



Walmart Stores:

Helping Consumers Navigate a Transforming Economy

IRI Times & Trends: April 2009



Highlights: Manufacturers



INSIGHT

- » Despite a recessionary economy, Walmart continues to post healthy sales gains, driven by increasing household penetration, more frequent purchase occasions and higher per trip basket rings
- » Though gas prices have moderated, CPG prices remain high; Walmart continues to capture an increasing share of CPG spending among consumers seeking to save money in a recessionary economy
- » Over the past year, Walmart captured increasing share in 59 of the top 100 CPG categories, most of which are key growth categories and categories which have experienced particularly high price increases over the past year and a half

ACTION

- » Partner with Walmart to understand key consumers at the market level and optimize assortment and promotional programs against these segments
- » Develop best-in-class marketing, pricing and promotion strategies to ensure maximum relevance and impact among fiscally weary U.S. consumers
- » Explore category and brand development opportunities within Walmart

Highlights: Manufacturers



INSIGHT

- » For the second straight year, Walmart posted share gains across key meal ingredients, meal components and convenience meals, evidence that Wal-Mart is playing an important role in helping consumers navigate a difficult economic climate
- » Though Walmart share of private label sales is largely flat versus year ago, the retailer has sharpened its private label focus and is in the midst of a major re-launch of the “Great Value” brand

ACTION

- » Evaluate partnership opportunities with Walmart and competing retailers to offer consumers affordable meal solutions
- » Re-evaluate pricing strategies to ensure alignment against value needs of key consumer segments

Editorial Note

- Wal-Mart refers to Wal-Mart Stores, Inc.
- Walmart refers to Wal-Mart’s United States based retail operations

Highlights: Retailers



INSIGHT

- » Despite a recessionary economy, Walmart continues to post healthy sales gains, driven by increasing household penetration, more frequent purchase occasions and higher per trip basket rings
- » Though gas prices have moderated, CPG prices remain high; Walmart continues to capture an increasing share of CPG spending among consumers seeking to save money in a recessionary economy
- » Over the past year, Walmart captured increasing share in 59 of the top 100 CPG categories, most of which are key growth categories and categories which have experienced particularly high price increases over the past year and a half

ACTION

- » Increase frequency and focus of consumer and market assessments; identify and implement strategies to drive trips and basket rings among key consumer segments
- » Develop best-in-class marketing, pricing and promotion strategies to ensure maximum relevance and impact among fiscally weary U.S. consumers
- » Drive purchase behavior through solutions-based promotional and merchandising strategies with a clear value proposition

Highlights: Retailers



INSIGHT

- » For the second straight year, Walmart posted share gains across key meal ingredients, meal components and convenience meals, evidence that Wal-Mart is playing an important role in helping consumers navigate a difficult economic climate
- » Though Walmart share of private label sales is largely flat versus year ago, the retailer has sharpened its private label focus and is in the midst of a major re-launch of the “Great Value” brand

ACTION

- » Develop optimal assortment and merchandising focus by market to reflect changes in purchase and consumption rituals
- » Retailers should reassess private label merchandising strategies to identify categories most relevant to key consumer segments

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Wal-Mart Performance



Wal-Mart Stores, Inc. posted solid sales growth across divisions in FY2009.

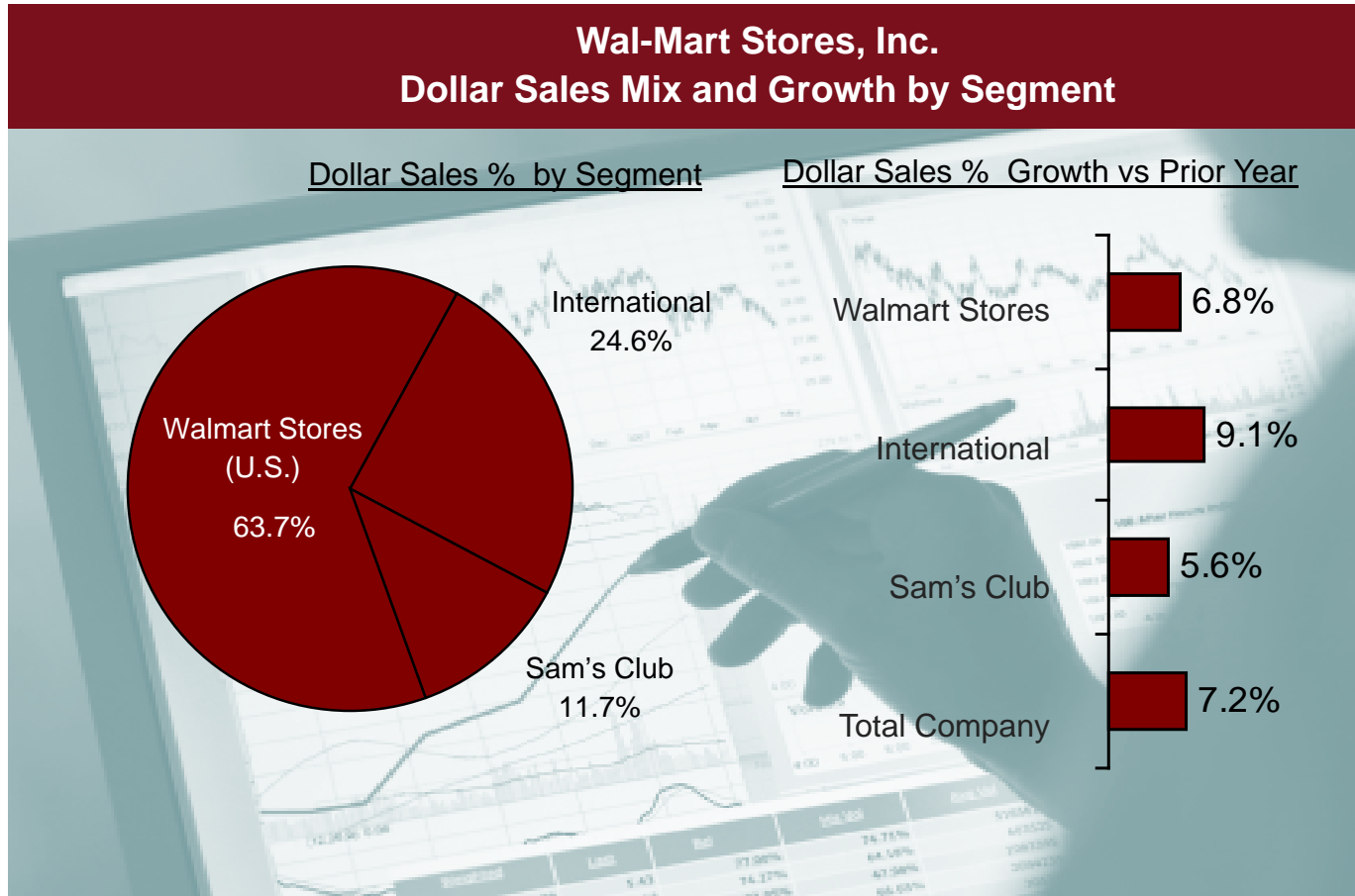


Source: Wal-Mart Annual Report; Note: Fiscal year ends January 31

Wal-Mart Performance



Wal-Mart International continues to play a key role in driving company growth.



Source: Wal-Mart Annual Report; Fiscal Year ends January 31

Wal-Mart Performance



Net new store openings continue at a slower, more deliberate pace.

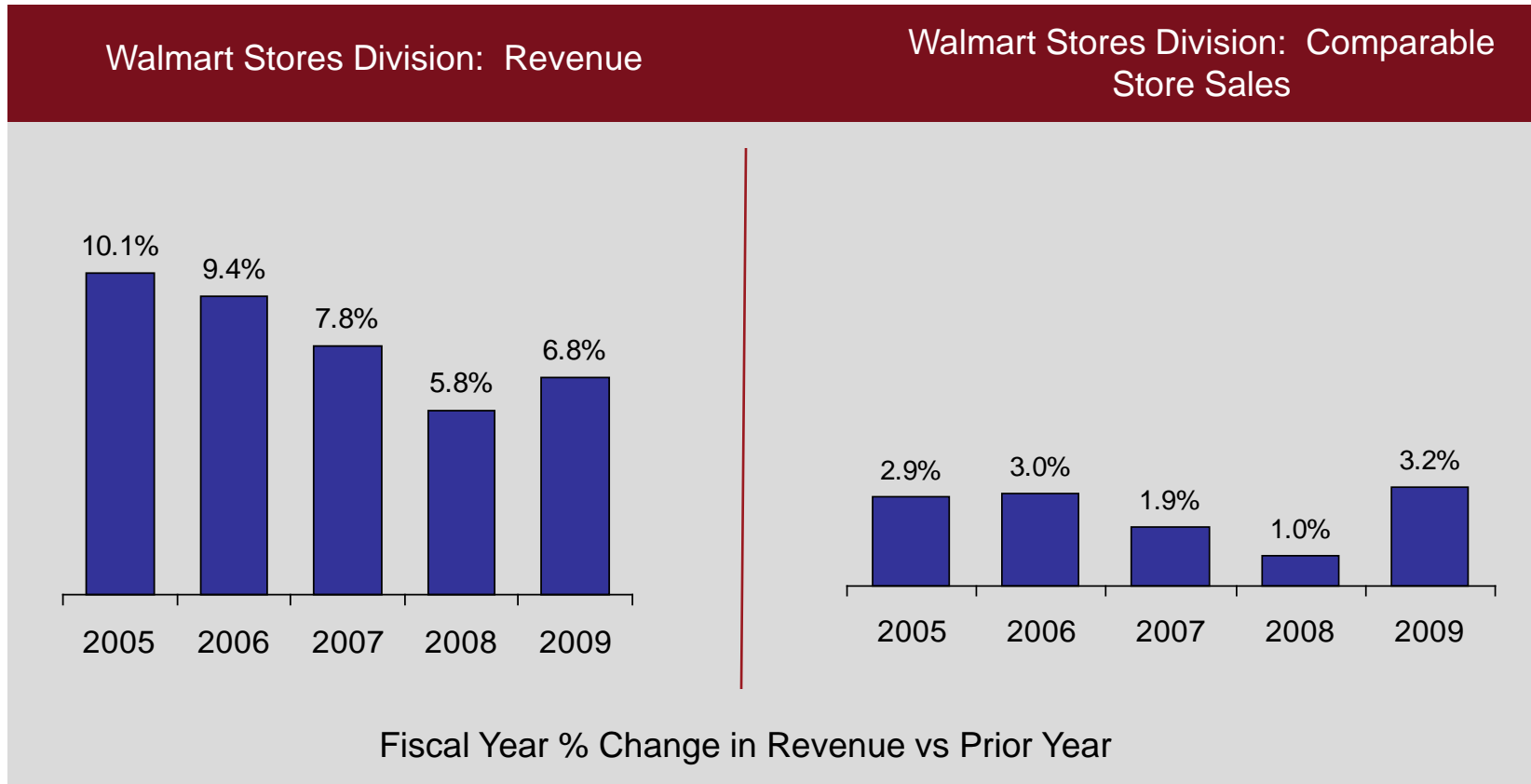


Source: Wal-Mart Annual Report; Fiscal Year ends January 31

Wal-Mart Performance



U.S. revenue growth is gaining traction.

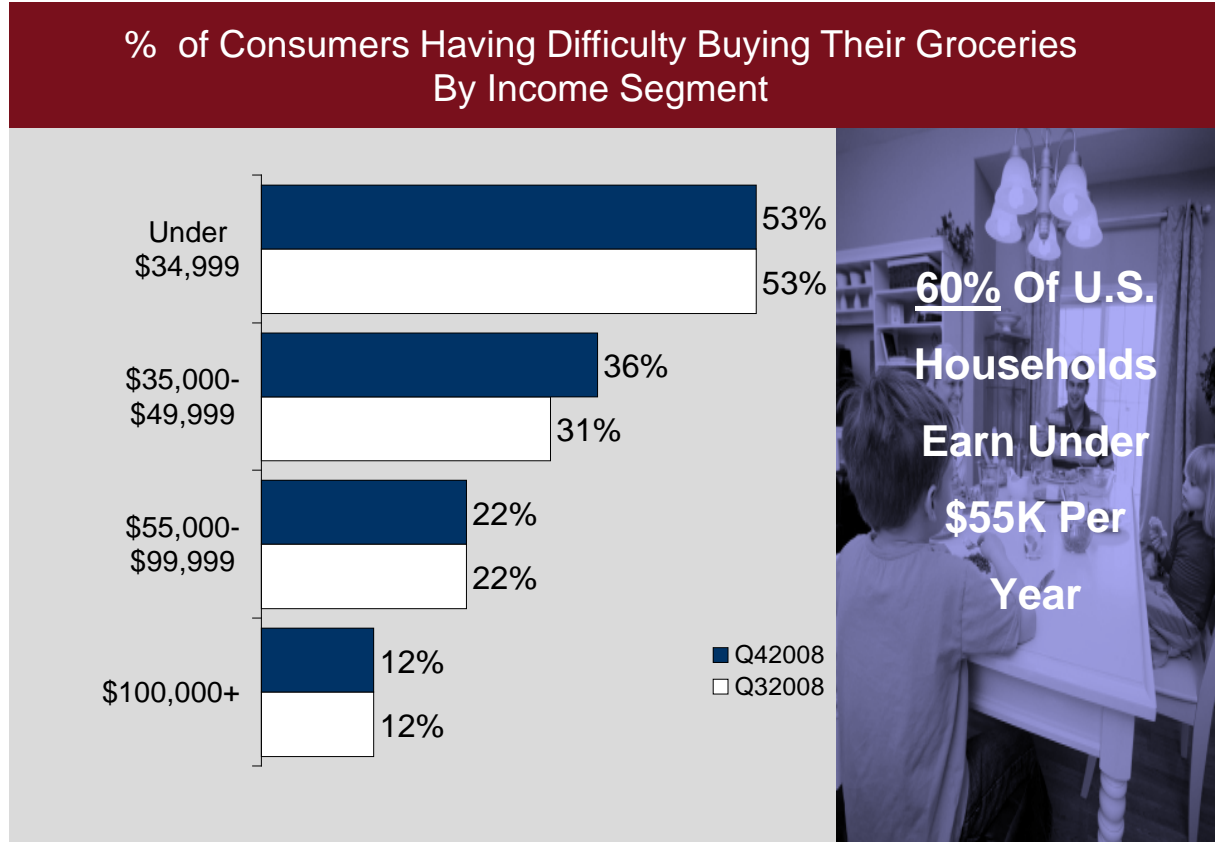


Source: Wal-Mart Annual Report; Fiscal Year ends January 31

U.S. Drivers of Growth



Consumers across income segments are having difficulty meeting basic needs, such as buying groceries.

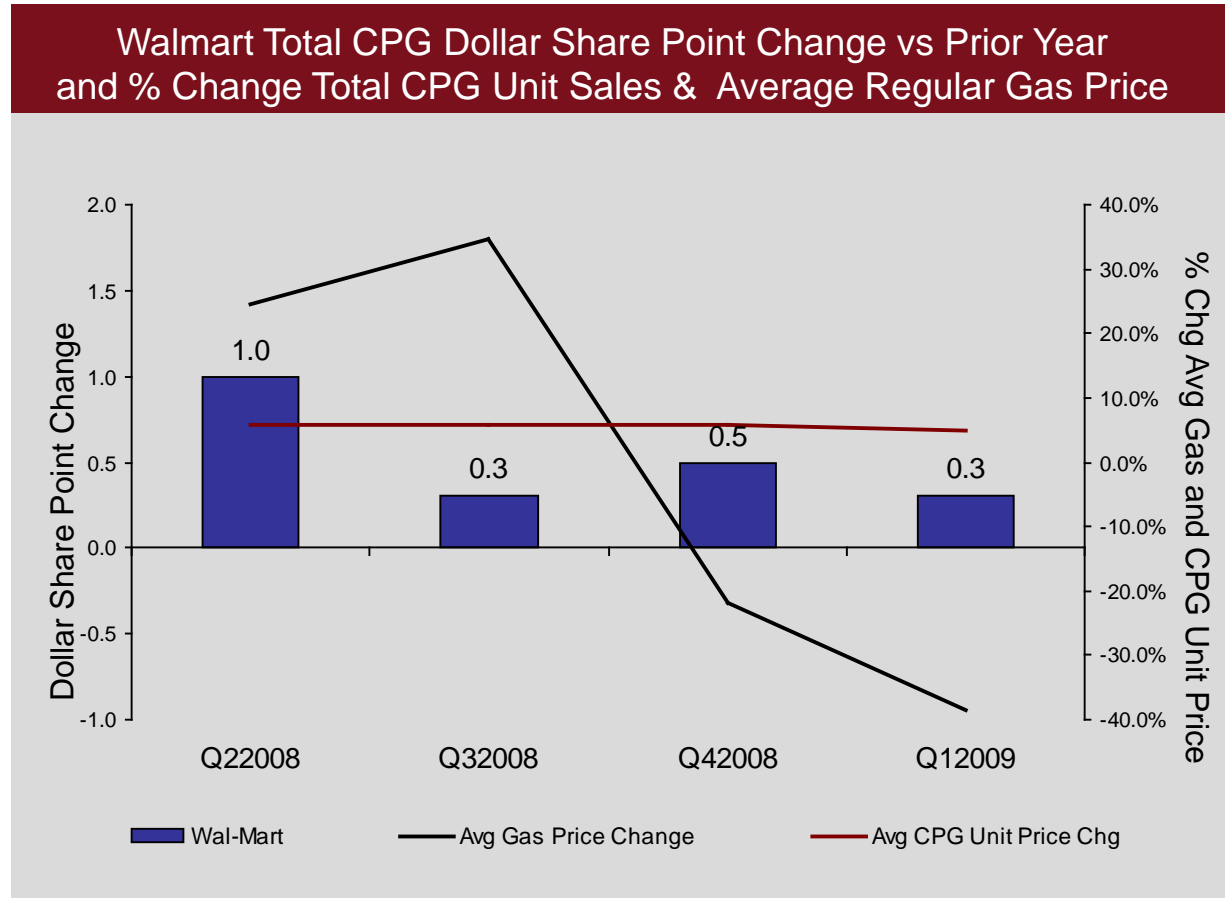


Sources: IRI Economic Trend Database™, IRI AttitudeLink™ Survey of 1,000 Consumers, U.S. Census Bureau

U.S. Drivers of Growth



Despite falling gas prices, budget-strapped consumers continue to allocate an increasing share of CPG spending to Walmart.



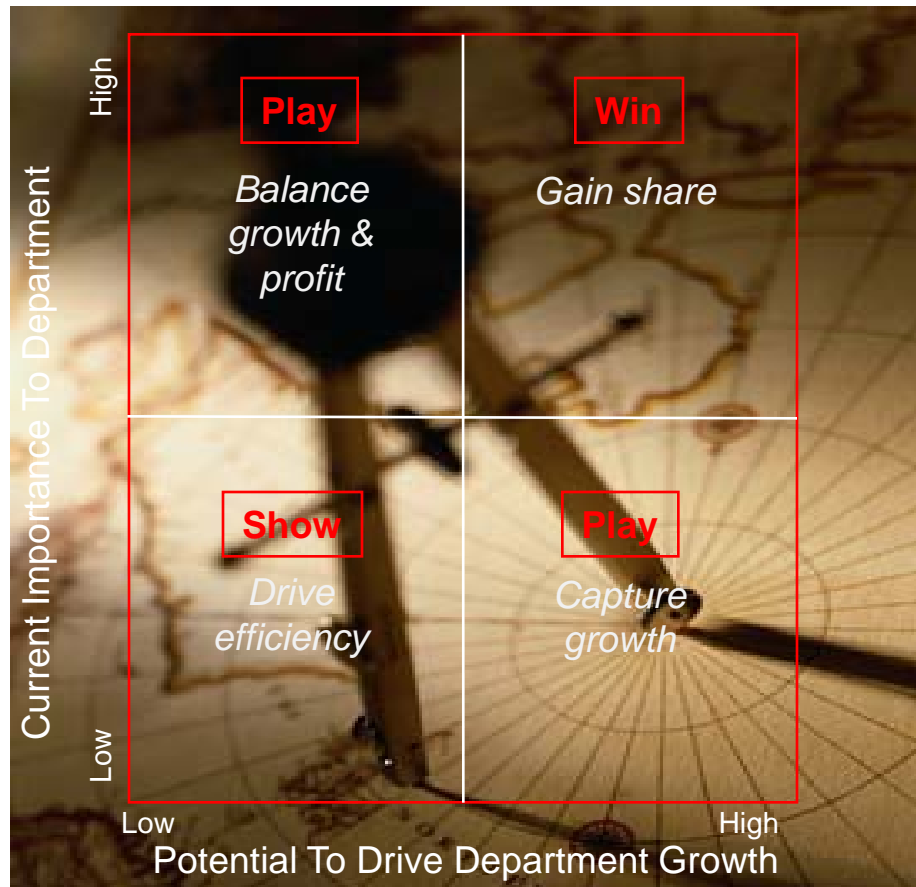
Source: IRI Economic Shopping Behavior Longitudinal Database™, IRI Consumer Network®, U.S. Department of Energy. *Note: average CPG unit price change for Q12009 is for 12 w/e 3/22/09 versus prior year

U.S. Drivers of Growth



“Project Impact” is Wal-Mart’s new three year growth initiative, focused on improving the customer experience and strengthening merchandising strategies.

Illustration of Win, Play, Show Roles



Source: Bank of America Investment Conference (9/15/08) presentation

U.S. Drivers of Growth



Walmart is leveraging new and enhanced marketing tools to break through the clutter and enhance relevance among consumers.

Innovative Marketing Strategies

Social Media

- » www.ElevenMoms.com
- » www.SoundCheck.com
- » Several Other Beta Sites

SmartNetwork

- » A higher bar on in-store marketing
- » Video screens in-store and incorporated into displays
- » Advertising revenues



Sustainability is more than environmental stewardship for Walmart; it is also a growth platform.



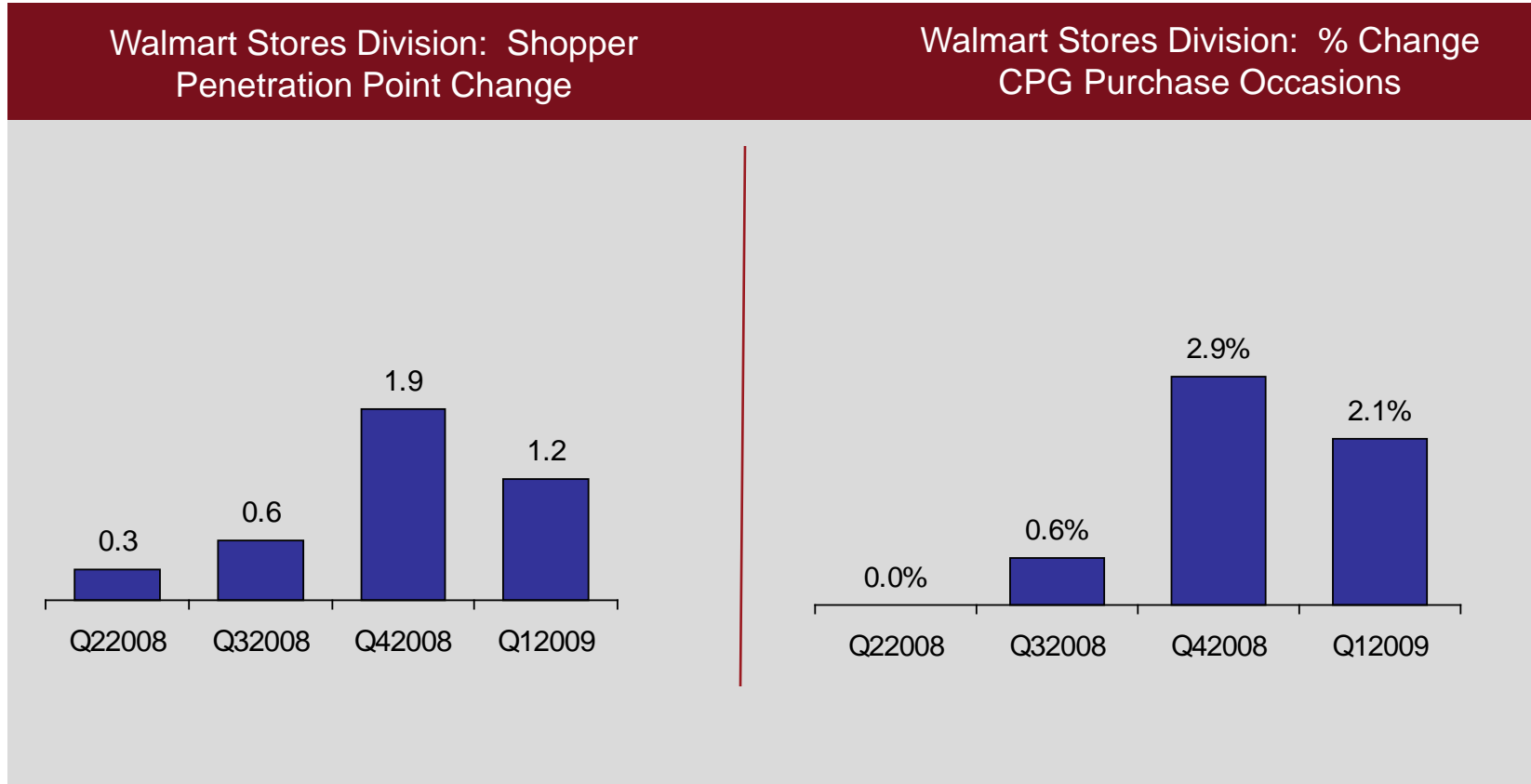
Sustainability 360

- » High-Efficiency Store Formats
- » Alternative Energy To Power Facilities
- » Energy-Efficient Transportation Fleets
- » Sustainable Packaging Network
- » Plastic bags

Shifting Shopping Patterns



Walmart is successfully bringing consumers into the store more often...



Sources: IRI Economic Shopping Behavior Longitudinal Database™, IRI Consumer Network™

Shifting Shopping Patterns



...building baskets on each trip.

Walmart Stores Division: % Change Average Dollars per Trip



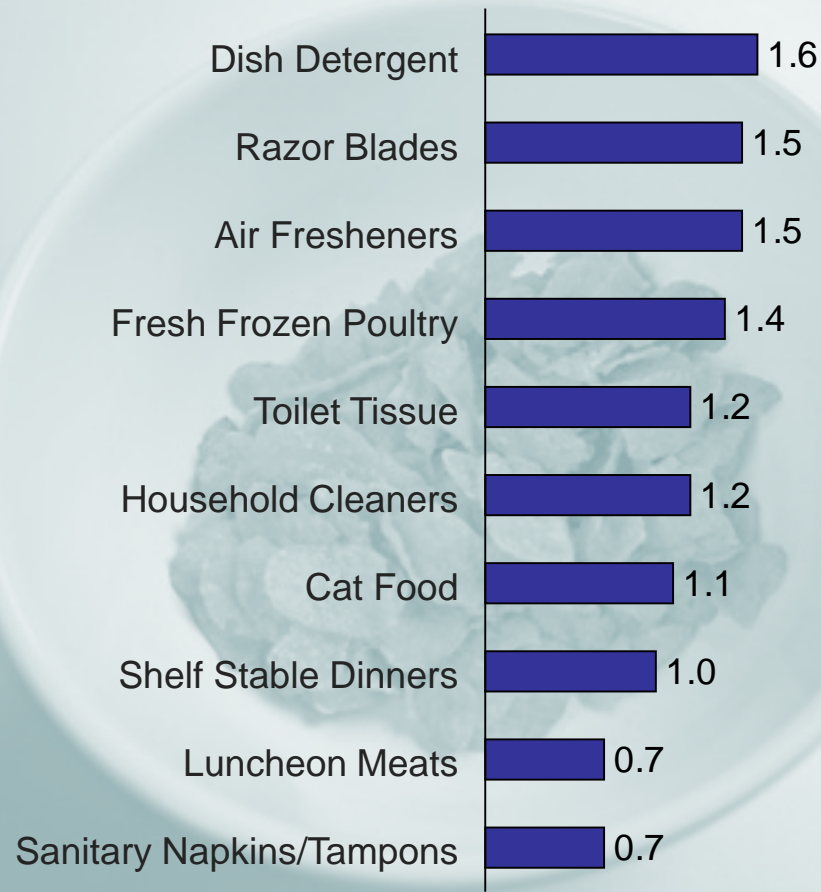
Sources: IRI Economic Shopping Behavior Longitudinal Database™, IRI Consumer Network

Shifting Purchase Patterns



Walmart is demonstrating an ability to capture increased share across key meal component and ingredient categories.

Walmart Protecting Position: Above Average and Increasing Share
FDMW Dollar Share Point Change vs Prior Year



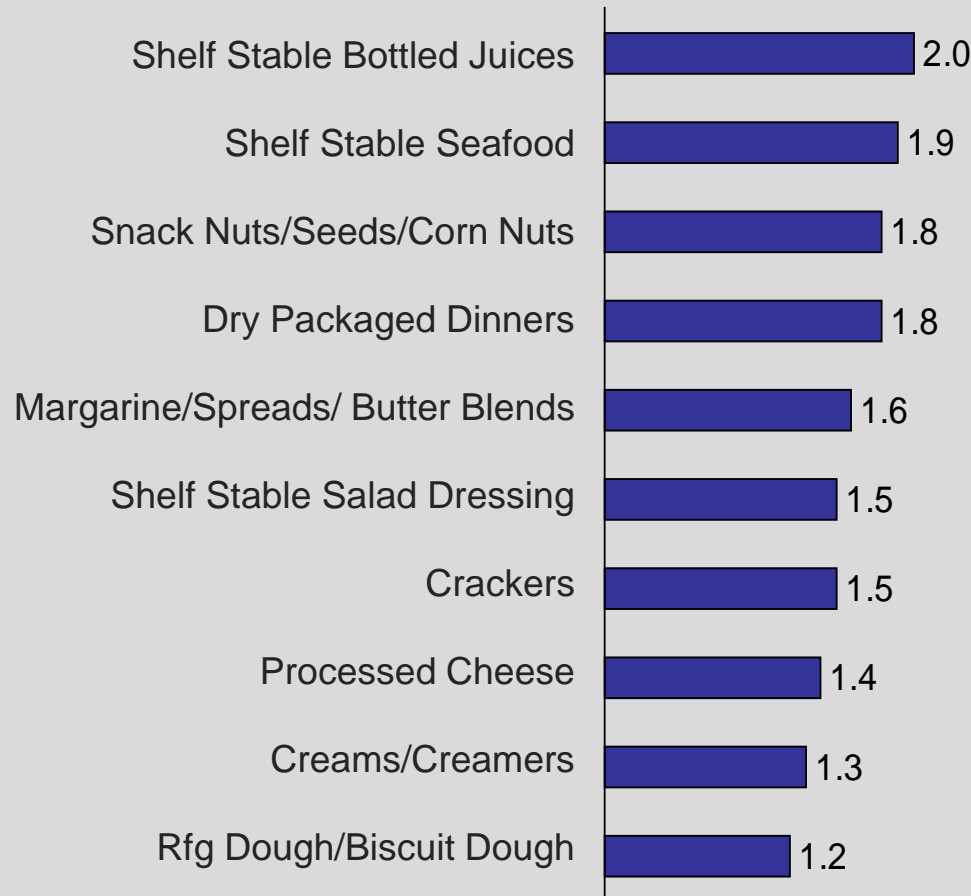
Source: IRI New Product Profiler™, New Products Launched February 2007- January 2008

Shifting Purchase Patterns



Walmart is heavily focused against the grocery segment and answering the call for low-cost meal solutions.

Walmart Up & Coming: Below Average and Increasing Share
FDMW Dollar Share Point Change vs Prior Year



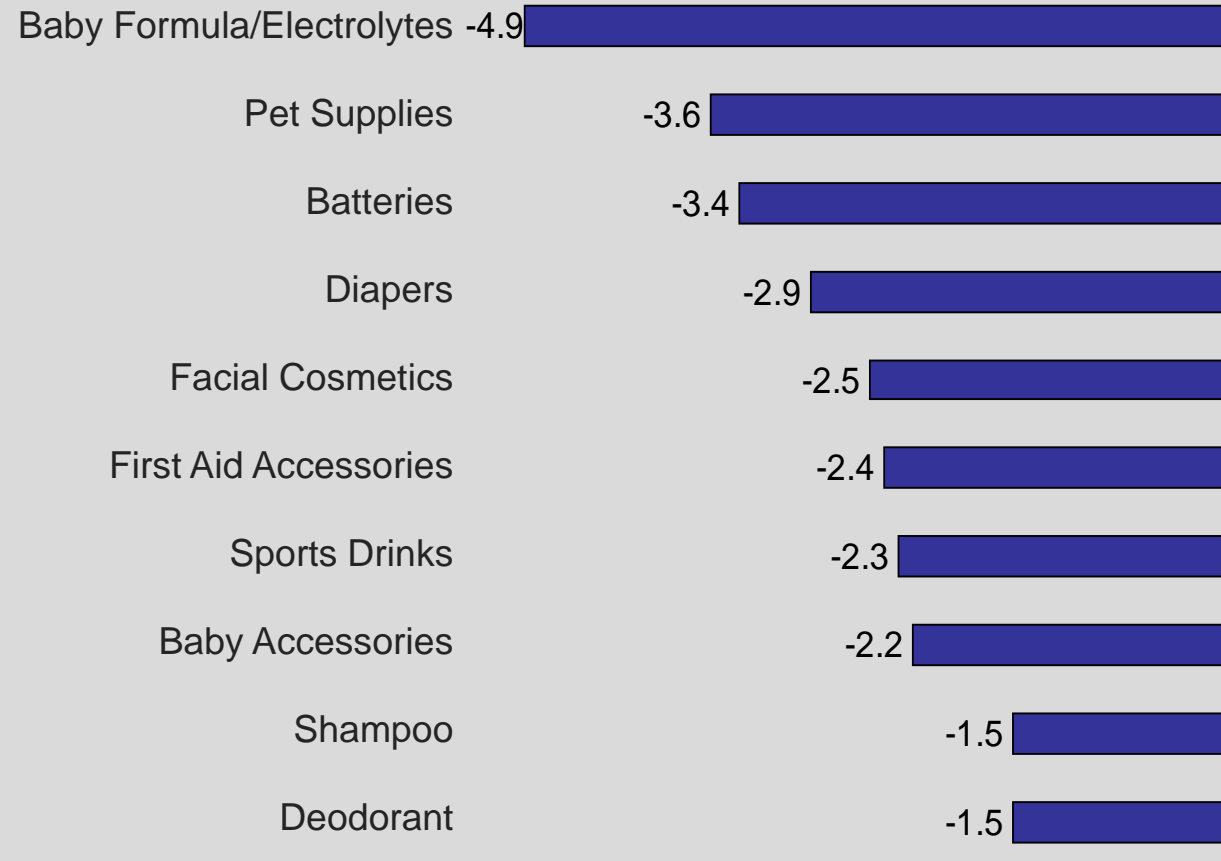
Source: IRI New Product Profiler™, New Products Launched February 2007- January 2008

Shifting Purchase Patterns



Some areas of share loss are likely the result of conscious strategy decisions, Walmart is also feeling the pressure of competitors' stepped up health and beauty initiatives.

Walmart Limited Focus: Below Average and Decreasing Share
FDMW Dollar Share Point Change vs Prior Year

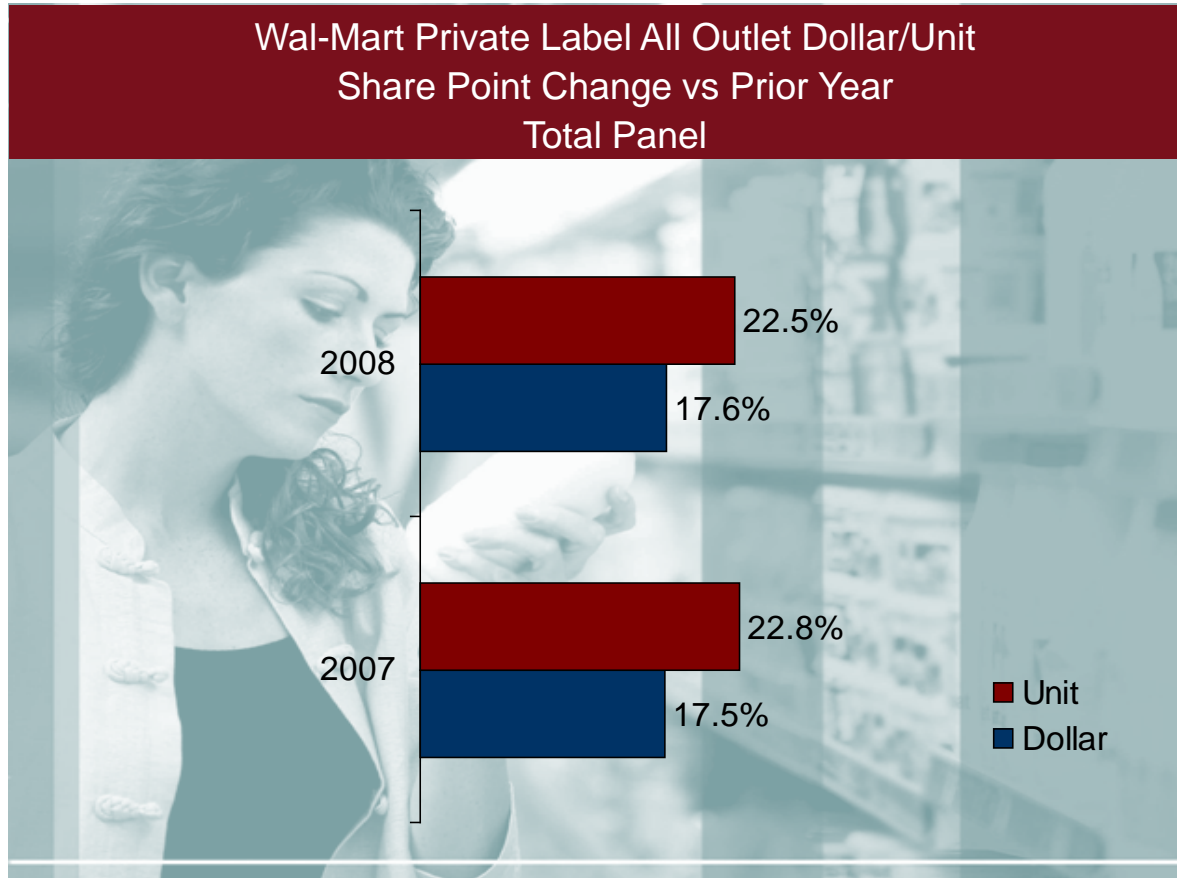


Source: IRI New Product Profiler™, New Products Launched February 2007- January 2008

Shifting Purchase Patterns



Walmart private label share was fairly flat over the past year...

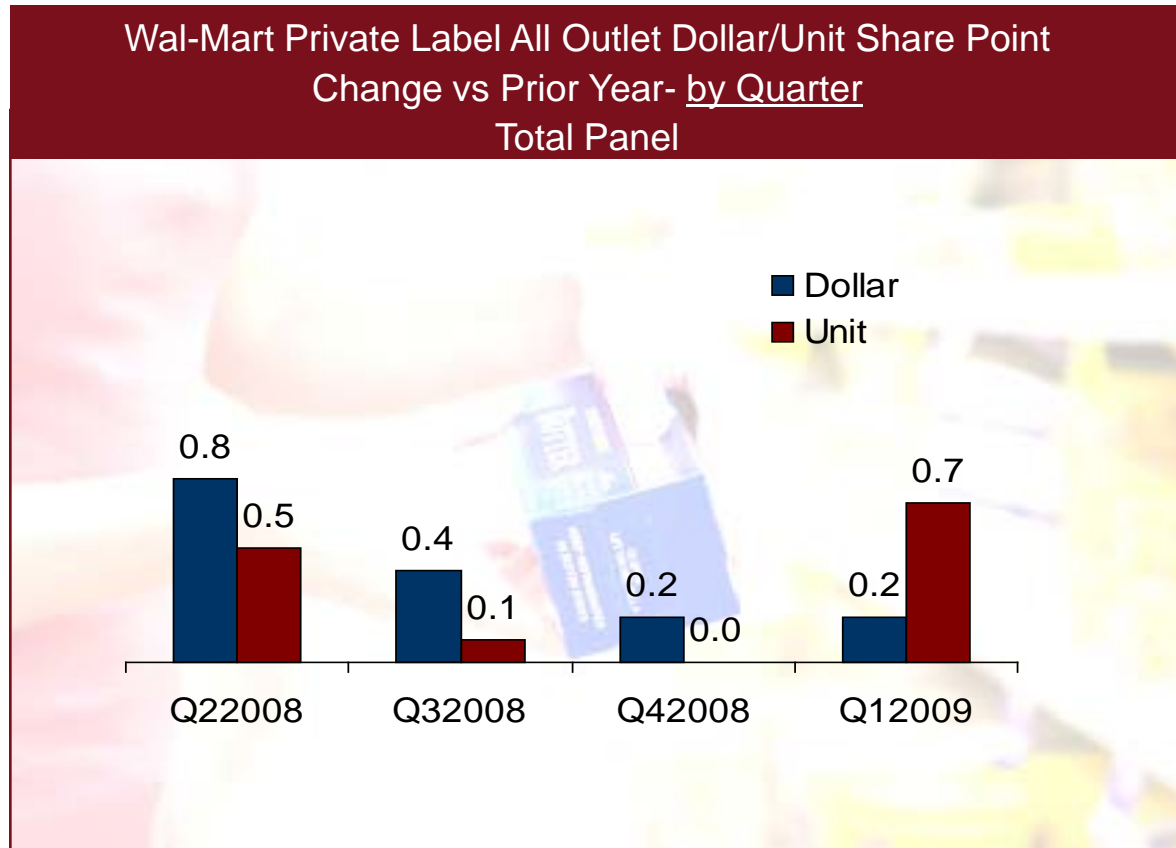


Sources: IRI Consumer Network™, 52 weeks ended 12/7/2008

Shifting Purchase Patterns



...but focus on private label has increased, and private label is expected to play an increasing role in the retailer's value proposition on a forward basis.



Sources: IRI Consumer Network™, 52 weeks ended 12/7/2008

Manufacturer Action Items



Invest to understand changing consumer rituals

- Frequent analysis is warranted due to a rapid rate of change
- Identify the needs of key consumer segments through granular market level analyses
- Understand emerging Walmart private label trends by category by consumer segment

Align strategies with shifting shopping and purchase patterns

- Work to secure optimal shelf space and placement within supercenters
- Demonstrate category/brand value and basket-building potential
- Manufacturers of meal ingredients, meal components and low-cost convenient meals should explore a partnership with Walmart to design multi-category, affordable meal solutions

Leverage sustainability as a growth vehicle

- Invest to understand rapidly evolving consumer attitudes toward sustainable CPG
- Evaluate opportunities to make core brands and products more earth-friendly (e.g. ingredients, manufacturing processes, packaging)
- Partner with Walmart to drive awareness and purchase of green products through cross-marketing/cross-merchandising programs centered around key brands/products

Retailer Action Items



Invest to understand changing consumer rituals

- Frequent analysis is warranted due to a rapid rate of change
- Identify the needs of key consumer segments through granular market level analyses
- Understand emerging Walmart private label trends by category by consumer segment

Align strategies with shifting shopping and purchase patterns

- Protect and grow share of trips through a focus on staples and affordability in advertising, promotions and product mix
- Implement basket-building strategies to maximize store visits (ie, cross-merchandising among related categories and multi-unit discounts)
- Invest to win across high-demand meal ingredients, meal components and low-cost convenient meals as consumers go back-to-basics in meal preparation and assembly; localize by market, as “affordable” meal solutions will vary by income

Leverage sustainability as a growth vehicle

- Invest to understand rapidly evolving consumer attitudes toward sustainable CPG
- Evaluate opportunities to embrace earth-friendly business practices; clearly highlight sustainability initiatives across marketing platforms
- Partner with key manufacturers to develop and execute cross-marketing/cross-merchandising programs centered around green products/brands most heavily purchased by key consumer segments