

DANIEL DOCTOROFF: Good evening. I'm Dan Doctoroff, the CEO and president of Bloomberg, and it is my pleasure to welcome you to the CEO Speaker Series hosted by CFR's Corporate Program. The Corporate Program, which is comprised of 170 member companies, seeks to connect the corporate community, the business community and the foreign policy community.

I have one major announcement: not turn off your cellphones, smartphones, but they tell me to tell you not to just put them on vibrate, because otherwise they will interfere with the sound system. And if you'd like to use an electronic device, please do so outside the meeting room. An overflow room with a live feed of the meeting is available.

I should also point out that CFR members around the nation and around the world are participating in this meeting via password-protected teleconference. And I would like to remind the members that this meeting is on the record.

So we'll get started. I want to first of all congratulate all of you for making it through the enthusiastic crowds outside. (Laughter.) I'm told that the last person who received such a welcome was Moammar Gadhafi, but -- (laughter) -- in any event -- (laughter) -- I really want to welcome our guest here this evening, Mike Duke, who is the president and CEO of Wal-Mart Stores.

Just a little bit of background on Mike: He joined Wal-Mart in 1995 after a long career in department store industry, joined -- and has run since before becoming vice chairman logistics, distribution, administration, Wal-Mart U.S. In 2005 through 2009, Mike was the vice chairman, had a corporate strategy and probably more significantly, led Wal-Mart's international expansion under his tenure at Wal-Mart -- leading Wal-Mart International. Sales doubled just over that four- or five-year period of time, and international sales went from something like 19 percent of revenues to 25 (percent).

Since he became CEO, he has reversed a same-store sales decline, which has persisted for several quarters. And now we've not only seen same-store sales improving over the last several quarters, but margins have improved.

Just to give you a couple of statistics on the magnitude of Wal-Mart, Wal-Mart globally has a hundred thousand suppliers, has 2.2 million employees, 1.4 million of which are in the United States, the largest employer -- private employer in the world and has \$440 billion in sales. That, by the way, is equivalent to the GDP of Argentina, one, by the way, going in one direction -- (laughter) -- and the other in the other direction.

I do -- will just inject one personal note, which is that Mike is from Fayette County, Georgia, and when he was in high school there, before going on to Georgia Tech, he was on the football team, and as captain, I -- were you captain of the football team?

MICHAEL DUKE: That's right.

DOCTOROFF: Captain of the football team. He --

DUKE: Small team. (Laughter.)

DOCTOROFF: But he was awarded at the same time the sportsmanship and headhunter awards - (laughter) -- sportsmanship for being a good sport, headhunter for being brutal. (Laughter.) So in any event, you'll see that those are many of the characteristics, I'm sure, that have enabled him to lead Wal-Mart with such distinction.

So what our plan is here is to have a conversation just between the two of us for about 25 minutes, and then we're going to open it up to members. There's lots of things we're going to touch on. Obviously, you're free to ask any questions you want. The major theme, though, of this evening is the role of business and the responsibility to lead. And we'll focus a bit more on the emerging markets.

Before we do, though, Mike, why does New York love Wal-Mart so much? (Laughter.)

DUKE: You know, I think, Dan -- and first let me say thanks for the introduction. I am amazed at how much information is public. I thought that stuff about my football history would be long gone. (Laughter.) But that is interesting. But I do appreciate your warm introduction, and I really appreciate the warm introduction outside on the sidewalk. (Laughter.) And it shows this love for Wal-Mart that New Yorkers have for us.

It is interesting. You know, I -- the information you shared about our scale -- you know, with that, I think, comes lots of great things and benefits and opportunities. And also, I guess, with scale come some challenges too. And so the fact that we are who we are and operate here around the United States and around the world and have a business of this scale -- we've had good success over the years.

And you know, at times, that leads to opposition, and it leads to those that would want to slow down or have a different point of view. And that's the only reason I would say I -- you know, as those express their points of view that might be different than mine, I say, isn't it wonderful that we can live in a country and be here in this great city and have the freedom to express different points of view. And I think it's a good place to be.

DOCTOROFF: Do you really feel that way?

DUKE: Actually -- (laughter) -- you know, sometimes -- you know, but I really do, you know?

DOCTOROFF: Yeah -- (inaudible) -- so, you know, one of the things that certainly I think about at Bloomberg, and I know you do too, is how you think about kind of the -- balancing that responsibility to lead with the responsibility to actually earn a profit and serve shareholders.

DUKE: I do believe if I look back on the history of Wal-Mart, this really is part of our culture. This year we celebrated Wal-Mart's 50th anniversary, and throughout the year we had lots of celebrations, and then particularly in the summer, because summer of 1962 Sam Walton, the founder of our company, started the company with one single store in a small town in Arkansas.

And that store number one, as we number the stores, has now grown into the business that you referred to, a worldwide business.

And I really think the culture of our company has been a focus on responsibility all of the 50 years of our business. And when I look ahead to the next 50 years, I think, if anything, it's going to become even more critical.

You know, the -- this week -- we'll actually serve a few more customers this week, but a typical week at Wal-Mart, we will serve about 200 million customers, about 140 million of those in the United States. And by the way, many of those live in New York City; they just drive over somewhere else, but they -- many of them are served. But the 140 million U.S. citizens and 200 million around the world would be today's population that visits the store.

I really think a big part of my job is also looking after the future. And we can see today, we are serving the emerging -- the emerging middle class of the world. And what's really, really wonderful, we look out to the future, and we see great opportunity for Wal-Mart to become an opportunity to serve even more customers worldwide.

But then I also think there comes great challenges. And I think that's where this responsibility becomes just as critical to our long-term health as a business, to our shareholders, to our customers for the future. We look at the real facts around resources, and the resources to run our business, food resources, the way the world may look 10 years, 20 years, 50 years from now. And we want to still have for the next 50 years the same mission that Sam Walton had when he created the company, and that was to help people live a better life.

I think helping people live a better life really starts with, what are all the aspects of responsibility? We think it's just -- it's a part of our DNA now; it's a part of what makes us a great company. And I think it's really, really critical to the future -- topics like sustainability, and then even more recent focus on women's economic empowerment that has become a major global initiative force in this area of responsibility. I could go on and talk about healthy foods, particularly here in the United States, and the big initiatives here that we've had in that area. But these are examples. But the area of responsibility we see as very, very important and critical and one that we're weighing in wholeheartedly as a critical part of our business.

DOCTOROFF: But going back to my question about -- for that balancing of responsibility, what you obviously take seriously in so many ways, and sort of the relationship between that and kind of profitability. And you see a manifestation of that tension outside where -- and we've seen it on the busiest shopping day of the year, where there were protests; you know, (our ?) New York is claiming that wages, you know, aren't adequate -- really live (up ?) that middle-class or emerging middle-class life -- there's questions about scheduling -- I assume that is sort of that tension between that responsibility and profitability. And how do you just think about that?

DUKE: You know, actually, it's interesting because I don't spend much time thinking of the tension. I can appreciate the fact that there can be different points of views. But let's even take the topic of -- you mention some of the protests related to our associates and employment at Wal-Mart.

When I end up feeling is a great sense of pride about these 2.2 million associates that work for Wal-Mart, or 1.4 million here in the United States because I get to meet them every week. I'm out in the stores visiting, talking to them. Frankly, these associates that often are referred to are (the sense ?) of my own personal inspiration. I'll sometimes say to our people in the home office in Bentonville, if you're ever down in the dumps, go out and visit stores and talk to our store associates.

And so the characterization is not always accurate. These associates -- as a matter of fact, here in the United States, some really tremendous information -- last year we promoted 165,000 people in the United States from an hourly position to a management position. Seventy-five percent of our U.S. store management that is in our store operations management started with the company as an hourly associate.

And so this tension from some of the recent protests, for me it's not a tension. It's the associates I take great pride in, and it's, you know, really a fun, enjoyable, inspiring role to get to -- to get to lead a group of associates like this.

DOCTOROFF: You know, when I was deputy mayor of New York, we created the New York sustainability plan.

And in coming up with the plan, one of the most difficult tasks was actually to define sustainability. What is -- (inaudible) -- Wal-Mart has a significant effort, I mean, really led sort of the world from a corporate perspective in terms of sustainability, but what does it actually mean to you? How do you define sustainability?

DUKE: And I would probably qualify, Dan, that I think we continue to broaden the expansion of sustainability. But I really start with where we started in sustainability back a few years ago. You know, I would say we started with more of the focus on environment and the sustainability of the planet. We set three big goals, and we're not -- we're not opposed to setting big, aggressive goals on topics like this.

So a few years ago, we said, we want to be 100 percent supplied by renewable energy as one goal. A second goal would be to create zero waste in our operation. And a third goal would be to create sustainable products for our consumers and for the world and the environment. And, you know, we didn't know how we were going to get there, but we said, let's start this journey, this path with this definition of sustainability by having three goals that we will try to galvanize the organization around. And frankly, my predecessor and I, we spent a lot of time on it. My focus has been to accelerate this area.

And so this focus on elimination of waste, on energy, on the products we serve has led to just hundreds and hundreds of examples. And even back to your earlier question about tension, sometimes someone will say, this sustainability focus -- you're spending a lot of money on it; is that good for shareholders? And often people will think that's a tension. It's really not, because we have saved hundreds of millions of dollars.

This has been -- the work on sustainability has been one of the very best things we've done to help the P&L of the company, because eliminating waste is good for the efficiency of operating a business. And this focus on energy and reducing utility cost -- you know, there's nothing wrong with that from a P&L standpoint if we can help to focus on how we install LED lighting -- or one great example that I have to tell you about, because again, this starts with the associates, these 2.2 million people that are -- that are all working on this.

This is not my idea, because we would have never gotten this plane off the ground if it was depending on me to come up with the ideas, but our logistics organization in the United States -- we have the best truck drivers in the U.S. I think about 8,000 people that drive Wal-Mart trucks across the United States, are, I think, driving about a billion miles. This past year, the group delivered -- I believe it was 68 million more cartons of merchandise to our stores with 25 million fewer miles and saved millions of dollars.

And so this focus on more efficiency is better for sustainability, better for the planet, helps us to achieve our goals, and it's really not a point of tension or stress, because it's good for shareholders at the same time.

DOCTOROFF: Tell me a little bit more about sort of the work you've done on your supply chain. I mean, with a hundred thousand suppliers purchasing hundreds of billions of dollars of goods every year, how do you enforce that discipline on the suppliers? And then how do you communicate what you're doing to others to serve as an example to other companies?

DUKE: Well, I would say we really have really good support and relationships with our suppliers. The suppliers here in the United States -- and they can be the large companies based here or the very, very small companies that are starting up and may just be supplying a few products to a few stores -- and then as you mentioned globally, we have a supply base around the world. So the real answer to your question is it takes work every day, you know, and we will never be there completely. And so the definition of expectation and having clear expectations and agreements, this communication, training, development with suppliers is really, really critically important.

I might go back to sustainability. That's an area that when we've been on this journey on sustainability, we've had a number of summits and milestone meetings and helped to lay out for our suppliers our own personal objectives. And we asked them to participate, and we thought it would be a win-win, that if suppliers can reduce packaging, then we can share in the benefits, and that has been the case.

We've had tremendous support from our supply base in the area of sustainability. But we're never there.

In sustainability, we're now working with suppliers on something called the Sustainability Index, with a consortium of other retailers, suppliers, universities, of creating a way to measure, basically, the sustainability footprint of products. We're starting with categories of -- so that even consumers can know, how good is this product, you know, for the planet, for long term. We want full transparency. We want consumers to know. We want to know because when we look at the

products that we sell, even though we may not produce them, we want to have good products that are good for consumers but that are good for the world long-term. We think finding ways to measure that and to share that in a transparent way -- and that's where our suppliers have been very, very helpful, great partners in developing that, an many of them have joined this organization, helped develop and communicate this index.

But there are many examples, and we're not there. We have a long ways to go of this continual development. And it is true partnership. I'll tell you, I meet with CEOs, some in the room here, probably, that maybe come to Bentonville, Arkansas. And I always ask -- I had some meetings here in New York today -- I think when I try to wrap up every meeting and say, what advice do you have for Wal-Mart? And I get a lot of great advice. And sometimes I might not want to hear it all. But I think our suppliers provide candid input into how we can make a better operation too. And that's what this spirit is all about in this relationship with our supply base.

DOCTOROFF: What was the last piece of advice that you heard that you thought was valid but really was painful to hear? (Laughter.)

DUKE: You know, it's interesting -- I'm trying to think -- you know, I would say that our suppliers are really helpful about also being out in the stores. And they'll see things in our stores at times that we just are not good at. And it could be presentation, how to make shopping easy for the customer. And often it has been related to something where their particular product might not be in the best way for customers to be able to see and experience the benefits of their product. So, you know, I think it is the case often where the suppliers know their product and know their categories better than we do. We may have the direct relationship with the consumer, but often the suppliers really have the understanding of the product better, and their feedback about the store operations or presentation is often the advice that can be very, very helpful.

DOCTOROFF: The -- you know, you talked a little bit earlier about culture and how the values of Wal-Mart have remained essentially consistent over 50 years since Sam Walton started that first store. Now with 2.2 million employees, how do you sustain a consistent culture, particularly as you move outside the United States more aggressively?

DUKE: This is one that requires, I think, clearly, a tone at the top but also requires just a great deal of work with all of our associates on the front line. And so there is just no substitute for communication, training, information sharing. And this focus on culture -- you know, we do it as just a part of our everyday activities.

I wish all of you -- we'd said this earlier, and I know it might not be on your schedule, but I wish all of you could attend our Saturday morning meeting. And this is -- and I know this will sound crazy. We actually started at 6:30 on Saturday morning with a meeting and a breakfast to honor our 25, 30, 35-year associates. And they come -- believe it or not, they come in at 6:30 with their families and children and have a breakfast meeting, and we give great honor to these long-term associates. And in that session, we talk about culture, integrity, foundation of our company, the mission of helping our customers to live a better life. So then at 7:30 we go into a much bigger meeting.

This past Saturday we would have had several thousand people in a very special meeting. We started it off with our Wal-Mart choir singing great holiday music as everyone came in.

We did a Wal-Mart cheer that's been in the company for many years. Give me a W-A-L. And in that cheer, we close it by "Dy2D" the last part of the cheer is, who's number one? And everybody in unison says, the customer! And all of this is part of culture.

Throughout this meeting, from 7:30 to 9:30, we would have had great music, entertainment. Sometimes -- some of you have been, as I said. Maybe you've spoken.

But a great deal of this big meeting is culture. And we will have other countries connected by video conference, and then they'll take this message back in their meetings. And so there is just no substitute for me, the other senior leaders, for our country presidents to demonstrate and train culture.

Now when we see variance from culture, then we have to take swift action. And depending on the degree of variance, if -- it could be something as -- not treating another person with respect. That needs to be coached and corrected.

You know, we just -- the way -- the tone of conversation we have at Wal-Mart is part of culture. We call it respect for every individual. It's where we focus on diversity and inclusion. We want every person at every meeting to feel like they can contribute to the fullest of their potential. No one should be held back. And that's why we put a tremendous initiative around this topic of diversity and inclusion. It's a critical part of our culture. If we see a variance from that, we think it's important to address it quickly.

Now I mentioned earlier the foundation of our culture is integrity. I view that as one that is not a matter of helping to develop someone's integrity. That's one that we address in a different way because integrity is not one that I think can be -- can be developed. And we really focus on that as a critical, critical part of the foundation of our culture. We have an expectation, a demand, that every Wal-Mart associate, every manager, every leader does the right thing. And you know, it's not one that we can overlook little things and focus on the big ones. In the area of integrity, it's a focus on doing the right thing every day.

And so it's a -- it's seven by 24 in every country that we operate in. And "culture" is a word that's used a great deal, maybe overused, but it's really a critical part, because I believe -- why our company has been so successful -- I look at why Sam Walton -- and by the way, when Mr. Sam died -- I never met him; he died in 1992 -- the company this year will be a multiple of about 12 times the size of Mr. Sam's last year before he passed away. I think his greatest legacy wasn't the first \$40 billion. It was what happened since then. And that foundation, I think, of the company is about the culture and this mission of -- with our customers.

DOCTOROFF: Given the focus on culture, the focus on integrity that you described, I would assume that the allegations against the company relating to bribery in Mexico, violations of the Foreign Corrupt Practices Act which have been alleged in Brazil and India and China are particularly painful for you.

DUKE: Absolutely. And I'll tell you, we take those allegations very, very seriously. And as -- I would just clearly state we have an investigation ongoing that's under the oversight of our audit committee of our board of directors. Our audit committee is five outstanding external directors, of course, and provide the oversight. And our audit committee will then -- of course working with the Department of Justice and the SEC, will conduct -- I said the absolute audit that needs to be done to ensure that we do the right thing. And we'll take the appropriate action on the conclusion of this investigation.

What I will say is even in this experience, though, that we're not waiting. We use every experience like this to try to be a better company. And early on, after The New York Times article came out, I said we're going to raise the bar and make -- this'll use this to make Wal-Mart an even better company and even a greater focus on integrity, doing the right thing. We've installed a number of additional steps in this particular area of FCPA compliance. I think -- and as we look at markets around the world, we've taken a look at just how we operate and put in place compliance operations.

We established a new office of compliance. Last week we recruited -- and just started to work -- a new senior vice president of global compliance that started with Wal-Mart that -- and I think this focus will make us a better company regardless of the outcome of the investigation on Mexico.

DOCTOROFF: Yeah, you're a company that really relies on trust with its customers and your -- and your employees. You know, another recent thing that you've been, unfairly, in many ways, embroiled in, is the fire in Bangladesh where an unauthorized supplier factory burned down, killing over a hundred employees. When you see something like that, where it is such a threat to your -- the integrity of the company, even where you know that -- and no one has disputed the fact that it was an unauthorized subsupplier -- how do you deal with that? What -- how do you respond in a way that ensures that those values get -- continue to get communicated internally and externally?

DUKE: Well, I think our collective first response was just the sense of tremendous tragedy and agony for those involved, the -- those that lost their lives, their families, co-workers and others there in Bangladesh. You know, they're real people working hard. They're trying to be a part of this emerging middle class. And we don't have stores in Bangladesh. But our mission, you know, whether it's in our stores or in our supply chain, is to help people have a better life. And so I think as we heard about that tragedy, the first communications and email was about the people involved and -- obviously in a horrible tragedy.

You know, I think then we started of course looking inside in our own investigation and understanding. I will tell you that over the recent years Wal-Mart has made the factories in Bangladesh and in other countries around the world safer, particularly in this area of fire safety. You know, back a few years ago, I'd say in 2010, led a very serious focus in Bangladesh on fire safety. Matter of fact, in 2010 we had 94 factories that we stopped doing business, we decertified and said we would no longer have products produced in those particular factories. I believe we had 23 other factories that corrected and moved up their standards in the area of fire safety and

made some progress with some other factories.

In 2011 there was even more progress made, and we worked with other organizations and other retailers to raise the bar and did tremendous amount of training across the country; I believe over 3,000 factories went through the training that was developed, including fire safety and the standards even for the associates to note. And then in 2012 even raising the bar more with a -- even additional audits and additional focus.

You know, unfortunately, you know, this particular factory was one of the ones that had been decertified and was one that Wal-Mart did not use and authorize. You know, I will tell you that that particular supplier, when we found out had used an unauthorized factory, we took swift action. We terminated our relationship with that supplier, would no longer purchase any product.

But with all of that, we're still stepping back again and saying, what else can we do? You know, this is complicated. There are multiple steps in a supply chain. There could be a supplier that may be based here in the United States. They may be buying from factories, and sometimes there are subcontract factories. We have a requirement to know those factories, though. And in this case, that violation occurred, and we're not going to do business with that particular supplier anymore. But that doesn't cause us to stop and to be -- cause us to even more -- to say, we need to raise the standard even more, we need to work with the industry and to find other ways to raise the bar on safety standards all over the world.

DOCTOROFF: Do you sometimes feel like -- in particular in these emerging markets, that it's just too difficult to compete fairly, that that gets stacked against sort of this big American company?

DUKE: No. As a matter of fact, I feel great honor that as a large American multinational company, that we have this opportunity because I really believe that even these topics that we've discussed, we can help to raise the standards of the world.

I think Sam Walton would be proud. I think he'd say, we're helping people live a better life, and we're going to keep doing that in multiple ways in the future.

You know, I think about our success and our scale, our increased sales, increased number of stores. We're in 27 countries now. All of that -- with that success comes great expectation. And I say that -- isn't it a wonderful place to be that the world expects more of us? I wouldn't want to be leading a company that the world has low expectations of. So people say -- you know, more -- they expect more of you in Wal-Mart than they do of the local retailers. I say, isn't that a wonderful place to be? Why don't we help the country, you know, overall to raise the standards? And it could be topics like food safety. You know, in China, we want to help in the area of food safety and sustainability and how product is produced. So I consider it a great honor, and I hope every Wal-Mart associate would consider it a great honor to be in the role of expectation that we're in. And it just means we need to work a little harder to exceed those expectations.

DOCTOROFF: With all the success you've had at Wal-Mart, what would you say is your biggest regret as your tenure -- in your tenure as CEO thus far?

DUKE: That's a great question. I often see things, you know, in hindsight. And a number of areas, I'd look back and say, I wish we'd have moved faster. You know, the things that have worked well, then I look at it and say, we knew it was going to work well; why didn't we move faster?

One area that is really exciting that we are now moving quickly, but I wish we'd we have moved faster -- you know, I've been in the job now four years, and you know, even in the area of e-commerce, we have made tremendous progress this past year. We've had a really great, talented management team. We're based in San Bruno, California, in Silicon Valley -- fantastic time recruiting talent, built a new search engine this year. We've had a really great Cyber Monday, a great Green Monday yesterday. Business is moving. But I look back on my time in CEO and even prior to that and say, we should have moved faster.

And you know, I -- so I think even topics like sustainability -- there are things that I've seen and said, we knew they were good; why didn't we move more aggressively with doing what we know was right? And I apply that to both business practices but also in this area of responsibility and leading in areas like sustainability and women's economic empowerment, healthy foods. I believe we can do more and we can do it faster.

I do think we need to partnership (sic) even more. I think in recent years we've come to see that we can leverage and do more good for the world with greater partnerships. Earlier, Dan, you mentioned suppliers. But I think NGOs, governments, other organizations -- and I also look back and say, we've made great progress with working with external constituents, but I think we could even do more, and we can do it faster.

DOCTOROFF: Wal-Mart represents what percentage of U.S. retail sales?

DUKE: It's a -- actually a small number. I'm always amazed that people buy product at other stores. You know -- (laughter) -- and it's -- you know, I -- to be honest, I really don't know. It varies by category. And --

DOCTOROFF: Well, overall, it's got to be 8 (percent) or 9 percent, somewhere in that range?

DUKE: You know, I think if you take nonauto and other big-ticket, it would be somewhere in that range, probably. But --

DOCTOROFF: So where I was going with that is you probably have a view on the American economy with the data that you collect, and everybody knows that Wal-Mart literally collects every piece of data about every purchase than maybe any other company. What is what you're seeing right now telling you about the American economy?

DUKE: Well, and I'll -- the answer does come from the data. But I also validate the data in other ways because I'm an engineer, and I like numbers. So I do start off by looking at numbers. But I really like to look at real people. So the question about the American economy boils down to real people and how -- what do real people have to say.

And so it gets down to our customers, primarily Wal-Mart moms. You know, you may have heard the terminology even back before the election because we were doing a lot of polling of Wal-Mart moms across the United States.

And -- but we do data, and then I sit in customer focus groups. Fortunately, with technology now, I can sit in a group of customers that may be sitting in a room in anywhere in the United States. I can be in the big city of Bentonville, Arkansas, watching on video conference and can even insert questions in with those customers. And I use that to validate the data. In other words, I want not just the data, but I really want to see it with real people to see if the numbers match up. And then I do the next level, which is to go out to the stores and talk to customers in the stores.

All three say the same thing. That is that customer is still fragile. And this economic recovery is still very, very close. And we've seen some positive signs with information from consumers, but the positive signs have been very muted. The customers are still working to get by month to month, paycheck to paycheck. The purchasing patterns are still under a lot of pressure.

There are a lot of ways we even see that in the stores. We can see it by the products that customers buy, how the customer downsizes at the end of the month. You know, at the beginning of the month, a Wal-Mart mom will buy a larger pack size of diapers. At the end of the month, we'll buy smaller pack size. It just means that she has run out of money at the end of the month. And we track the data so that we can help serve the needs of that customer that way.

I will tell you -- and something -- I had the honor of being invited to the White House just the week after the election, and President Obama asked me, a few other CEOs to come for the first meeting with I guess eight or 10 business leaders. We talked about the data then. I told the president that before the election, we were doing I think as much polling as all the other polls that were going on. It was just on Election Day, everybody else stopped. We kept polling.

And there was a couple of data points that was interesting, Dan, around your question. One was the week before the election, only one-fourth, 25 percent of our core customers even knew what fiscal cliff meant, OK? One week after the election, it was up to 75 percent. Now these same customers -- 15 percent of our customers are telling us this discussion about fiscal cliff will affect what they spend on Christmas. Fifteen percent of our core customers are saying that all of this debate and discussion will affect their Christmas spending this year. So I hope that gives you a sense of some of the --

DOCTOROFF: (Inaudible) -- at this time, I'd like to invite members to join our conversation with their questions. So wait for the microphone and speak directly into it. Stand -- state your name, affiliation, and then please speak directly into the -- and then limit yourself to one question and keep it concise. So why don't we go ahead right here.

Q: Hi, good evening. Binta Brown, Kirkland & Ellis. Thank you so much for your time.

For me, the logical follow-up to your last statement is, what was the president's reaction to what

you polled? (Laughter.)

DUKE: I probably could have continued on with that discussion. And -- (inaudible) -- the president was very interested and very engaged in the discussion and wanted more information about the -- how the consumers -- as a matter of fact, we started sharing more of our polling information with the administration. And I think that it, you know, can be helpful on an ongoing basis.

I would tell you we had more discussions, and I was back again last week in Washington. And I think the receptivity of input from business, you know, has caused there to be a -- more feedback provided from business, and we've provided that ourselves. And we said that we do believe that this is a critical time for the country and this needs to be solved.

We do think that it's time for Congress to reach compromise on revenue increase. Revenue increase could mean potential addressing tax rates as well as elimination of deductions or some combination. We do think the administration needs to reach agreement on reduction in spending and entitlement reform. That would be significant, and that it would be a multiple of revenue

And that this is the one time, I think, when the country's facing this situation, when we need to solve it longer-term. We need a comprehensive plan that doesn't keep this debate going and going. We don't need to come back in 90 days and have another debate and another discussion and six months after that and the end of next year. I think the American consumer -- our Wal-Mart customers now are kind of ready for Washington to work together and to face long-term ways to address the financial issues.

I had one of our hourly associates -- when I was going out to the first meeting, one of our associates at Wal-Mart said, please tell Mr. President I'd give him two things; please tell him he's got to balance the budget. I have to balance my own checkbook; tell Mr. President he needs to balance the budget. And the other is please get it done quickly. You know, and I think that's the way Americans feel is that we really want to see Washington working together, Congress and the administration, and to come with a longer-term solution to the fiscal crisis.

DOCTOROFF: Right there.

QUESTIONER: Hi, Lauren Leader-Chivee from the Center for Talent Innovation. You spoke so articulately and beautifully about the commitment to culture and to the ongoing commitment of Wal-Mart to be out in front, to be a leader on key issues that are critical for our society, not just for the company, sustainability -- excuse me -- sustainability being an amazing example of that. But yet when Dan asked you about the hourly wage controversy, what I heard you say was, it's not a problem. You talked about how many folks you promote into management, which is commendable, but there are still huge numbers of hourly workers for whom the wages are clearly a major topic of discussion. Can you just say more about how you're thinking about leading on this issue so that maybe some of the controversy dies away and more of your associates join that middle-class dream? Thanks.

DUKE: Thank you very much. And I do agree that it's a major topic of discussion. (Laughter.)

And it's interesting, on the hourly wages, we do pay competitive wages.

So, you know, I think if you look at retail business, this is -- the thing is what I love about retailing -- and this may have something to do with that football analogy on sportsmanship, but also, I'm competitive. And I think retailing is probably the most competitive industry in the United States. And you can be a big company like Wal-Mart or smaller companies. The competition is intense, competition on pricing and product and how we operate our stores. And it's a lower-margin business, as probably you know. If you look at what is the actual operating margin of businesses, retailing tends to be -- as an industry, tends to be a lower margin. And I think a lot of that is because of the intense competition.

So -- but -- and from a competition standpoint, we play -- pay competitive wages, have outstanding benefits. We actually insure over 1 million people in the United States with our health care plans. So that is really, I think, the starting point. And even our jobs are -- become great opportunities for the future. Many of our associates are there for the opportunity -- the opportunity then to be a part of Wal-Mart and then to go on into other areas of management or to be in a role in the company. I will tell you that in the United States, these 1.4 million jobs -- last year we had over 5 million people apply to work at Wal-Mart in the hourly positions.

So frankly, we are pleased with the -- our associate base, the hourly associates and the way they serve customers. And -- but it is a very competitive industry.

DOCTOROFF: Right here. Wait for the microphone.

QUESTIONER: Alice Tepper Marlin, Social Accountability International. Thank you for your thoughtful comments about culture of integrity. Many of your products, your suppliers are located in countries where that's extremely challenging, where the government doesn't enforce its labor laws or its environmental laws, where corruption is rampant. And this recent fire in Bangladesh occurred in one of those countries, in a country extremely dependent on its export sector, particularly the garment sector.

I wondered what your ideas are for what Wal-Mart, as a major -- one of the most major importers from Bangladesh, might be able to do on a comprehensive basis, more -- beyond training in your own factories, how you could scale that up, but how you could really make a change there, get the -- convince the government to enforce its laws, reduce corruption and improve really basic elements of integrity and safety like fire safety in a country where even fire escapes and push-bar fire doors are a rarity in that sector.

DUKE: Thank you very much for the question and the concern. And I would tell you our starting point is the fact that we would not tolerate lower standards in the first place regardless of enforcement. So, you know, there are standards that we might even have that are higher than what the local standards might be. And our starting point is to have higher standards and to ensure enforcement of any relationship that Wal-Mart has with a factory or a supplier that we do business with.

But I will tell you -- you asked on a broader basis. You know, I think, again, part of this high

expectation of our company -- and I welcome this -- is that we have an influencing role also. And I do want to be helping to lead and influence around the world these topics of elevating the standards, whether it's -- whether it's safety of workers and how product is produced in factories or sustainability in how sustainable with the way product is produced or topics like I mentioned related to food safety. And there are many, and we understand different governments, different economies have different situations that they're dealing with. But none of that would cause Wal-Mart to lower our standards, and we're not going to tolerate nor do business in any way that doesn't meet those higher standards.

DOCTOROFF: (Off mic.)

QUESTIONER: Thanks. I'm Bruce Shearer (ph) with The Nature Conservancy. Mr. Duke, you've done a remarkable job, and I -- very impressive. Your company sounds so good. But we all know it's a tough world out there.

And following up on Alice Tepper Marlin's comment, there are so many countries where there's no rule of law, where there are no honoring of human rights, where there's impunity across all sectors of government. Do you stay out of those countries? What do you do when a country -- is there some test -- litmus test you have of human rights and freedom and trust and responsibility that stops you from going into a country?

DUKE: You know, it's interesting -- many of the companies that we do business with, major multinational companies, operate in a lot more countries than we do. And when you look at the globe, 27 countries really is not that much. We're not -- I often say we're not yet a global company. We're a multinational company, but we're not really as global as some other companies are, but we are growing.

I will tell you that we do look at those factors in making a determination. That's not to say that where we do business today is perfect, nor would I even say that doing business in a mature, developed market is perfect, you know? I think -- I never -- as I travel around the world, I don't want to try to give a projection that the United States is perfect. You know, I'm proud of our country here and what we do, but I also think that on a lot of topics here, we continue to work on here too, and so would other mature markets. So I think definition of standards of how countries operate is a sensitive topic.

But we do have that consideration, those kind -- rule of law, you know, compliance, governance, the risk involved of operating in a business. It would be -- it's a very practical analysis that we do. And there have been decisions we've made not to enter markets because of some of those factors.

DOCTOROFF: In the back.

QUESTIONER: Thank you. (Name inaudible) -- from the Financial Times. You obviously pride yourself on offering low prices to your customers, and those low prices often depend on getting low-priced products from factories in places like Bangladesh. And there seems to be a conflict between expecting low prices from those factories and expecting those factories to be able to

meet your standards. So could the solution to the supply chain problems not be to give back a bit of profitability to those factories so they can work in better conditions?

DUKE: I'd start with there is no conflict.

We will not buy from an unsafe factory. So this is not a price discussion about -- this is just a case of if a factory's not going to operate with high standards, then we would not purchase from that factory, and there's no -- there's no discussion about price.

QUESTIONER: Michelle Caruso-Cabrera from CNBC. When can we see the results of the internal investigation into the bribery scandal, or the allegations of bribery?

DUKE: I'm sorry, I wouldn't be able to say. I don't know. I think these things are intended to be very, very thoughtful, deliberate, well-done and very, very complete.

QUESTIONER: (Inaudible) -- with the Gibson Dunne (ph) law firm. Proud to be a Wal-Mart supplier, although not at everyday low prices. (Laughter.) Wanted to ask you to follow up on your comments about e-commerce and your feeling that you weren't fast enough and you could have done -- moved more quick in that area. You mentioned you're a competitor, and obviously within the retail sector no area's more competitive than e-commerce.

But I'd like to ask you about the basis for your excitement and where you see the growth in Wal-Mart's e-commerce efforts going forward.

DUKE: Fantastic. And I always appreciate our partnership relationships with -- starting with a confession -- (laughter) -- that's helpful in the area of transparency and honesty.

You know, I would tell you the excitement that I have about e-commerce starts with the people. I was in San Bruno in our office the Monday and Tuesday before Thanksgiving, and it's interesting because then I -- when I visited stores in California when I was on the West Coast. But the two days I spent with the team in San Bruno, the quality of talent that we have in the e-commerce operation -- many of them have worked with other technology and e-commerce companies and now have come together in the operation there.

But the kind of ideas and -- we also do a (hack day ?) thing where we get the innovation of the team and they come up with ideas on their own, in small teams. They did a demonstration of some of their new ideas for next year that they're developing. And seeing how, in this area of technology and e-commerce, how small teams can be so innovative and can come up with very quick solutions to help customers buy product anywhere they want, anyhow they want, on any device they want to use, and really to connect to Walmart.com in a seamless way is really exciting.

So my level of excitement starts with the people that make up the Wal-Mart team there.

QUESTIONER: You said you've -- I'm Allan -- (inaudible) -- Frank (sp). You said you shared data with the White House. Have you also shared it with the Republicans about how your

customers feel about the fiscal cliff? And what are you telling your lobbyists, or what are you telling members of Congress, especially Republicans, they ought to do?

DUKE: We have, actually, shared it broadly, including in public settings like this tonight. And so in some ways, sharing it can be in individual meetings, which I've done, but also in a broad way. And I really don't think it's -- you know, it's earth-shattering news. I think if today, any of us could go out and talk to kind of core Americans, go visit a Wal-Mart store and talk to those in the checkout lines while you're making your purchases, and you'd say, you know, what's on your -- what's on your mind? And this would come up in the topic of conversation, I think. But we have shared -- (inaudible)

DOCTOROFF: (Inaudible).

QUESTIONER: (Off mic) -- very much. (Inaudible.) My question, sir, is about the international market and how you view different markets. What about -- what are your highest target -- highest priority markets, the emerging markets, and how does India fit in, considering their mixed, sort of, reaction to retail?

DUKE: Sure. You know, if -- when we think of the future -- I mentioned the next 10, 20, 50 years. Clearly, looking at where there will be a larger emerging middle class -- and I've said earlier, you know, I think this emerging middle class, both here but all over the world, is the real opportunity for Wal-Mart from a business standpoint. And clearly, that points to the large population countries of the world: China, India -- I view Latin America completely as this -- just a gigantic opportunity.

Last year we also entered South Africa and sub-Saharan Africa, and I really do believe that over the -- a period of future years -- and by the way, our business there has just been fantastic. We have a great team of associates based in South Africa but operating in other countries too. And so these big emerging markets where there are a lot of people, where there is -- will be a big emerging consumer over the next decade will be our greatest priority.

And, you know, I would add, we've had a great business, like in Latin America, from Brazil, Mexico and Central American countries and others. And, you know, I look at the Western Hemisphere; from Canada all the way down to the tip of Chile, it's just a great opportunity for Wal-Mart. But then of course, these others are great for the future too.

And India, you know, I'm -- still believe that in India, things will get worked out. You know, I have confidence that it's a -- that's a country that has such an opportunity to help both the farmers, those that are producing products for consumers all the way through the supply chain through the consumer. I've traveled to India a number of times, and I really feel for the people of India because the people of India are missing on the opportunity right now because of the inefficiency of the supply chain and so many of the challenges. But, you know, I am patient, and I believe that over time, the -- that the process will get worked out in India, that we can help people live a better life in India also.

QUESTIONER: Hi. Patricia Glass, Morgan Stanley. You alluded a little bit to women's

empowerment, efforts that you make, and I'm wondering if that stretches beyond employing women, you know, in these emerging markets. It seems the scale in which you buy product might be too large for the microcompanies that women in emerging markets might be founding. So I'm wondering what those efforts might entail.

DUKE: Great question. I'm glad you asked that because it's a tremendous opportunity. Start her with the United States, we've committed to purchasing \$20 billion of product from women-owned suppliers here in the U.S., and we've committed to doubling the volume of purchases we can make from women-owned suppliers in other countries around the world. So we do believe that with working, training, developing -- well, even though we can have large scale, we operate on a -- one store at a time, and we sell products in groups of stores, and we sell a lot of products. So we do a lot of business here in the United States with small suppliers. And I'm always really pleased with the development of women and minority-owned suppliers that we work with here. And I think in the emerging markets, it's just a great opportunity too. We've -- we're doing a lot of time investing, training, development to help build these relationships so that -- so that we can achieve these goals that we've set.

I will tell you, other aspects of women's economic empowerment, we're doing a great deal of training, women in factories around the world that we can help to provide training of. There are so many, many great stories. There is one, Penda Ash (ph) in India, a young lady that wanted to be a teacher, but due to economic challenges, had to go to work in factories. And we provided training through organizations that I mentioned earlier that we partner with. And because of the training, of life skills and additional benefits that she's received, she's now going to be able to continue her education, become a teacher like her dream was. And so helping women with the training, with understanding in the workplace but also basic life skills in factories, particularly in emerging markets, is again a tremendous opportunity.

I will tell you, something I'm most proud of, though, is even internal. You mentioned separate of the jobs. We have made tremendous progress with women in leadership at -- from the board of directors, where we have four women serving on our board to the senior executives of Wal-Mart to our store management and across our whole company.

And it's like many of the other things I said, though: We are clearly not satisfied. We want to move faster. We want to achieve more and make a big difference because 70 (percent) to 80 percent of our purchase decisions at our checkouts are made by women. It's easy to understand why, again, when we go to our stores and talk to our customers, then it would be very clear that we should be focused on women's economic empowerment.

DOCTOROFF: Unfortunately, that is all the time that we have. An excellent note to end on. You know, the theme here tonight was responsibility to lead. Mike, thank you so much for giving us such insight.

DUKE: Thank you all. (Applause.)