



Wal-Mart: Charting a New Course for Growth

June 2007

*Grow your business profitably
in a complex marketplace.*



Four Major Strategic Initiatives: New Opportunities and Risks

1) International Expansion

- Less than one-quarter of the business but 50% of growth
- Aggressive expansion slated for FY2008 and beyond
- Adapting to local market conditions and consumer expectations a proven challenge

2) Healthcare as a Growth Platform

- Medicare Part D outreach, discounted generic drugs, health clinics
- Tie-in opportunities for brands with disease management benefits

3) Consumer Relevance

- Grow basket size through meaningful assortments across consumer segments
- Stores of the Community

4) Sustainability

- Energy, packaging, products
- Far-reaching impact for suppliers, competitors, consumers



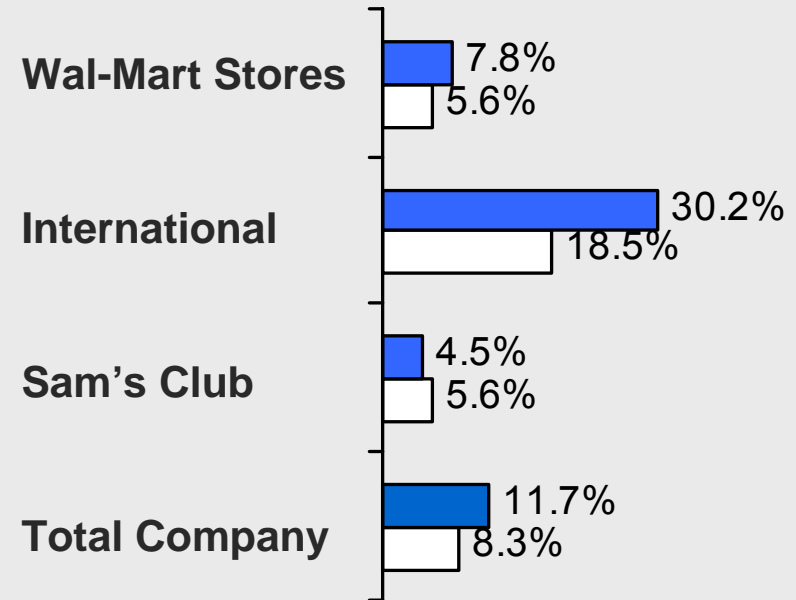
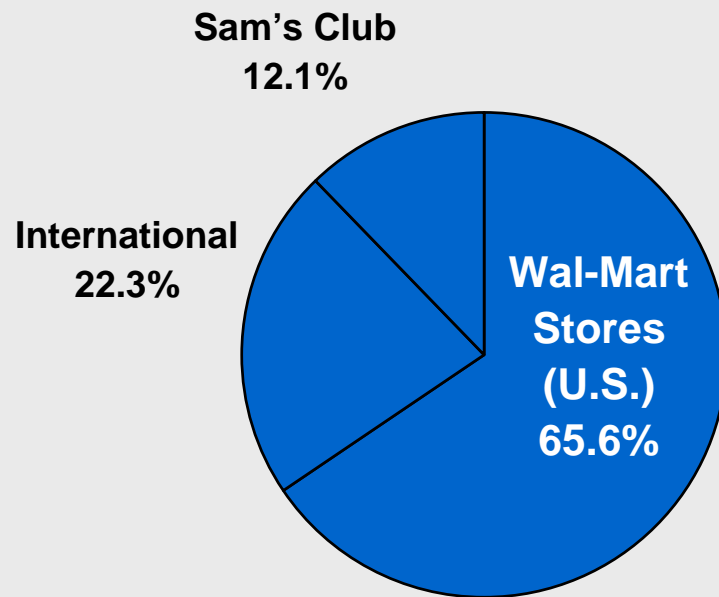
Agenda

- ▶ Performance
- ▶ Strategic Initiatives
- ▶ Conclusions



Total company growth rates were back on track in FY2007 as Wal-Mart International did some heavy lifting.

Wal-Mart Stores, Inc. Dollar Sales Mix and Growth by Segment

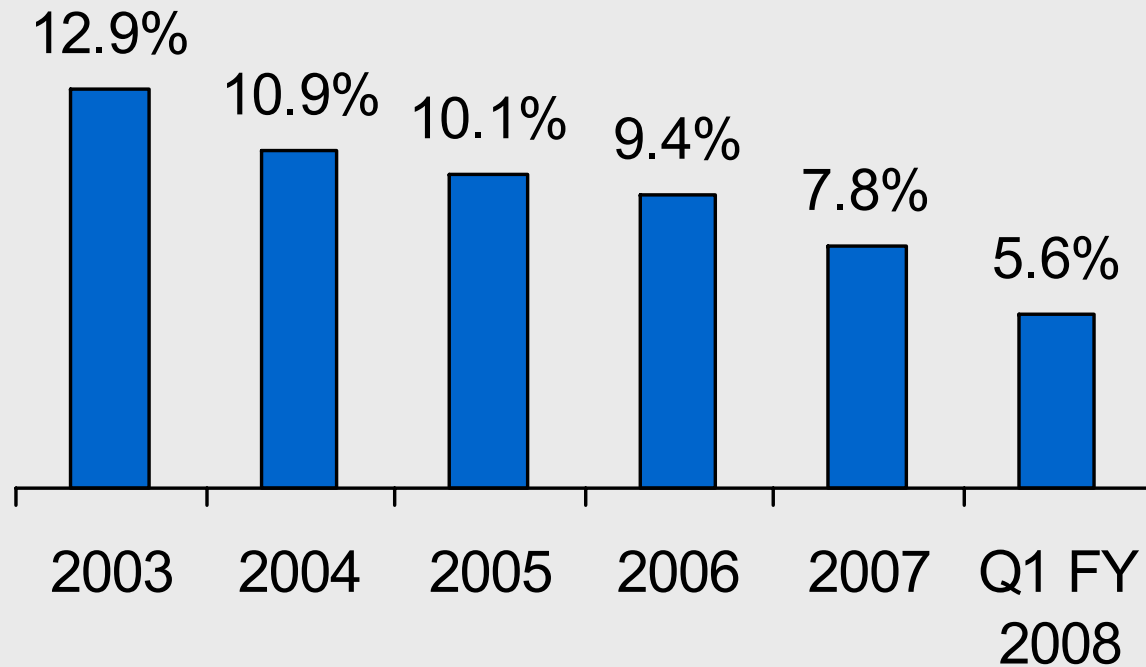


FY2007
 Q1 FY2008

Source: Wal-Mart Annual Report; Q1 Earnings Release; Note: Fiscal year ends January 31

U.S. growth rates continue their steady decline.

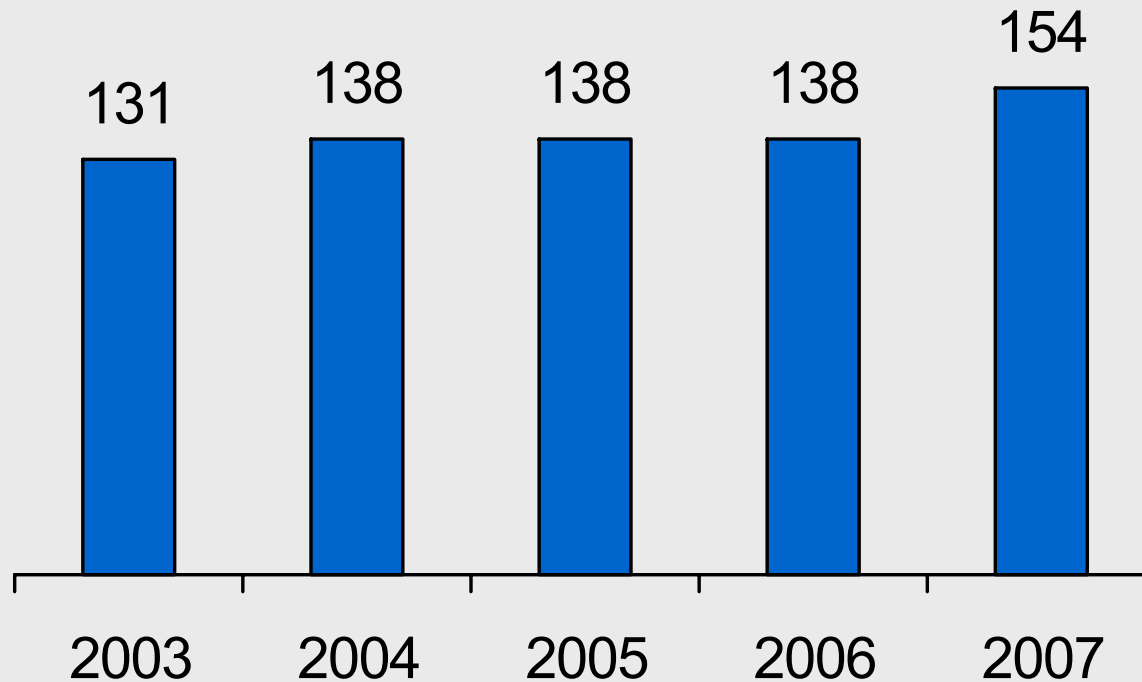
Wal-Mart Stores Division (U.S.) Fiscal Year % Change in Revenue vs Prior Year



Source: Wal-Mart Annual Reports, Q1 Earnings Release

Net new store openings increased in FY2007...

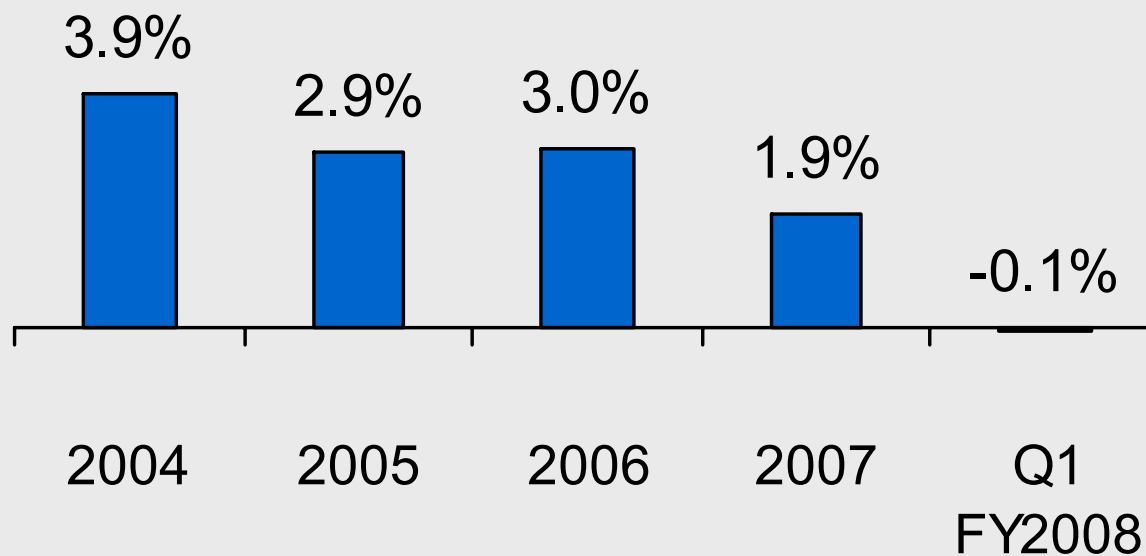
Wal-Mart Stores Division Net New Store Openings vs Prior Year



Source: Wal-Mart Annual Reports

...But same store sales took a hit.

Wal-Mart Stores Division Comparable Store Sales % Change vs Prior Year



Source: Wal-Mart Annual Reports, Q1 Earnings Release

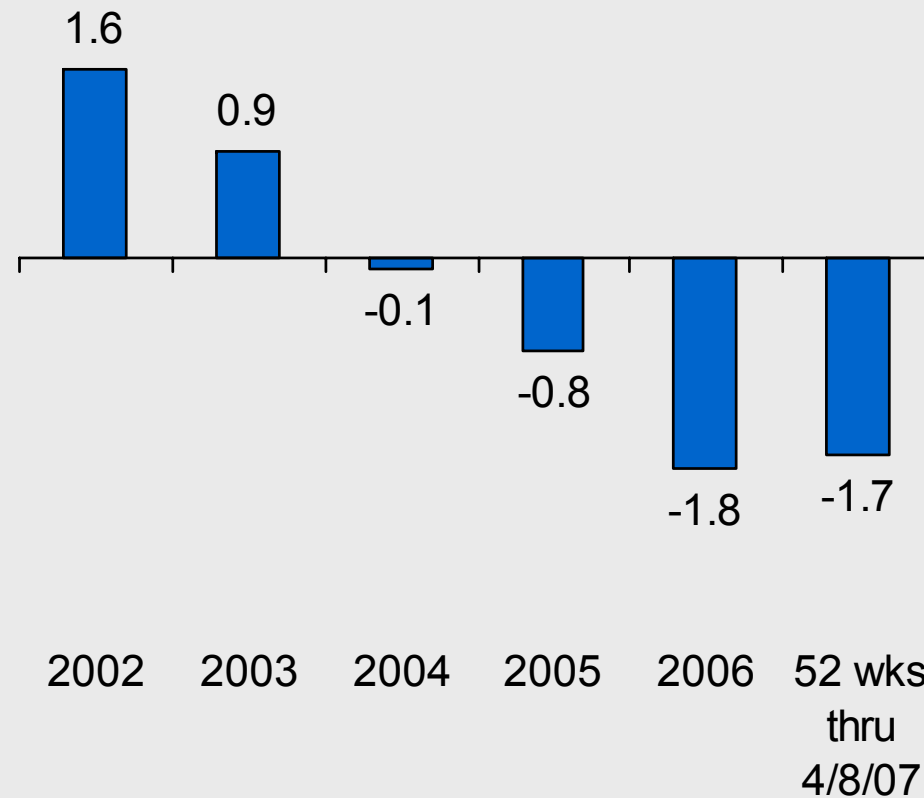
Behind the Numbers: Consumer Shopping Patterns



- ▶ Penetration declines
- ▶ Trip growth deceleration
- ▶ Strong basket size trends

Wal-Mart is no longer bringing in net new consumers.

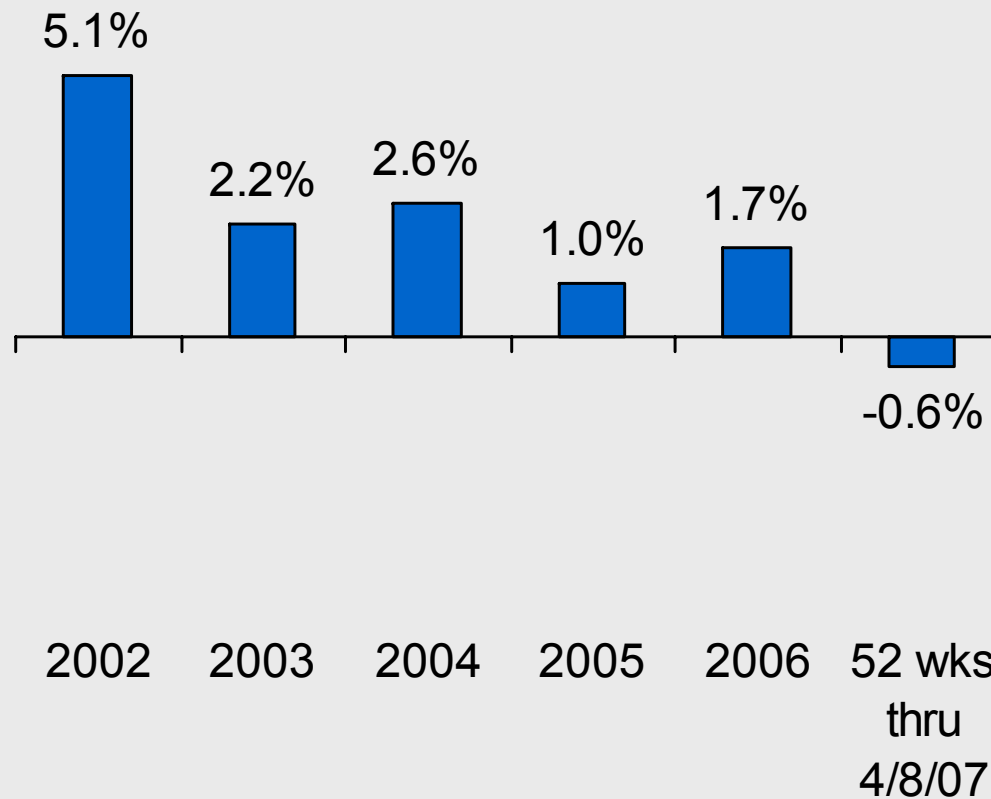
Total U.S. Wal-Mart Stores Division Shopper Penetration Point Change



Source: IRI Consumer Network®

Wal-Mart trip growth is slowing.

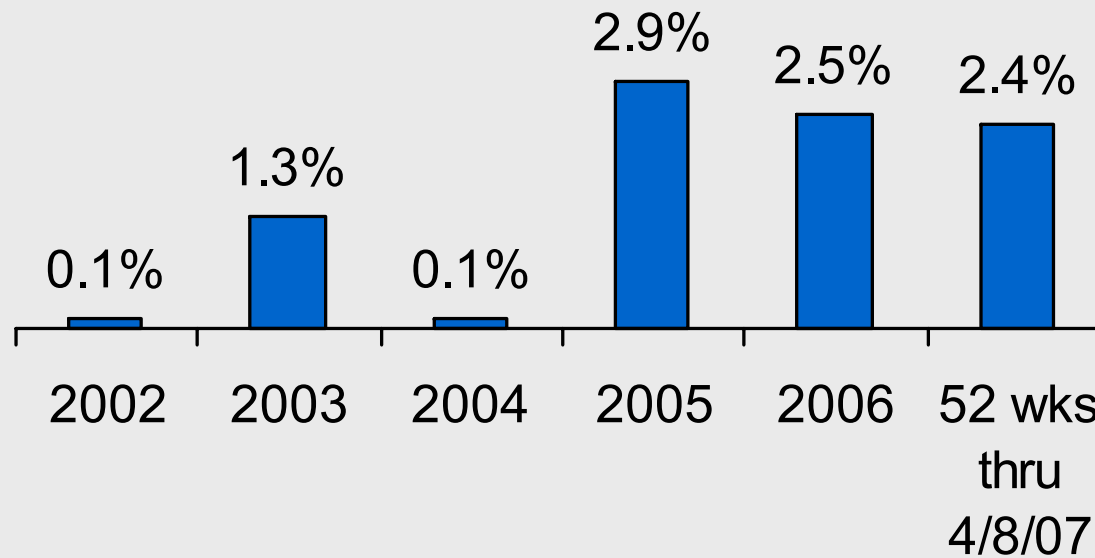
Total U.S. Wal-Mart Stores Division % Change Trips per Shopper per Month



Source: IRI Consumer Network®

Favorable basket size trends are helping to offset trip growth deceleration.

**Total U.S. Wal-Mart Stores Division
% Change Average Dollars per Trip**

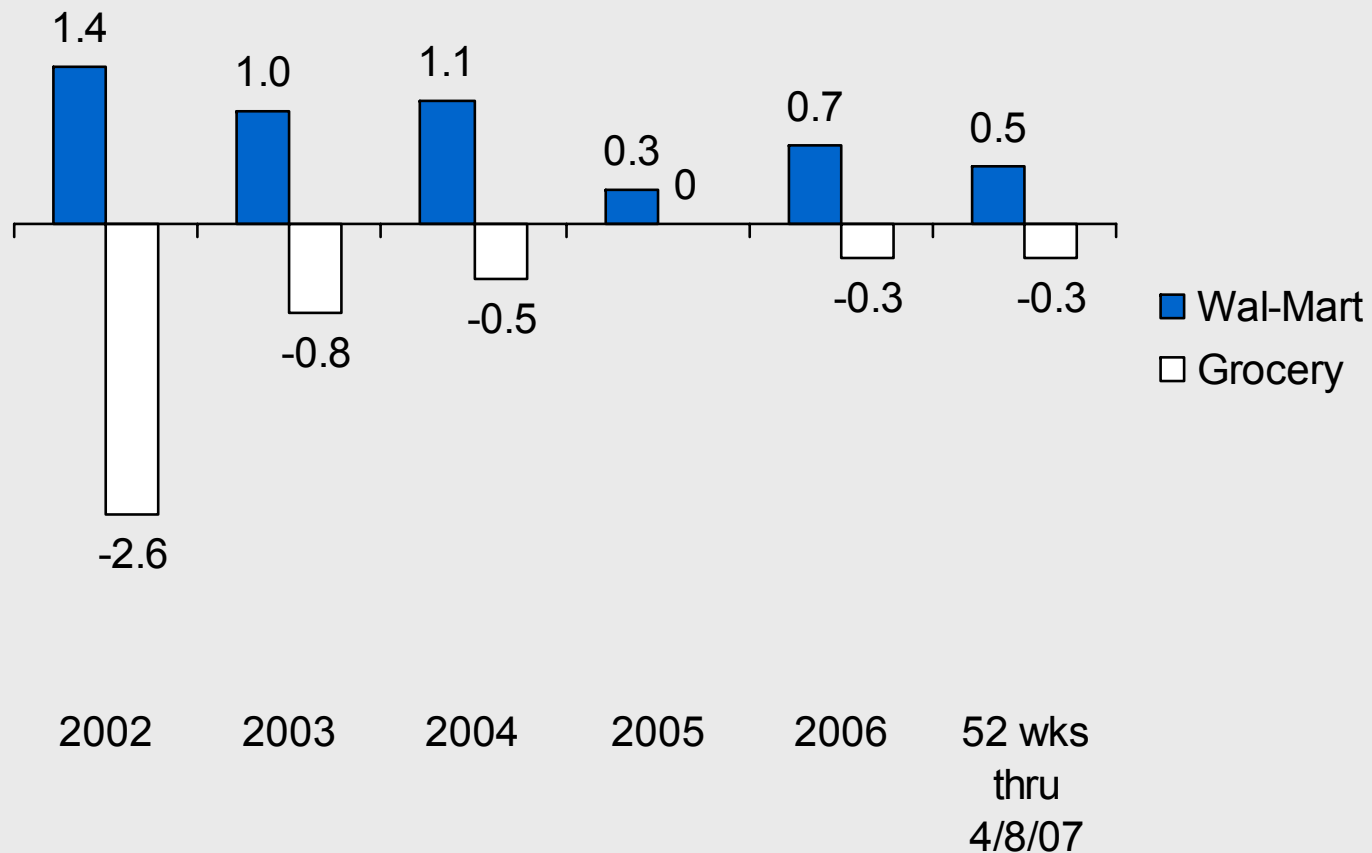


Source: IRI Consumer Network®



Wal-Mart's re-energized price rollback program at the end of 2006 provided a modest boost to CPG share gains.

Total CPG All Outlet Dollar Share Point Change vs Prior Year Wal-Mart vs Grocery Channel



Source: IRI Consumer Network®

Wal-Mart's category development focus in the U.S. is primarily in growing categories.

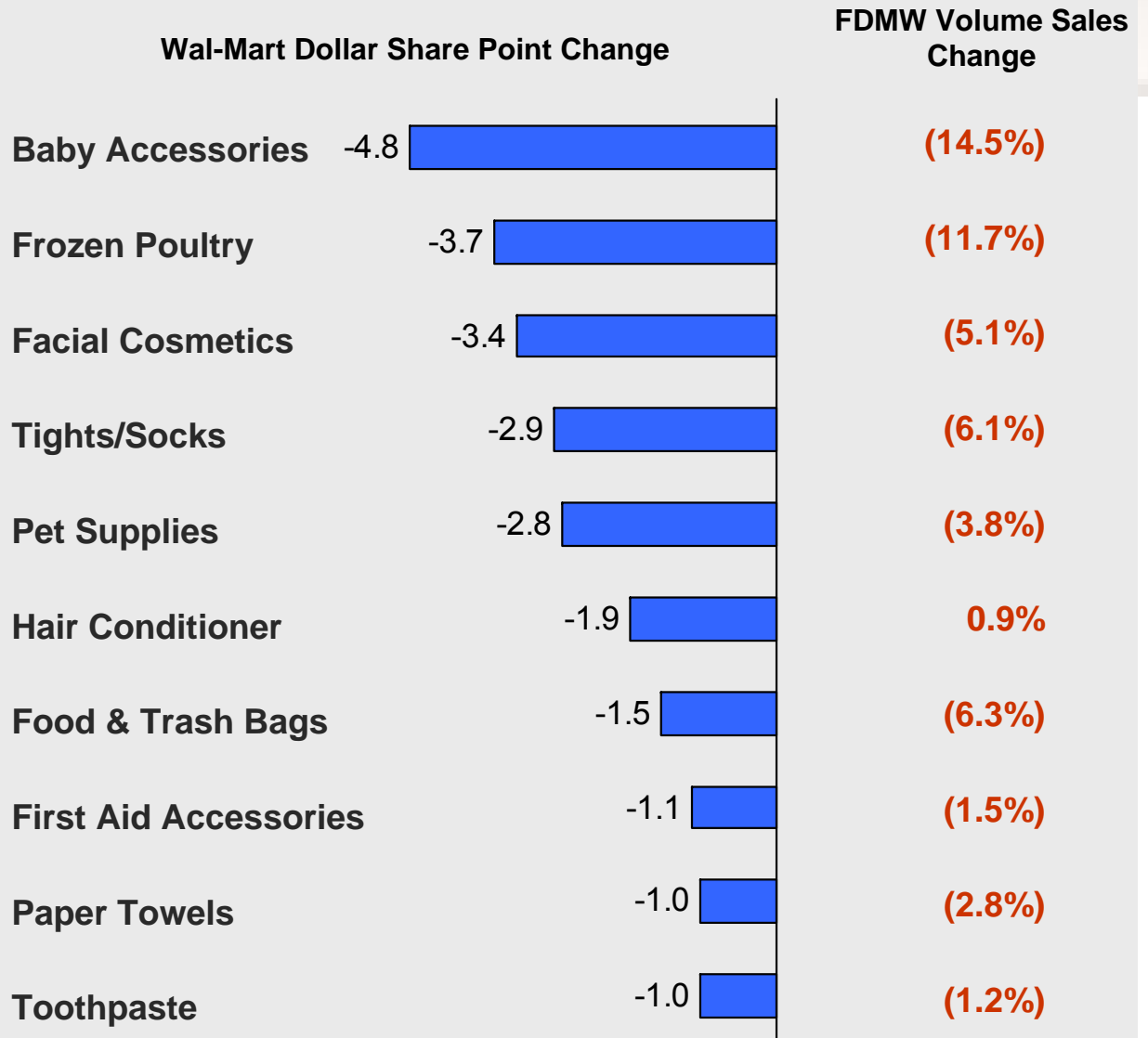
Wal-Mart Stores Division (U.S.) CPG Category Performance Wal-Mart Dollar Share & Share Change vs Prior Year

Above Average Share	<p><u>Losing Ground</u></p> <p>25% of Categories <i>(Eg: Baby Accessories, Tights/Socks)</i></p> <ul style="list-style-type: none"> ✓ Vast majority non-foods ✓ All flat or declining demand 	<p><u>Protecting Position</u></p> <p>19% of Categories <i>(Eg: Sugar, Laundry Detergent)</i></p> <ul style="list-style-type: none"> ✓ Majority non-foods ✓ Half had sizable price increases
	Below Average Share	<p><u>Limited Focus</u></p> <p>10% of Categories <i>(Eg: Snack Nuts, Fz Seafood)</i></p> <ul style="list-style-type: none"> ✓ Majority food and beverages ✓ Majority declining or slow growth
	Decreasing Share	Increasing Share

Source: IRI MarketInsight™; 52 weeks ending 3/25/07; Top 100 Categories

Wal-Mart's category development strategy appears to be in lockstep with changing consumer demand.

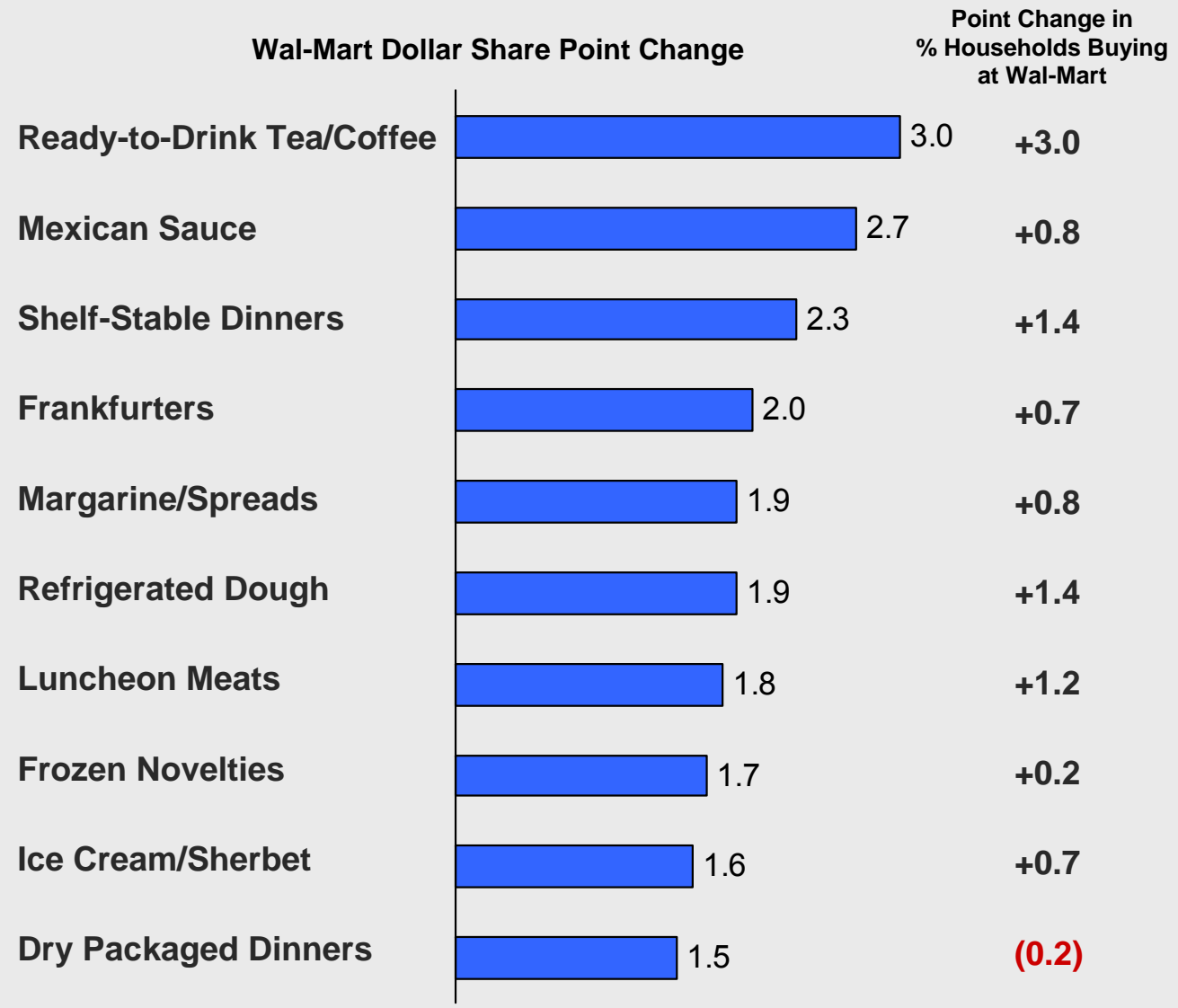
Wal-Mart FDMW Dollar Share Point Change vs Prior Year & Category Volume Sales Growth



Source: IRI MarketInsight™; 52 weeks ending 3/25/07 (FDMW = Food, Drug Mass Including Wal-Mart)

Supercenter expansion continues to drive sizable food and beverage share gains as Wal-Mart extends household reach across key categories.

Wal-Mart FDMW Dollar Share and Household Penetration Point Change vs Prior Year



Source: IRI MarketInsight™; 52 weeks ending 3/25/07 (FDMW = Food, Drug, Mass Including Wal-Mart); IRI Consumer Network™



Agenda

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▶ Strategic Initiatives

▶ Conclusions



Wal-Mart Strategic Initiatives

1) International Expansion

2) Healthcare as a Growth Platform

3) Consumer Relevance

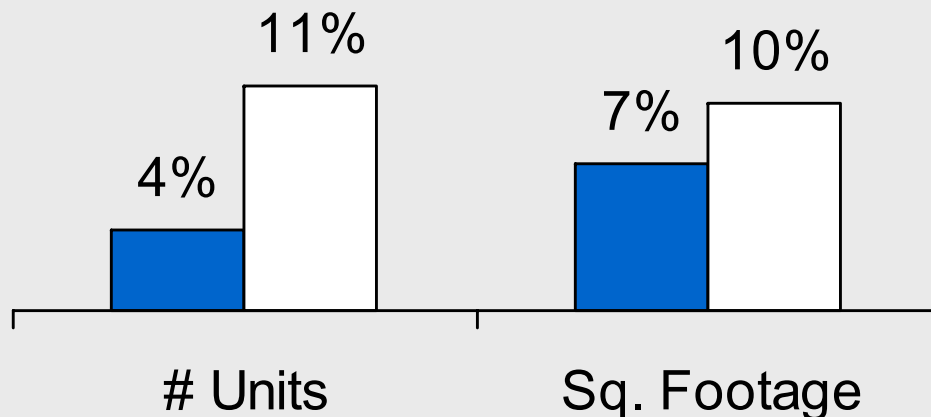
4) Sustainability



Wal-Mart is stepping up investment in international markets.

Wal-Mart Projected Growth in Units & Square Footage FY2008 vs FY2007

■ U.S. □ International



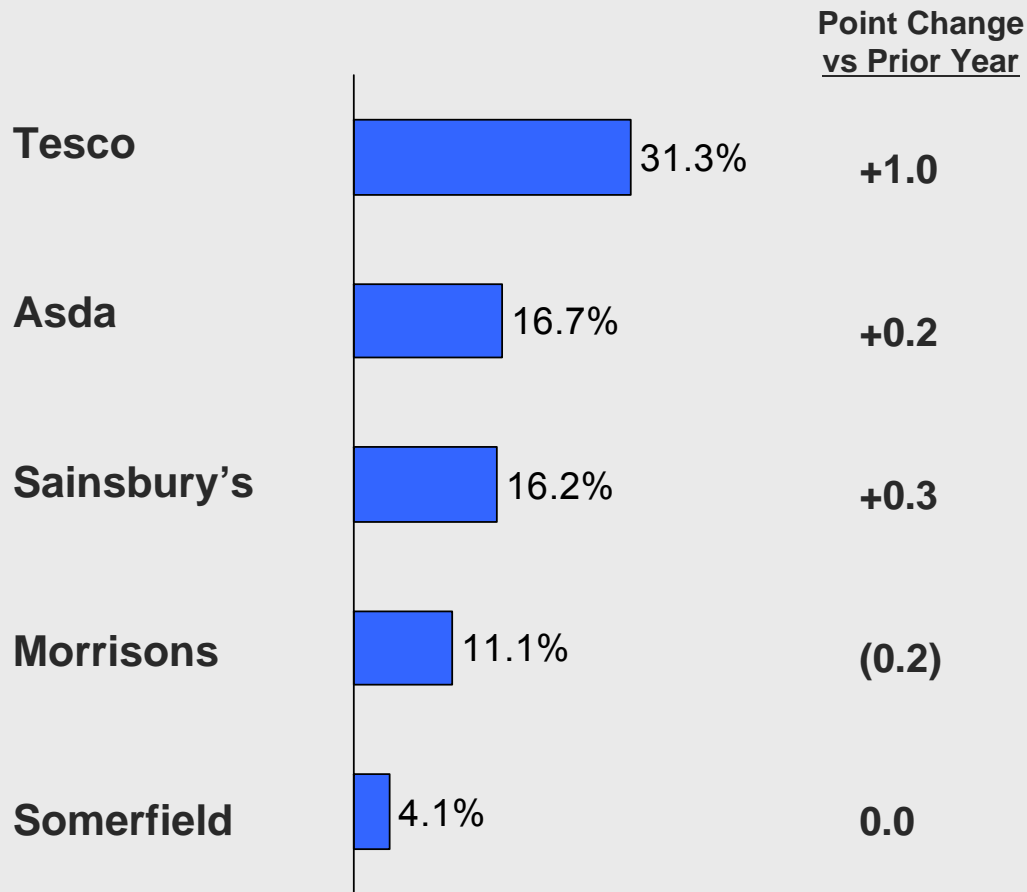
Wal-Mart International Focus

- ▶ Sizable presence in Mexico, Canada, Japan, UK, Brazil
- ▶ Major investments in Mexico, Japan and Brazil over past 5 years
- ▶ Pulled out of Germany and South Korea in 2006
- ▶ Western Europe (Italy, France, Spain) and emerging markets (China, India, Russia) likely future targets

Sources: Wal-Mart Press Releases and Company Fact Sheets; IGD

In the U.K., Wal-Mart's Asda is fighting to secure a hard-won #2 position.

Dollar Share of Grocery Spending United Kingdom – Top 5



Asda Strategic Initiatives

- ▶ Organic & Fresh Foods
- ▶ Premium Private Label
- ▶ Niche Lines
(eg. Great Stuff for Kids)
- ▶ Price Cuts
- ▶ New Format Development
(C-Store Possible)
- ▶ Store Expansion/Re-models

Source: TNS; 52 Weeks Ending 3/25/07

Wal-Mart's healthcare programs offer a platform for brand, category and total store growth.

Big Investment in Healthcare Programs

- ▶ Discounted Generics
- ▶ Medicare Part D Outreach
- ▶ In-Store Health Clinics

Payoff in Wal-Mart Rx Share Gains

- ▶ Seniors
- ▶ Generic Rx

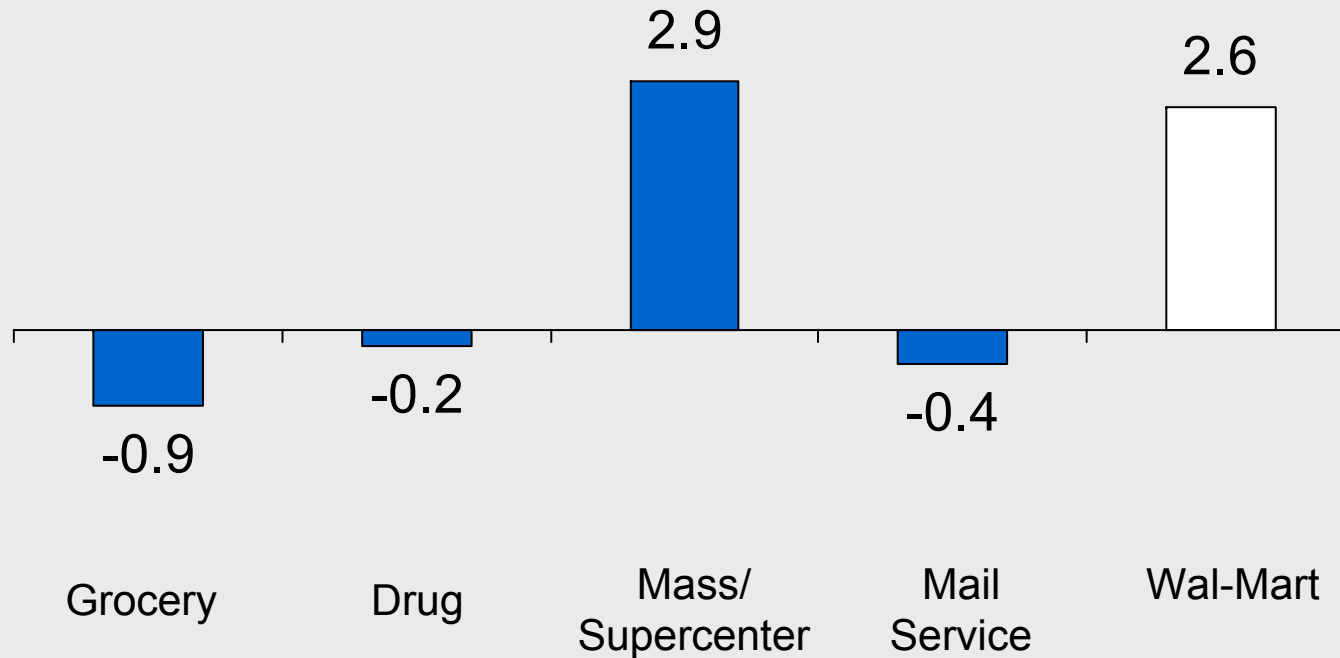
Huge Potential to Link to CPG Categories

- ▶ Healthcare
- ▶ Food & Beverages with Disease Management Benefits

Source: IRI RxPulse™

Discounted generics drive store traffic, and with it incremental growth potential across the store.

**Transaction Share of \$4 Generic Rx
Share Change September - March 2007: 27 STATES**

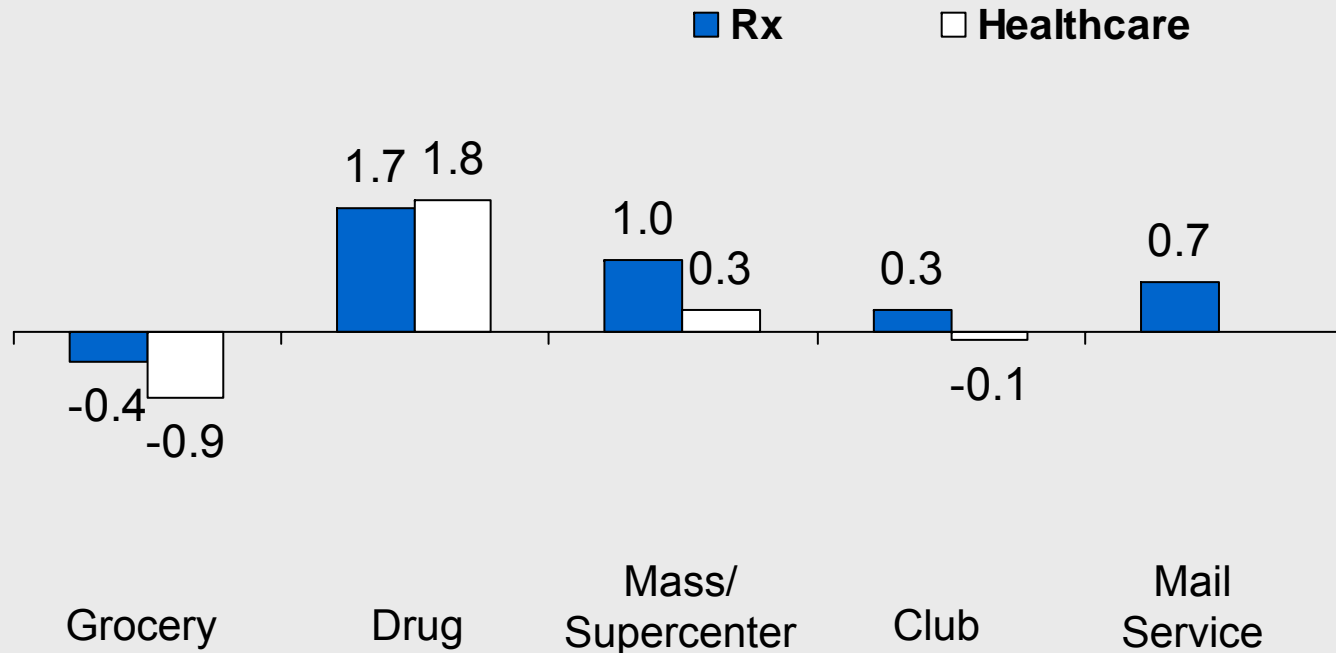


Source: IRI RxPulse™



Products offering disease management benefits have enhanced growth potential through Med D marketing tie-ins.

**Rx & Healthcare 65+ Share Shift by Channel
Post vs Pre-Medicare Part D**



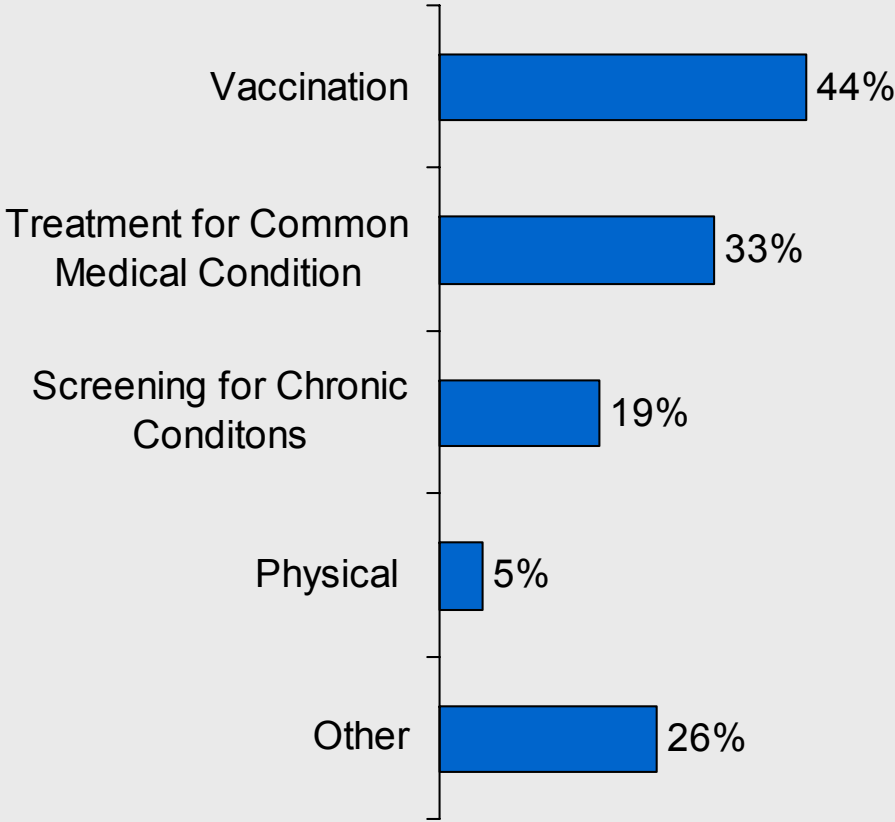
Source: IRI RxPulse™; Calendar Year 2006 vs 2005



Wal-Mart's rapid expansion of in-store health clinics will drive store traffic and offer new customer interaction opportunities.



Medical Services Received at an In-Store Clinic: % of Consumers

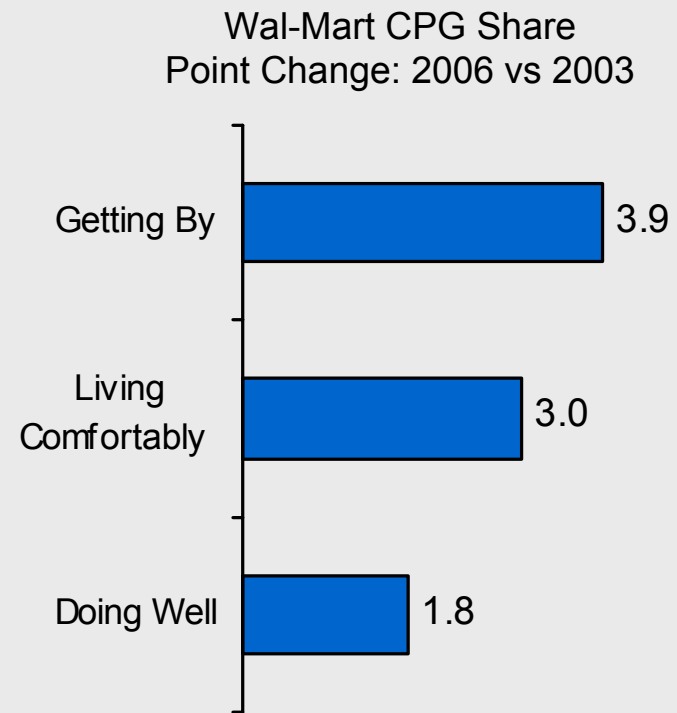
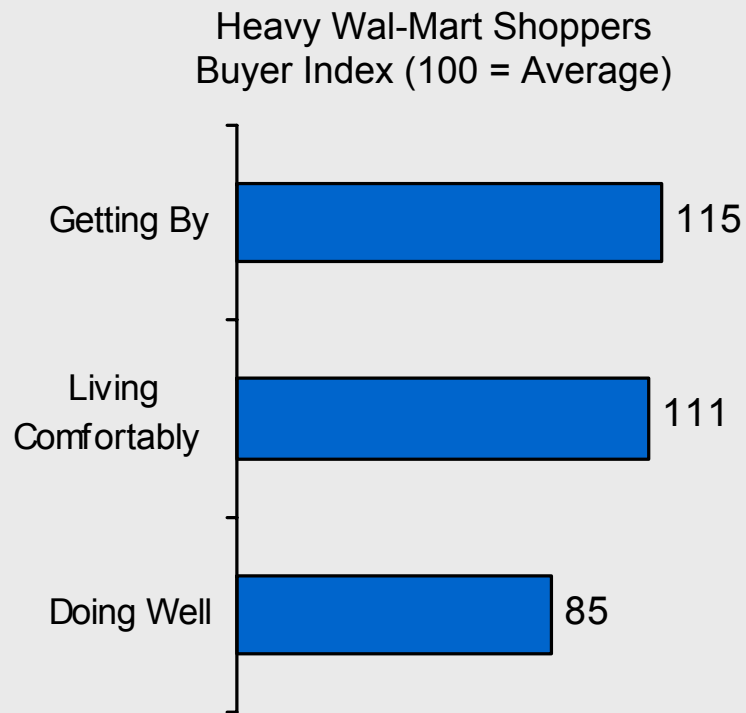


Source: Harris Interactive



Wal-Mart will strive to make the shopping experience and assortments more relevant to multiple consumer segments.

Wal-Mart Shopper Demographics – Income Segments



Source: IRI Consumer Network™



CPG categories that are under-developed among middle and upper-income consumers at Wal-Mart are ripe for change.

**UNDER-DEVELOPED CATEGORIES: Middle & Upper- Income
Wal-Mart Dollar Share Index (100 = Average)**

<u>Category</u>	<u>Living Comfortably</u>	<u>Doing Well</u>
Rfg Salad/Coleslaw	76	50
Ice Cream/Sherbet	68	54
Beer	67	55
Paper Towels	81	59
Sports Drinks	82	61
Snack/Granola Bars	84	62
Facial Tissue	80	65
Vitamins	95	66
Chocolate Candy	85	67
Salad Dressing	92	69

Source: IRI Consumer Network™



CPG categories that are well-developed among middle and upper-income consumers at Wal-Mart are strong anchors for targeted marketing and merchandising.

**WELL-ESTABLISHED CATEGORIES: Middle & Upper- Income
Wal-Mart Dollar Share Index (100 = Average)**

<u>Category</u>	<u>Living Comfortably</u>	<u>Doing Well</u>
Tights/Socks	171	135
Pet Supplies	154	128
Eye/Contact Lens Care	148	120
Eye Cosmetics	162	109
Blades	141	109
Facial Cosmetics	129	108
Air Fresheners	118	108
Deodorant	140	105
Hair Color	123	104
Skin Care	126	102

Source: IRI Consumer Network™

Wal-Mart's sustainability initiatives will have far-reaching impact throughout the CPG industry.



“Wal-Mart’s merchandise should be both affordable and sustainable so working families don’t have to make a choice.”

– Wal-Mart Annual Report



Tapping into Wal-Mart Strategic Initiatives

Manufacturer Action Items

International Expansion

- ▶ Brands with an established presence in markets targeted for Wal-Mart international expansion should explore distribution opportunities
- ▶ Organic brands, fresh foods, innovative new products and products targeting key Asda growth segments (kids, middle & upper-income) should explore increased distribution opportunities with Asda

Healthcare

- ▶ Products with disease management benefits have strong upside potential through tie-ins with Wal-Mart's healthcare initiatives; Examples:
 - Coupons distributed with prescriptions
 - Secondary displays at pharmacy and clinics
 - Placement in healthcare marketing materials and store signage

Consumer Relevance

- ▶ Identify category development opportunities among middle and upper-income consumers across under-developed categories (eg. ice cream, paper towels)
- ▶ Locally-produced products should explore distribution opportunities within local Wal-Mart stores

Sustainability

- ▶ Explore feasibility of decreasing packaging
- ▶ Evaluate green product development opportunities
- ▶ Identify potential opportunities to capture incremental shelf space

Tapping into Wal-Mart Strategic Initiatives

Retailer Action Items

International Expansion

- ▶ U.K. retailers will require a plan vis-à-vis Asda's new price cut strategy as well as likely increased Asda competition in organics, fresh foods and new formats
- ▶ Retailers in Spain, Italy and France should closely monitor potential Wal-Mart acquisitions
- ▶ Retailers exploring development within emerging markets must factor in Wal-Mart's potential presence and influence on consumer expectations

Healthcare

- ▶ Develop a comprehensive healthcare strategy as a platform for brand, category and total store growth
- ▶ Closely track share changes in Rx and healthcare categories across key consumer segments in Wal-Mart markets

Consumer Relevance

- ▶ Consider targeted promotions in CPG categories that are currently under-developed at Wal-Mart among middle and upper-income consumers
- ▶ Identify opportunities to enhance consumer relevance within your stores through localized assortment

Sustainability

- ▶ Develop a sustainability strategy
- ▶ Anticipate changes in merchandising requirements as packages shrink and a greater number of "green" products are made available

IRI MarketInsight™ for Wal-Mart

SEE what you're missing

Brand-specific shares, category trends, and how you are performing versus your competition even when syndicated POS scanner data is not available

ACT faster and with greater confidence

Accurate, fact-based support for strategic sales initiatives and cross-channel investment dollar allocation

WIN at the shelf

Improve your distribution, product placement, revenue and profit at Wal-Mart – and outside of Wal-Mart!

For More Information

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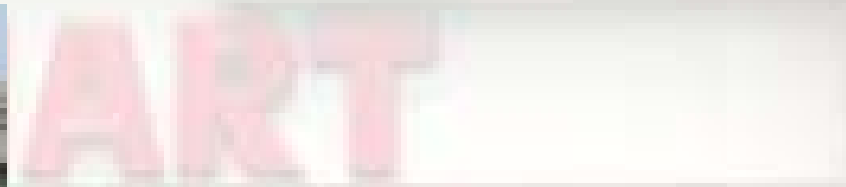
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For More Information

If you are interested in purchasing the IRI MarketInsight™ dataset utilized in this study, please contact your IRI customer service representative.

1-866-ANALYSE (option #1) or via email at customerinteraction.center@infores.com



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