Walmart around the World and India Market Experience

Jill Anderson
October, 2017
Jill Anderson Global Experience

- Lived
- Worked, traveled
- Worked only
- Traveled only
Professional Experience

**Walmart**

2003-2015

International Division, International Finance
- EVP/ CFO Walmart India (New Delhi, India)
- VP International Financial Planning
- Regional CFO Americas
- Sr. Director International Finance

**LSG Sky Chefs**

1990-2002

Chef Solutions Division (Home Meal Solutions)
- SVP CFO

Caterair Australasia (Sydney, Australia)
- VP Finance and Information Technology

- Sr. Manager, International Financial Planning
- Manager, International Food Services
- Staff Auditor

**Marriott**

1980 - 1990

- Staff Auditor

**Price Waterhouse**

1979 - 1980

- Staff Auditor
Education, Affiliations, Hobbies

University of Virginia, B.S. Commerce, concentration Accounting

C.P.A., State of Virginia (License lapsed)

Member
• Finance Executives International
• Women’s Leadership Council, United Way Southern Nevada
• UVA Alumni Association

Interests/Hobbies
• Golf
• Skiing
• Travel
• Hiking

Dual Passport Holder – USA and Australia
Today’s Agenda

1. Walmart International Overview

2. Walmart in India

3. India eCommerce – Should Walmart enter
Walmart Global Footprint

- Big and diverse business
- $116B+ revenues, 100M+ customers/wk
- 6,363 stores across 27 countries (ex US)
- Ecommerce sites in 9 countries
- 1M associates
## Walmart Market Entry Journey

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Year</th>
<th>Market Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>1991</td>
<td>Minority Stake</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Majority Stake</td>
</tr>
<tr>
<td>Canada</td>
<td>1994</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Argentina</td>
<td>1995</td>
<td>Organic</td>
</tr>
<tr>
<td>Brazil</td>
<td>1995</td>
<td>Organic</td>
</tr>
<tr>
<td></td>
<td>2004/5</td>
<td>Acquisition (2)</td>
</tr>
<tr>
<td>China</td>
<td>1996</td>
<td>Organic JV</td>
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<tr>
<td></td>
<td>2007</td>
<td>Acquisition</td>
</tr>
<tr>
<td>UK</td>
<td>1999</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Japan</td>
<td>2002</td>
<td>Minority Stake</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>Majority Stake</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>100% ownership</td>
</tr>
<tr>
<td>Central America</td>
<td>2005</td>
<td>Joint Venture</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>100% ownership</td>
</tr>
<tr>
<td>India</td>
<td>2008</td>
<td>Joint Venture</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Exit Retail</td>
</tr>
<tr>
<td>Chile</td>
<td>2009</td>
<td>Majority Stake</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>100% ownership</td>
</tr>
<tr>
<td>Africa</td>
<td>2011</td>
<td>Majority Stake</td>
</tr>
<tr>
<td>Germany</td>
<td>1997</td>
<td>Acquisition</td>
</tr>
<tr>
<td>South Korea</td>
<td>1998</td>
<td>Acquisition</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>Market Exit</td>
</tr>
</tbody>
</table>
## Market Entry Learnings

### What Worked?

- Market Entry: acquisition of major player
- Local brands: strong customer affiliation
- Local partner: knowledge of retail market
- Multiple store formats

### What did not Work?

- Competitive/fragmented market, enter with non dominate market share acquisition
- Focus across a country vs. winning a city/region
- Government relations importance low
- Business integration
- Lack of strong anti-corruption policy
Multinational and Global Leverage Strategy

**Multinational**
- Winning customer proposition, adapted to local market
- Path to significant market position
- Strong local talent

**Global Leverage**
- North America Core
- Talent
- IP and Ideas
- Multiple store format/ecommerce
Walmart Global Formats to meet Local Customer Needs

- Hypermarket (Supercenter)
- Supermarket
- Sam’s Wholesale
- DIY
- Gas Stations
- Gen’l Merchandise
- Small Supermarket
- Electronics
- Discount
- Multi channel ecommerce
- Wholesale
- Multi channel ecommerce
Walmart Global Banners

Mexico
- Walmart
- Bodega Aurrera
- Superama
- Sam's Club

Central America
- Paiz
- La Despensa de Don Juan
- La Unión
- Masxmenos
- MaxiPali
- Maxi Despensa
- Walmart
- Dispensa Familiar
- PALI
- ClubCo

Canada

Brazil
- Walmart
- BIG
- Hilmar
- Coronado
- Serafino
- Nacional
- TodoDia
- Maxi

Argentina
- Walmart
- Chango Mas
- Entrada
- Salida
Walmart Global Banners

Chile

China

Japan

India
Walmart Global Banners

U.K.

Africa (Massmart)
Why India? At $482BN, the India retail is largely unorganized

Size of retail market in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Sales USD Bn</th>
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<tbody>
<tr>
<td>2008/9</td>
<td>276</td>
</tr>
<tr>
<td>2012/13</td>
<td>482</td>
</tr>
<tr>
<td>2013/14</td>
<td>534</td>
</tr>
<tr>
<td>2015/16</td>
<td>672</td>
</tr>
<tr>
<td>2020/21</td>
<td>1150</td>
</tr>
</tbody>
</table>

CAGR - 14%

Size of organized retail in India

USA, Taiwan, Malaysia, Thailand, Indonesia, China, India

Retail supported by “Mom and Pop” stores & under-developed infrastructure

Source: KPMG - Indian retail The next growth story. (2014); Credit and Analysis Research Limited – Indian Retail Industry- Structure & Prospects (June 2017)
Key Challenges for Indian Market Entry

Regulatory

- Foreign Direct Investment (FDI) in multibrand retail not permitted
- 100% wholesale (business to business) permitted
- Pricing regulation
- Lack of clarity in laws

Market Entry

- When FDI opens, it will not be 100%, thus local partner is essential
- Competition for suitable partners
- Understanding Indian consumer and diversity of tastes

Government & Media

- Retail FDI sensitive in country of small shopkeepers
- Democracy with detractors, US spill over
- Ruling coalition with diverse social and policy agendas
- Walmart entry national business story
- Free press with proliferation of media outlets
Walmart Benefits: Modernize the Primitive Supply Chain
Walmart Benefits: Direct Farm to Retailer Program

- 40% of locally grown food goes to waste
- Lack of cold chain storage facilities
- High commissions paid to multiple middlemen

Inefficiencies in India’s agricultural system causing millions of tons of wasted food each year.

Source: MIT news
Walmart Benefits: Serve the “Mom and Pop” (Kirana) unorganized market
Walmart selects Bharti Airtel as India JV partner  (2007)

- Allows access to retail
- Local knowledge and relations
- Leading Indian company with solid reputation and culture
Bharti Walmart (BWM) partnership in India

**Bharti**
- Small & Medium Format Stores
- Store Operations across India
- Marketing & Advertising
- Real Estate Acquisition

**Walmart**
- Modern Wholesale
- Supply Chain
- Cold Chain Logistics
- Technical Expertise (Franchise Company)
Easyday – small supermarket

Easyday market – supermarket with general merchandise. Located in malls

Best Price – Wholesale to businesses only

Let’s look inside.............
• approx. 3,000 sq. feet
• Mostly food
• approx. 45,000 sq. feet
• Food and General Merchandise
• 50,000 sq. ft
• Sells to businesses only
Challenges Pressure Walmart (2012)

**FDI**
- Multibrand retail, up to 51% if states permit. Cities>1M
- 30% Indian small/medium supplier sourcing
- Greenfield $100M infrastructure investment

**Foreign Corrupt Practices Act**
- Government bribery investigation under U.S. laws
- Company executives exit company
- Real Estate pipeline exits

**India Investment**
- Indian Central Investigative Agency “Enforcement Directorate” probes Walmart’s $100M investment in retail holding company

**U.S. Lobbying**
- Routine U.S. lobbying disclosure to “enhance market access for investment in India”
- Lobbying not permitted in India
- Opposition “lobbying efforts involved bribes to Indian Officials”
Walmart and Bharti end JV (Dec 2013)

Wal-Mart Pulls Back in India
U.S. Company Ends Venture With Bharti, Will Focus on Wholesale, Not Retail

In India, Wal-Mart will continue to operate 20 Best Price Modern wholesale cash-and-carry stores. AGENCE FRANCE-PRESSE/GETTY IMAGES

Wal-Mart splits from India partner; stores on hold

Wal-Mart Paid Nearly To $334M to End Indian Partnership With Bharti Enterprises, Incurred Loss Of $151M: Annual Report
Walmart remains bullish on India, grows wholesale format

Wal-Mart, thwarted by India's retail restrictions, goes big: wholesale

Walmart reiterates commitment to India

OUR BUREAU

Walmart to launch 50 stores in big India push

The retail major has said it plans to launch B2B e-commerce platform for members of its cash-and-carry ‘Best Price Modern Wholesale Stores’.

Walmart resumes India expansion after 3-yr break

Rolls out first standalone store in Agra
Walmart CEO Doug McMillon meets with PM Narendra Modi, reiterates Walmart’s commitment to expand in India
Recent India regulations will enable further growth

• 100% FDI in food retail, Walmart reviewing

• Demonetisation (eliminate INR 500/1000 bills) results in increased noncash transactions

• GST (Goods and Services Tax) shifts informal retail to organized wholesale, enables centralized warehouses
India eCommerce - Hottest Growth Market
India most promising market for retail expansion, ecommerce

• India tops 2017 emerging retail market list, ahead of China¹
  – GDP growth 7-8%, 3rd largest world economy by 2022
  – Urbanizing population
  – Growing middle class, women in workforce

• Explosive on-line retail growth foreseen
  – $16B market in 2016, forecasted at $200B in 2026²
  – Rising internet population (450M), low data access cost, shift to smartphones and flow of credit/mobile payment options
  – Key players (Flipkart, Amazon, PayTM, Snapdeal, Ebay) funded by leading ecommerce players: Alibaba, Amazon and leading Venture Capital firms
  – but............... 

• Low margins results in heavy losses (Amazon $550M in 2016, may reach $1B in FY2017)

¹A.T. Kearney annual look at emerging retail markets
²Morgan Stanley explains why India’s e-commerce market is a hot investment opportunity, Sept 29 2017
India Major eCommerce Players

1. Venture Capital, Softbank, eBay, Microsoft

2. Invest at least $5B

3. Ratan Tata, Softbank, eBay and Alibaba funded

- Myntra.com
  - India’s Largest Online Fashion Store
  - #1 in app download, Alibaba, Softbank funded

- Snapdeal.com

- ShopClues.com

- Jabong.com

- Paytm

- Amazon.in
  - #2 – Invest at least $5B

- Flipkart.com
  - #1- Venture Capital, Softbank, eBay, Microsoft
**Should Walmart invest in India eCommerce?**

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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<tbody>
<tr>
<td>• Gain foothold in explosive eCommerce retail growth</td>
<td>• Thin operating margins, expect losses for many years</td>
</tr>
<tr>
<td>• FDI allows eCommerce marketplaces</td>
<td>• Major players (Amazon, Alibaba, eBay) already entered market</td>
</tr>
<tr>
<td>• 100% food FDI</td>
<td>• Compliance cost and constraints</td>
</tr>
<tr>
<td>• Leverage wholesale stores for pickup</td>
<td>• Focus taken away from U.S., China eCommerce investments</td>
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<tr>
<td>• Branding, logistics, sourcing and retail experience</td>
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*Based on past learnings, how should Walmart enter the India eCommerce market – acquisition, organic, joint venture? Timing?*