Walmart's Fiscal Year 2015 Q4 Earnings Results
Media Call Transcript
February 19, 2015

Randy Hargrove, Director, Corporate Communications: Good morning, everyone. Thanks for joining us for today's call. As you've seen from the news we've issued today, we've had a couple of announcements. Obviously our fourth quarter and full year financial results, and then within that you're going to see there's new information on an initiative we've announced for our associates. Charles Holley will be leading our call today to discuss the company's business results. With our associate news, Charles will be joined by Walmart CEO Doug McMillon and Walmart U.S. CEO Greg Foran, who will be able to provide additional insight and questions to our associate announcements.

We've opened the call up today; we've got a number of media who are on the line with us. We're also joined by analysts who will be in a listen-only mode. Given the several bits of news that we've announced today, we're going to allow for about 45 minutes on today's call. You'll hear some brief comments from Charles, Doug and Greg, and then we're going to try to spend the bulk of the time answering questions.

Because we have a number of you on the line, we'd ask that you try to limit your questions to one or two so we can try to get to as many of you as possible in our allotted time.

If you have questions after the call: financial related, you can reach out to me; on our associate news, Kory Lundberg on our communications team is available to assist you there.

So with that, I'll turn the call over to Charles.

Charles Holley, CFO, Wal-Mart Stores, Inc.: Thanks, Randy. And thank you everybody for joining us today for our earnings call. I'm give a few brief comments on our fourth quarter and full year results, I'll then turn it over to Doug and Greg to make some comments, and they'll turn it back over to me to finish up with our forecast. I'll give you some insight into our forecast, and then we'll open it up for questions.

As far as the fourth quarter, I think that you saw we reported $1.53 earnings per share. That included a couple of items that are important. One was an expense related to some wage litigation that was five cents per share. Another was related to the Japan restructure at three cents per share. Our underlying earnings per share would be $1.61. I think one of the things that would be important would be that our original guidance was $1.46 to $1.56. That guidance did include the Japan restructure; it did not include the wage litigation. In order to have apples to apples to the $1.61, you would have to take the original guidance of $1.46 to $1.56 and add back the Japan amount, three cents. So the original guidance to be compared would be $1.49 to $1.59 to that $1.61. I think your takeaway should be that we beat our guidance.

Currency exchanges rates did negatively impact our results. It impacted revenue by about $2.6 billion. Our revenue was $131.6 billion, an increase of $1.9 billion. That's an increase of 1.4 percent. Stripping out the currency exchange, looking at the underlying revenue increase, it would have been about 3.5 percent.

Walmart U.S., which had had a guidance of zero to one comp, actually came in at 1.5 percent comps – the highest comps since the third quarter of fiscal 2013.

The customer made more trips – obviously that was driven by lower fuel prices. I think one item of note: Neighborhood Markets delivered a very strong comp of 7.7 percent.

Sam's Club – without fuel – increased to 2 percent. Their guidance was 0 to 2 percent. And International had an excellent quarter. There was a lot of noise with currency – one-time items, expenses of last year and this year – but when you strip all that out, for the quarter they had about a 3 percent increase in sales and a 14 percent increase in comp.

And finally for the quarter, inventory, I thought, was very well managed. Our inventory was up just less than 1 percent.

As far as the full year takeaways, our earnings per share was reported at $4.99 including the impact of the discrete items I just went over. Also, EPS without those would have been about $5.07 per share. Net sales were up $482 billion – that's an increase of 1.9 percent. Currency did have a negative impact of $5.3 billion. Without that, underlying sales increase would have been about 3 percent.

Sam's Club continued to drive their membership income, with growth of over 10 percent. Our Global eCommerce, we continue to be pleased with how it's developing. It grew at 22 percent.

And then we also were able to return $7.2 billion to our shareholders through dividends and share repurchase. In fact, today we did announce a dividend increase. Our annual dividend was $1.92; we've increased it to $1.96. This is the 42nd consecutive year of dividend increases for Walmart.

Obviously we made a significant announcement today related to our associates, and I'll turn it over to Doug and Greg to make a few comments.

Doug McMillon, CEO, Wal-Mart Stores, Inc.: Thanks, Charles. And thank you all for joining us this morning. As Charles said, we had a good fourth quarter to close out our fiscal year. Walmart U.S. delivered a better than expected comp sales number. Sam's Club had its best performance of the year and Walmart International had a solid sales and profitability performance for the quarter, as they did throughout the year.

No doubt lower gas prices had an impact. They led to our customers having more spending power here in the U.S. and in several countries around the world. Food inflation and more favorable weather were also a tailwind to our U.S. comp sales. But we also faced significant headwinds from currency fluctuations. So I'm pleased that we delivered fiscal year revenue of nearly $486 billion.

There's a lot to be encouraged by, but we're not satisfied. We've got work to do to run great stores and clubs today, and to build our e-commerce business. We're also developing our plans to bring together stores with e-commerce and mobile to serve our customers in new ways.

As we take a step back and think about our future, it's clear to me that one of our highest priorities must be to invest more in our people this year. We want to reward associates for their service to our customers and improve the customer experience in our stores. We also need to create clearer pathways for associates to progress within the company.

Walmart has represented a ladder of opportunity since Sam Walton started the business, and we want to make sure that's the case going forward everywhere, including here in the United States.

Today we're announcing a package of changes in Walmart U.S. that will kick off a new approach to our jobs. We're pursuing comprehensive changes to our compensation, training and scheduling programs, including raising our starting hourly wages. This initiative will be good for our associates. It will mean more pay, more career opportunity and more choice over when they work. It will be good for our business, as we reduce our turnover and train associates in skills that meet the changing retail environment. It will be good for our customers, because it will lead to better customer service. And it will benefit our shareholders and other stakeholders over time.

With that, I'll turn things over to Greg to talk about the Walmart U.S. business and share more details on the announcement.

Greg Foran, CEO, Walmart U.S.: Thank you, Doug. And thank you to everyone for joining us this morning. You know, overall I continue to be encouraged by the fourth quarter results and the solid holiday performance. We had positive comps in all the U.S. formats, but in particular I thought Neighborhood Markets were pretty good at plus 7.7 percent. But as you said, Doug, we did get good tailwinds. And they are in the way of fuel and the way of weather. We had some inflation, and of course we cycled SNAP through that period. So we are encouraged by what we're seeing, in terms of the results. But I think it's very fair to say that we all know we've still got a lot of room to improve. And we've got to become much better shopkeepers. And as I and others get around our 4,500 stores in the U.S., there's no shortage of opportunities to improve our service, to improve our in-stock, to get a better handle on our inventory. And that's going to be a key focus for us.

You've spoken about our people, Doug, and we know that they do make the difference. And we need to do a terrific job in making sure we treat our associates as we want to treat our customers. So we've made some pretty big announcements today, and we're excited about that. We are going to make sure we create a better work experience for them and offer better training, a clearer understanding of what it's going to take to get promoted in our business, and opportunity to earn more in the course to have a long-term career with us, should they choose to.

So the details around that: beginning April of this year, we're going to raise the minimum start rate for a job in Walmart U.S. to at least $9 per hour. So that means that every associate will earn at least $1.75 more than the current federal minimum wage. Next year, for those associates who put in the time and the effort into the company, they're going to get another raise to $10 per hour.

A second point which I think is very critical is the role that a department manager plays in our business. And when you run, particularly, our big boxes, they are absolutely critical to how well we run the store. So department managers: this summer, we're going to be making some changes to how we structure that role. And it's going to see a reasonable amount of them getting an increase to at least $13 per hour, and then next year a further increase to $15 per hour.

Thirdly, full-time associates get paid sick-time in our business. And as we've been getting around and listening to our associates, we know that one thing that they would be keen for us to do is to eliminate the one-day waiting period for sick leave. So we'll be taking action on that next year.

Finally, scheduling is pretty important in our business – making sure we have our associates when we need them for our customers. And there's been lots of good work that's been going on now for some time now around creating a better scheduling system, which will see our associates have a far more consistent schedule. And we'll be looking to put that into place through our Open Shifts program.

Having spent all my life in retail, and having spent the beginning of it stocking shelves as a teenager, I know firsthand the opportunities that exist. I'm really proud about what we're doing today, what's been announced by you, Doug. And we're really, really excited about the opportunities that it's going to provide.

Charles, I'll turn it back over to you.

Charles Holley: Thanks, Greg. Briefly, I'll cover our fiscal 2016 guidance. In our first quarter, guidance is set at $0.95 to $1.10. That compares to $1.10 last year. Our guidance for the full year is $4.70 to $5.05 per share. And that compares to $4.99 last year.

There are three items that I think are important when you're looking at our guidance for this year. The first would be currency. In October, at our investor conference, we had forecasted our sales growth to be 2 to 4 percent for net sales. We're now saying that we think it will be between 1 and 2 percent. And that is because of foreign currency. There is a negative effect, if the currency stays where it is today there will be a negative effect of about $10 billion on our revenue. As far as earnings, it would actually be about 10 cents per share.

The second item, obviously, would be the wage investment and what we're doing and what we've announced today. We believe that would be approximately 20 cents per share for the full year.

The third item would be our continued and increased investment in our e-commerce businesses. And we project that to be an increase between six and nine cents per share for the full year.

Looking at the first quarter, the breakdown of those items would be: foreign exchange around two cents, wage investment about two cents, and our investment in Global eCommerce around three cents, for a total of seven cents additional headwind for the quarter.

With that, we'll open it up for questions.

Courtney Reagan, CNBC: Hi. Good morning, everyone. Thank you all for joining us on the call this morning, really appreciate it. I know there's a lot to get through and we have a lot of topics, so if I could just start with a pretty hot-button issue that I know was mentioned briefly in the transcript from the earnings call.

If you could just talk to us a little bit about how Walmart is dealing with the port congestion and potential shut down and slow down, what we need to know about how Walmart is prepared to make sure that goods get to the shelf?

Greg Foran: Sure. Thanks, Courtney. I'll handle that one. First of all, Walmart's got a pretty diversified logistics network. So we're keeping a close watch on what's happening. At this stage, we're managing our way through that. But there's no doubt that as this issue continues for any period of time, it is going to cause some issues – not just for us but for everyone in the business. So we'd be keen to see a reasonably speedy resolution to what's going on. At this point in time, we're using all our abilities throughout our diversified network to make sure we are not going to see any significant impact, but there is already some impact.

Courtney Reagan: And so, as a result of having to make sure that you're diversifying your strategies, there are – I assume – likely increased costs of doing so? Is that something that's material that we need to understand?

Greg Foran: At this point, Courtney, we've handled that in terms of our forecast for the quarter and Charles has handled that. And so that's where we're at.

Courtney Reagan: Okay, thanks.

Julie Hyman, Bloomberg TV: How you doing? Julie Hyman's actually doing a hit, so I'll be asking on her behalf. My name is Jamie Berland I was wondering, you mentioned about the pay increase – how much this represents, how much above the current wage this is?

Doug McMillon: The overall investment is approximately $1 billion. And as you've heard us comment, we're moving the starting wage rate but also moving wage rates for other key associates including our department managers.

Jamie Berland: So for the minimum wage, this is how much of a raise? It was $1.75? Or how much does it represent for the average employee?

Doug McMillon: The average full-time U.S. employee will be moving up from $12.85 to $13.00 as we go through the year – that's average*.* And for part-time associates, $9.48 moves to $10. I think it's important to call out the distinction between the starting rate and the average starting rate. I think it's important that everyone make that clear.

Jamie Berland: So is that just for this year? And then it changes next year?

Doug McMillon: That's correct.

Jamie Berland: And then do you know what the increase will be for the next year?

Doug McMillon: No, we don't know that yet and we aren't attempting to estimate that number at this time.

Jamie Berland: Okay, thank you.

Sarah Halzack, Washington Post: Good morning all, and thanks for doing this call. I'm wondering if you could talk a bit about, there's clearly been national conversation around how wage growth has been the missing piece of the puzzle in our economic recovery. And there's also been some conversation about raising the minimum wage federally. And certain states and municipalities have already acted on that. Can you just talk about how that national dialogue has shaped or colored your thinking on what you're doing at your own company?

Doug McMillon: The most important voice we listen to is that of our associates. And as we visit stores and listen to what's on their mind, we've made a decision that this is the right investment to make to create a customer experience that exceeds their expectations. So this is about our people. It's about our business. It's about creating a stronger Walmart.

Sarah Halzack: Thank you.

Paul Ziobro, Wall Street Journal: Good morning. Thanks for taking the time to answer these questions. In addition to the wage increases, you talked about some changes to the scheduling. Can you get into a little bit more detail about that? What does this mean for the average hours that are going to be worked by hourly, part-time and full-time workers? What is it now and what is it going to change to after this?

Greg Foran: I'll take that one. It's a process that we've actually got trialing out at this point in time, and we're finding that to be well-liked by our associates. Effectively, it gives them the opportunity to choose a schedule that best suits them. So if they know in advance that they've got things coming up in their personal life, in terms of picking children up from events at school or doctors' appointments, then it gives them an opportunity to schedule those in. And for us, also, it gives us an opportunity to lean in a bit more to some fixed scheduling, which we knows suits them as well as suiting us. So it's been well-received by our associates and we will be rolling that out.

Paul Ziobro: So will they have more hours? Or less hours? Or are you guys going to be allocating more hours or less hours to employees on the floor?

Greg Foran: The simple answer to that is that over the course of this year, we're going to be leaning into, in particular, some extra department managers through our business. So that will have some impact through many stores, not all stores. Because out of 4,500 stores you have some that are operating okay at the moment and you have others that you want to put some into. So we look at this literally on a store by store basis. But most of the increase in hours will occur more in department managers than elsewhere, but it is a store by store decision.

Paul Ziobro: Okay, thank you.

Anne D'Innocenzio, Associated Press: Hi. Thanks for offering this call. So what's the reaction from your associates as you announced it this morning? And you know, the stock is down, so how are you – I guess let's talk about the associates first and what kind of reaction did you get this morning?

Doug McMillon: Anne, this is Doug. It's early to respond with a lot of detail, but I can tell you that walking over to this meeting, my inbox was filling up with messages from associates and I know that will continue throughout the day and that Greg and others will be hearing some positive feedback from them. So I think that will go well.

As it relates to the impact on the share price, we have a long-term point of view. And I'm very confident that the investments we're making in our business – both the investment in our associates, but also the investment that we're making in e-commerce – is going to prove to be the right set of decisions. So I think the share price will work itself out and it will track our performance over time.

Anne D'Innocenzio: Okay, thank you very much.

Jo Ling Kent, Fox Business: Hi. Thank you for taking this call. I have two questions. First on the wage – raising it to $9 is certainly encouraging for a lot of associates, but you see a lot of competitors like Costco raising it even higher. So could you talk about the decision-making process that went into $9 per hour and $10 per hour? My second question is about e-commerce. You saw a nice pop – 22 percent. How is the e-commerce situation looking for Walmart and mobile going forward?

Doug McMillon: This is Doug. Greg can chime in too if you'd like to. But on the wage decision, I think it's important to remember that we react one store at a time to whatever wage rates we need to attract and retain the talent that is required to run our business. So today, there's some discussion, obviously, around minimums. But as you think about cities, individual stores, certainly states, we have higher wage rates to make sure that we're competitive in the marketplace, and of course we'll continue to do that.

I think it's also important to remember that the starting wage rate is not the only number to keep an eye on. We also pay what we call MyShare performance bonuses at store level, based on how a store performs. Our health care offering, which is a great set of options for associates that are affordable and flexible for what are our associates need. Our 401k program and other things that we provide all need to be considered, and not just one simple metric like a starting wage rate.

As it relates to e-commerce, our investments are going well. I'm pleased with what's happening with mobile in particular. You've probably heard us talk about how we saw a significant increase in the traffic coming to Walmart through mobile this year – 70 percent of our traffic coming through mobile versus the website. I think the investments we're making in logistics and in other areas are ongoing to prove to return for the company over time as we improve our offering for customers.

Hadley Malcolm, USA Today: Hi. Doug, you talked in the release about programs providing no-cost access to complete a high school diploma and access to college credits. Are those new initiatives that you're taking on or are those things that are already in place? Could you talk about what that is?

Doug McMillon: They're already in place. And part of our messaging today is to make sure that everyone knows that we're not taking things away to fund the starting wage increase. Our health care programs are strong and these other ingredients, like the ones you mentioned, are remaining in place.

Phil Wahba, Fortune: Good morning. Thank you. Just a quick question on how grocery did this quarter. You talked about how there's more work to do. Can you give us a sense of what happened this quarter in your fresh items and assortment?

Greg Foran: Sure. In this last quarter, we obviously cycled SNAP. We're happy with how we're going in terms of grocery. In relation to fresh, once again, we're making some progress. We still have a lot further to go in terms of what we want to achieve there. But both fresh and dry grocery performed pretty much as we expected they would perform.

Andria Cheng, Marketwatch: Hi guys. Greg, I just wanted to clarify on the previous point. Can you just go a little bit more into the behind the scenes? Obviously the wage increase came as there's the settlement on the lawsuit on the wage. Is it also because of this state minimum wage mandate that's leading to this? Just walk me a little bit through the behind the scenes with employees? Is it also because you're seeing, maybe, the turnover rate is ticking higher? All of these things that are leading you to make these decisions today?

Doug McMillon: It's actually really simple. We want associates that care about the company and that are highly engaged in our business and are leaning in. And those feelings that those associates have generate a customer experience that drives growth. Again, it's really simple. As we visit stores and hear from our associates all that they're doing to make the business work and serve customers, we felt like it was a good investment to reward them and also set up a situation where their ongoing engagement in the business is really strong, so we ultimately have a well-merchandised store that is something that attracts a lot of customers. We want to lean in from an offensive point of view and create a great store environment, and there's not a lot more to it than that.

Andria Cheng: Okay, and can I have a separate follow-up regarding the West Coast situation? So what you're seeing right now with Walmart, the port negotiations seem to be a problem every few years, is Walmart considering maybe moving some of your shipping or the whole supply chain more to the East Coast or anywhere else?

Doug McMillon: I think it's important to note, as you said, this isn't a new issue. And for years now, we've been moving the product flows into the United States through Texas, the Houston port in particular, also through the East Coast, developing capabilities there so that we have a more diversified set of entry points into the country. So this isn't the first time this has happened. And we were somewhat balanced going into it, but may have to make further adjustments over time if this type of issue perpetuates.

Andria Cheng: Okay, thank you.

Julie Hyman: Hi, everybody. Thanks for taking my question again. As I look at your earnings per share for the past two years, it seems as though the forecast that you're giving today brings you back a few years. So, in other words, you haven't seen growth in profit with some of the initiatives that you're talking about today as well as the currency headwinds. So if the idea is that you raise wages and then you're going to see a better employee and customer experience and an increase in sales, when do you expect to start to see that bear fruit in the numbers?

Doug McMillon: This is Doug again. Greg, you can chime in here if you want to. This is something that takes time. Our customers are very rational and they'll respond to the actions that we take. But we have to earn it. And so as the months go on through this year, I suspect that as stores improve we'll see customers respond. But there's definitely a lag, and it's okay with me if it takes more than a year. If it takes a while, it takes a while.

We're going to make sure we do what's necessary for the company for the long-term and build the right foundation. I've been part of this company for a long time, and one of the things that's always been true about us is that we are a people business. Talking about new technology, building new mobile apps, finding ways to put digital and physical together are all important and exciting new developments, but at the end of the day, this is going to come back to people and how much they care about the business.

So the structure we're setting up at store level, so that department managers take ownership in their area and run a store within a store is a key ingredient. The starting wage rate is a key ingredient. Benefits are a key ingredient. And what we're going to do as we go through this year is continue to keep an eye on what's happening with wages a market at a time, make adjustments that we need to make, so that as we walk into a store we find an improving store experience that customers will respond to. And we're patient, as it relates to how long this will take, and confident that we're making the right decisions.

Julie Hyman: If I could follow up, and I apologize I was called away earlier so my associate asked the question. To put a fine point on it, on an annual basis how much do you typically raise wages? How unusual is this compared with a typical annual increase?

Doug McMillon: You know, I haven't done that math. I don't know what the multiple would be on a typical increase. We do have wages going up over time in the U.S. – they've been going up a little more slowly than they have in markets like China, where Greg's coming out of these past few months. So we have a process, a discipline process, where we go about reviewing our wages and our benefits and other things on a cycle. And so things do change, country by country, as we make those adjustments. This one is clearly important and bigger than what we would typically do. And I haven't actually done the math on how much bigger it is, but you know, $1 billion is not a small number.

Charles Holley: And that would be over and above what we would normally do, the $1 billion.

Julie Hyman: Okay, thank you very much.

Hadley Malcolm: I'm just wondering more about what this new initiative is on training. Because the way it's written made it seem like the high school diploma and college credit was part of this new initiative, but it sounds like it's not. What is going to be part of this new training initiative?

Greg Foran: Sure. So there's sort of two pieces to this. One is, as Doug mentioned previously, reinforcing the fact that we already had a program in place. The second part of it is from February of next year, when we talk about people moving from $9 to $10 – if you are a new starter in the business from February of next year then you will participate in a program that we call "Pathways" that we will teach and train you through a number of skills around merchandising and communication, you know basic shopkeeping skills. And at the completion of that course, you would then be eligible to move to $10.

So, two parts to your question. One part is reinforcing the program that we already have in place. The new part of the program is the Pathways piece that kicks off in February of next year.

Doug McMillon: We have made some smaller changes, for example if you look at the 401k program – the company recently changed it so that associates can begin contributing on their first day. And then we continue to match the 401k dollar for dollar up to 6 percent after a year on the job. So the point is, there are tweaks to the existing programs.

And I think the big picture is: it's not just one issue. It's not just a starting wage, but it's also promotional increases. It's not just what a cashier on their first day might make, but it's also what the department managers make, and how many department managers we have and what that structure in the store looks like. It's how we put all the pieces together so that people can take full advantage of the opportunity that Walmart represents.

Sometimes the mental image that comes to my mind is that of a ladder, and where we set that first rung – what people make on that first day they come in and what they're eligible for on the first day – matters, but that's not the only rung that matters. Every one of them that represents that ladder of opportunity within the company is important and matters. So I hope that as you listen to this call, you can start to get a picture that there is a holistic approach to creating an environment where people want to work at Walmart, and want to stay at Walmart, and want to achieve things that might have been beyond their dreams when they started.

Hadley Malcolm: So how is this Pathways program different than the training you do now with employees?

Doug McMillon: Those programs are new. They've been in test for some time. We've been working on Pathways for over a year now. And helping someone understand retail math, for example, or learning some of the customer service skills that we would want them to have. We have a thing within the company we call the Ten Foot Rule – internationally the Three Meter Rule – where we expect an associate, when they come into contact with a customer within ten feet, they'll make eye contact and say hello. Things that are basic in some ways, but really matter to a customer.

The modules that are related to Pathways relate to some fundamental skill sets, like the ones I just described, and some things that are a bit more advanced. And that work is new, has been in pilot, and we're excited about now rolling it out.

Hiroko Tabuchi, New York Times: Hi. Thanks so much for taking our questions this morning. Just very quick questions on your way to restructuring. Can you tell us what percentage of your workers are part-time versus full-time and do you envision that ratio could change once this restructuring is put in place?

Greg Foran: Sure. The ratio is approximately 50/50, and we would not expect any significant change to that through this particular change.

Hiroko Tabuchi: And I'm sorry, could you remind me of what the cutoff of weekly hours are for part-time versus full-time?

Greg Foran: Yeah, I think it's 30 hours.* 30 hours plus puts you into full-time.

[*Note: 34 hours per week is considered full-time]

Courtney Reagan: Hi, there. Thank you again for taking a second question. If I could just again bring it back again to something a bit more macro-level that you spoke to in the release. You spoke about deflationary pressures or pricing, I'm wondering if you can elaborate on that, and if it's just being seen in areas like consumer electronics or if it's a general concern going forward?

Doug McMillon: Courtney, is your question centered on the United States or more broadly?

Courtney Reagan: Yes, the United States.

Greg Foran: So, we continue to experience deflation in consumer electronics as the marketplace cycles through what happens in that particular area. In relation to grocery, there are pockets of inflation. There hasn't been any significant change in recent times and we wouldn't expect to see that change or alter.

Courtney Reagan: Okay. Is it a broader concern going forward for consumer electronics as a category? It's been mentioned by others. I don't know if it's just part of the paradigm or how you're looking at that.

Greg Foran: As I reflect on it, certainly over the last 20 years, to be honest with you, I've been dealing with deflation in consumer electronics, and I expect that will be the case. You always get a little bit of a pick-up when someone puts something new in. It might be a 4K TV, so all of a sudden you can get a little bit better pricing on TVs, but quite quickly it becomes a commodity and the price starts to spiral down and everyone is then looking for the new piece of technology to get the price back up again. But that's the joys of that particular industry and you got to be good at managing your way through it.

Courtney Reagan: Okay, and if I could, just a quick follow up on my earlier question. I know that you have said you're managing through with the port scenario and diversifying in every way that is possible at this point. I mean, as you've mentioned a number of times with inventory levels and making sure the store experience is a positive one. I mean, is there a period of time in which you can say "We are going to run into trouble with our consumers by not having products on the shelf if this dispute is not resolved by…"? I'm just trying to understand how dire or not the situation could be with regards to what we're going to see on the shelves or not.

Greg Foran: So clearly the longer it goes on, the more of an issue it becomes. Today, as I get around stores – and I was in stores yesterday – there are already some pocket securing of merchandise that I know because we have imported it that is getting held up. What we will start to see over a period of time, should this continue, is areas where suppliers that we buy off locally but they are importing product start to come into play. It'll have more impact on the West Coast than it will on the East Coast, and as we look ahead and forecast what we think may or may not happen, that then calls into play what we do with the diversified network that we have, and as Doug mentioned, what you might start doing around that. But there is no doubt if you went and walked stores today, you can begin to see the impact of that. If it continues, that will increase, and it will increase not just for us but also our suppliers, and they may manage their way through it.

Doug McMillon: Courtney, this is Doug. I suspect you could tell the difference between Greg's voice and mine because I'm the one that sounds like I'm from Arkansas. But as it relates to the port issue, the fact that seasonal merchandise is more impacted might also be of note. When you think about in-stock in the supercenter, food and consumables would be easier to manage through this process than seasonal goods like patio or things related to Easter for example.

Courtney Reagan: Okay, and at some point, will you have to estimate incremental cost of rerouting or getting through these distribution networks?

Greg Foran: We've considered that and included that in our forecast.

Courtney Reagan: Thank you very much, that really does help a lot. Thank you.

Kim Souza, City Wire: Thank you for taking my call. I wanted to address store traffic. It was up very nicely in the quarter, congratulations on that. I wonder if you might give us a little color around how much of that was related to Black Friday and Super Saturday's heavy promotion relative to everyday shopping. In other words, traffic patterns, have they stayed high in the quarter perhaps because of fuel prices being low?

Greg Foran: Thanks, Kim. So in terms of traffic, thank you for your comment, first of all, and yes, we are pleased to see the improvement that we've got there. As we've mentioned, we think some of that has to do with fuel and the ability of customers to take some more trips. The reality is, as we look at our results we see a difference between rural stores and metro stores and that certainly assisted us.

Kim Souza: So traffic patterns have stayed up since the quarter ended?

Greg Foran: Look, for the fourth quarter it was pretty consistent in terms of what we saw and we're happy with that.

Kim Souza: Okay.

Randy Hargrove: I think we're going to have time for maybe a couple more questions. And Hiroko, to the questions you asked about the full-time classification, let me clarify and build on what Greg said. That would be – 34 hours and above would be classified as a full-time associate for us, if you're building that into your story. We've got time for a couple more questions.

Paul Ziobro: Thanks for getting me in there again. I just wanted to touch on this notion that the wage increase would lead to better customer service. Can you talk about specifically how you're thinking this is going to play out and what kind of shortcomings with customer service that you might be trying to address with this?

Greg Foran: Really just building on what Doug said, we really want to lean in and improve the store experience for our customers. In order to do that, we've got to ensure that the associates are retained and you've got to take into account turnover and you've got to take into account their engagement.

Once again, as Doug mentioned, this is part of the puzzle. It's not the only part of the puzzle. So addressing what we're doing here in terms of the start rate, doing what we're doing in terms of department managers, I can tell you that Judith [McKenna, COO, Walmart U.S.] and her team are pulling together a comprehensive package, working with the merchandising team in terms of what we're doing with inventory, inventory flow, replenishment; so that at the end of the day, what we want to see through this year is an improving store. And we want the customer to see that. What they should be able to feel when they walk into a Walmart store is that it's clean, that it's tidy, that it's well-merchandised, that we've got associates there not only to serve them, but to answer their queries, that we're doing a better job with anything that we ship to the store for the customer and picked up. We know that this is the core of our business and that's what this program is all about. It is one piece that we announced today, but I can assure you that it is a multi-faceted approach and it will take some time. There's 4,500 stores out there and you literally have to do this one store at a time.

Paul Ziobro: Is there a sense that this is part of any greater competition for low-income, low-wage workers that you felt like you had to make this move? That there was greater incentive for them to go to another retailer, for instance, that might have offered higher starting wages?

Greg Foran: Where our stores are located – and I'm reasonably new, so I'm sure Doug will add on to this – but from what I've seen with where we're located, we pretty much serve most people in the United States and this isn't doing anything other than making sure that we serve them better in every location that we operate in.

Doug McMillon: And the wage market has always been competitive. It will be competitive in the future. And we make adjustments like this to make sure that we can attract and retain the talent we need.

Paul Ziobro: Thank you.

Randy Hargrove: Thank you. I think that takes us to time, so we appreciate everyone's participation. If you have follow up questions, Kory Lundberg or I will be able to help you. We'll see you next quarter. Thanks so much.