having. And so that's an ongoing thing that we are looking at. We are trying new things all the time and we will continue to expand that.

Thomson Reuters Journalist

So you don't maintain a different margin for something like cage free eggs for instance or organic food? It doesn't create a different margin structure for you?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, I can't comment on margins.

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Thomson Reuters Journalist

Just generally speaking are you --? (multiple speakers)

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We want to make sure we have --

Thomson Reuters Journalist

Is it a more profitable product?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We want to make sure we have unbeatable prices on the cage free eggs and that we price them in a way that is offering a value to our customer.

Thomson Reuters Journalist

Okay, so you are just basically then undercutting the price that's out there and not necessarily looking to maintain the same amount of profit per product? So is that about right?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

We are just looking at creating the solutions that our customers are looking for when they come into Wal-Mart.

Thomson Reuters Journalist

What changes do you think need be made if any to the food safety framework in the US and [around] the globe?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Well, I can comment on specifically our commitment to food safety, the fact that we have transparency in the supply chain so that we can track products from the farm to the store. We have enhanced the quality monitoring, so we have more ways to identify where there is potential issues. If our customers are calling in and having a specific issue, we can aggregate their calls and we have a lot of customers so that we can identify when there is a potential issue.

We have a way that we can quickly block the register so that if there is an issue with an item it cannot be scanned out. And so I think that we are doing everything that we can in order to give our customers the kind of quality products that they are looking for and respond to issues as quickly as we possibly can.

Thomson Reuters Journalist

How do you feel about the FDA (inaudible)

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Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

That's not my area of expertise, so I can't comment on that.

Thomson Reuters Journalist

(Inaudible question - microphone inaccessible)

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

That's not my area of expertise either. So we can get you some more information on that.

Nicole Maestri - *Thomson Reuters Journalist*

I did have just two more questions. So in working on the relaunch, what would you say was the biggest surprise along the way? I mean it is a humongous project? I am sure it took a ton of man hours, people hours, women hours. So as you were going through it, what changed from when you started the relaunch to now that we are almost on the shelf, what changed from the beginning through it that maybe was different than thought or a hurdle that you had to overcome or --?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes, when we very first started this, we kind of thought of it as a packaging update and the more we got into it, the more we knew that it had to be more than just packaging. It had to be about the formulations of the products, the quality. As we went through, our customer was relying more and more on our options for them to help them save money. So I think the whole team just felt a real passion for providing solutions and then there was a real reason for doing what we were doing. I mean our customers come to Wal-Mart to save money so they can live better. When you talk to them, you get a really clear picture of what that looks like for them.

You know, we did a lot of work with customers. We went shopping with them. We heard them tell us how they manage their dollars. There was one lady in Atlanta who said, you know, I have X number of dollars every week. That's all I have. I need to figure out ways that I can get what I need with that amount of money. And so just the purpose of knowing what we were doing and how we were helping her, I think that really helped the entire team know that the complexity we were working through, all the work, everything that had to come together that there was a real reason for it at the end.

Nicole Maestri - *Thomson Reuters Journalist*

So did that -- I mean the environment that we are in, the recession, did that add urgencies or increase the scope of the project from when it was originally --?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

It did not change the scope at all. I think it added depth to the purpose and so I think that it just helped us see that all the work that we were going through was for a great reason and that's similar to anything that Wal-Mart does on anything. I mean everywhere in the company -- and I have only been with Wal-Mart 18 months -- and the thing that struck me about the company is everybody gets that we are there to save people money so they can live better, and that's not just words on the wall. That's like the purpose for being there.

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So there is a lot that you do in order for that to happen because when you talk to people, they need Wal-Mart to make things work for them.

Thomson Reuters Journalist

We have to wrap. But there is one question we are asking everybody. Given that it's a food summit, what do you love to eat?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

I love food, so there's a lot I like to eat. We have a really great Great Value all-natural ice cream that is one of my family's favorites. We all -- everyone in my family has a different favorite. I love the blueberry pomegranate. I don't know, maybe it's the hope of antioxidants as I eat my ice cream that makes me feel really great about that. My son eats a ton of the rainbow sherbet, the Great Value rainbow sherbet. My two daughters like the cookies & cream and the cookie dough, so we love the ice cream.

There's some really great -- believe it or not -- sausage patty, maple flavored sausage patties that they love for Saturday morning breakfast. So we -- my husband actually buys Great Value all the time so he can give me feedback at work. So he can be kind of part of the process. So I get a lot of good feedback from him on things that I need to add to the lineup or things I need to do.

Thomson Reuters Journalist

And what about a non-Wal-Mart product?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

A non-Wal-Mart product.

Thomson Reuters Journalist

If you were going to eat something from non-Wal-Mart.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

From Wal-Mart, that's a really great question. I had a really good eggplant parmesan for dinner the other night. I actually cook a lot and I love to cook and I am kind of one of those made from scratch. I bake pies as one of my specialties, and so I am really excited for fruit season. I spent an entire summer to perfect a recipe for peach pie and so I ended up making six peach pies and adding this and changing this and all of that, so I --

Brad Dorfman - *Thomson Reuters Journalist*

(Inaudible question - microphone inaccessible)

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

They wanted me to keep trying. I don't know.

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Thomson Reuters Journalist

I can't imagine why. You can send samples.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Exactly, speaking of samples, we did bring samples of the cookies and the trail mix and (multiple speakers)

Nicole Maestri - *Thomson Reuters Journalist*

So this is all the reformulated (multiple speakers)?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

It's all the reformulated items. We had all of our store managers --

Thomson Reuters Journalist

Are all of those new? The double stuffed -- so those were new?

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Yes. We have had Twist & Shout before but now we have more varieties of Twist & Shout than we did before.

Thomson Reuters Journalist

Okay.

Nicole Maestri - *Thomson Reuters Journalist*

Thank you so much.

Andrea Thomas - *Wal-Mart Stores, Inc. - SVP of Private Brands*

Thank you, it was a pleasure.

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