



## VIEW FROM THE TOP

Bill Simon, COO, Wal-Mart

---

**Some commentators say that the US – and perhaps even the global economy – is heading into recession. Have you seen any evidence to support this?**


We leave it to the experts to officially declare a recession, but we don't need anyone to tell us that customers are being squeezed by high prices across the board – whether it's gas, food, health care, or consumables. It's a reality we see in our stores every day. And especially over the past several months, we've seen a number of significant changes in the way customers are purchasing, whether it's making fewer trips and buying more, or switching to private label and generic brands, or buying different meat products. So whatever you want to call it, there's no doubt that we're in a period of intense financial pressure on our core customer. We've also seen something of a shift in the buying habits of customers whom I would classify as atypical for Wal-Mart. These are people with a higher household income, who may have traditionally shopped with competitors who cater to a more upscale segment, and now they're taking another look at us because they're feeling the strain just like everyone else.

**Is it possible to 'recession proof' a business operation?**

I'm more concerned with making sure our operation is well-positioned to thrive with the fluctuations, both in the national economy here in the United States and in the broader global economy. Fortunately for us at Wal-Mart, a number of steps we've been taking to enhance our business over the past few years have put us exactly where we need to be, and able to deliver value as economic conditions rise and fall. Today our stores are cleaner, and the shopping experience is faster and more convenient, with better category organization, product display and signage. We've also put the emphasis back on our price leadership. Our broad approach to making health care more affordable is also really resonating with consumers. Our in-store clinics are a tremendous success, as is our generic drug program. We've saved our customers well over \$1 billion on prescription drug costs over the past two years with that program. It's making a real difference for so many of our customers, and it's the kind of value that they're going to want to maintain regardless of what the economy is doing in the short-term. I mentioned customers who are taking another look at Wal-Mart, where they may have shopped with competitors before. And we have a significant opportunity with these customers because when the economy improves – and it will – they'll either continue shopping with us or revert back to their previous habits. And if we've made the most of the opportunity we have now – if the in-store experience is first-rate, and we offer an unbeatable value on what are, in many cases, the same products they'd normally get elsewhere is unbeatable – then many of these customers will continue to shop with us.

**Climate change is a topic that sparks fierce debate, not just between those who accept it as fact and those for whom the jury is still out, but also those who**





**point to the unintended consequences of well-intentioned initiatives. What is your view regarding the reaction from business to the issue of climate change?**

I think that, like Wal-Mart, many businesses are seeing the benefit in practices that we can all agree are wise in the long-term, regardless of their position on this issue. Because ultimately, we're not climate experts or political activists. If we can make a change to a product, like reducing cardboard packaging that doesn't need to be as large as it is, or removing water out of laundry detergent that isn't necessary, and the end result is that you lower production and distribution costs, why wouldn't we do that? Why wouldn't we shift towards renewable energy sources if it ultimately cuts cost and carbon emissions? Speaking just for Wal-Mart, we've recognized that there needn't be a trade-off between doing business in a way that is profitable and good for our global community. There are certainly degrees to which different businesses have embraced that philosophy. Wal-Mart made a commitment going back to 2005 to make our businesses truly sustainable because there was no denying the importance of doing so. The other thing I would add is that our sustainability commitment is something that is shared by all of our associates from the bottom up. They didn't need to be convinced that this was important. And, it's one that customers increasingly expect from us. They expect us to conduct our business in a way that has a minimal impact on the environment, and to sell products that are made in an environmentally and socially responsible way, and we're delivering on that. So in that sense, all this fierce debate is beside the point for business.


**“People are our greatest assets” is an often quoted maxim, but how do you ensure that you get the best from the workforces -- for the benefit of employees and the companies themselves?**

I'll again evoke the idea of sustainability, because a workforce is something that needs to be sustained. We've always said that our people make the difference, and that's because they're at the contact point with the customer, and service to the customer is critically important, as I mentioned earlier. Without associates who are motivated, and are invested in our mission, we don't succeed. So we sustain our workforce by first and foremost providing competitive wages and benefits, and by creating real career opportunities. 75 percent of our management associates, in fact, started out in hourly positions. And beyond that, the success of the business must be shared by every associate, because it depends on them. So programs like our profit sharing and stock purchase plan help us do that. And we're always looking for ways to enhance our employment practices. They're not at all static.

**The global retail sector is facing increasing pressure on pricing and margins, exacerbated by rapidly rising costs of commodities, raw materials and energy. What is your view of the likely impact of this on the sector?**

The retail model that has existed for the last 10 to 15 years in established geographical markets -- high labor costs and low transportation costs for internal production but low labor costs and high transportation costs for production outside the country -- is being threatened and needs to be redrawn. Ultimately, the fundamental retail transactions occurring today won't change. The retailer is looking for the best margin and the consumer is looking for the best price. The transaction process remains the same, but everything around it changes -- how the goods are produced, how they are





transported, how the consumer travels, and so on. As retailers, we have to adapt to the global change, whilst still providing the basic retail principle and providing customers with what they want.

**What one piece of advice would you give CEOs for the year ahead?**

Even if times get tough, and there is no question they will again, remember that these challenging periods do not need to be as painful as it first appears. There are processes and precautions that can be put in place to weather the storm. Furthermore, there are opportunities to be grasped. These could be the key to your business' growth over the next year. If you continue to listen to and serve your customers, you are providing the business with all it needs to succeed.

