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## The Next Normal: Which Business Transformation for Which Consumer?

***Judith McKenna, President & CEO, Walmart International***

***Moderator: Peter Freedman, The Consumer Goods Forum***

Judith began the session by sharing her thoughts on how Walmart International has been responding to the crisis in the 26 countries they operate. Consumer behaviour has been similar in many countries - and we're beyond panic buying already, she said. But it has also been shaped by government behaviour and legislation: factors such as how lockdown has been applied or fiscal stimuli managed have impacted how consumers have reacted in different countries. Understanding these elements should help understand what consumer behaviour will be in the medium term.

There have also been huge consumer purchasing trends that are probably going to stay: eating more at home, eating healthy and getting your groceries online, for example, were not things that everybody would be doing previously, but these have seen a dramatic increase across the world. There has been a lasting shift into online, even in countries where this was not a strong concept, and retailers need to work out how to respond.

Another lasting shift is towards value. During the 2008/2009 recession, we could see behaviours changing through that, but the shift now has been more dramatic, she said. Again, this may vary depending on different countries, but in general people are being more thoughtful about businesses they trust, and they are asking themselves questions about how much businesses can be trusted to take care of them.

Many of these trends were already there, with slight differences among countries, but they were fast-forwarded, and companies are now asking themselves how to respond to these.

After her initial remarks, Peter asked Judith a series of questions.

1. *Regarding e-commerce, what makes you convinced that this is going to stick? Particularly if you think about countries where the shock from Covid was less strong - i.e. China, who had been through similar shocks.*



Everyone is in a different place, with different severity of shock. In general, we can say we've seen adoption everywhere. Some countries have adopted delivery, others pick-up, depending on what they perceive as more convenient. Even in China, where online commerce was already very important, we've seen that baseline going up.

I still think people will continue to want to go to stores - this will not be a 100% shift. They may use stores differently, and how stores are safe and experiential will be really important, she noted. Shopping online in some form is more convenient for many, but not for all; however, as long as customer service is good, people will continue to come to you.

Search and demand were so significantly higher early on the crisis that we weren't able to give as good a service as what our customers were looking for, so maybe pulling back now a bit, to make sure foundations are in place and this shift can be there for the long term, is something that needs to be done.

- 2. Millennials and Gen-Z were already pushing us as an industry to be more sustainable and healthier. What makes you believe that these forces for sustainability will come back, and how will millennials or Gen-Z push towards it?*

People will care more: about the planet and about what they consume. You're starting to see a lot around this narrative, of people really caring. Not just what they eat, but also where they live. In India, for example, I've had people telling me how nice it is to be living pollution-free for the first time, and how important this is for them and their families. So the crisis has awakened something in some people, and we have to ask ourselves how we make it more like this, going forward.

This has brought generations together; this conversation is wide-ranging and important for everybody, not just one generation. We all have a responsibility, and it will fit beautifully within an agenda of safety, health and care going forward. It'll be woven into the fabric of what people expect.

- 3. The crisis has shone a spotlight on workers who have been exposed - workers on the frontline, in manufacturing plants, and as businesses and as a society we need to pay more attention to them. Do you see more emphasis shifting to the relationship to our employees in the supply chain?*



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Our teams are heroes: they've been extraordinary in keeping safe, our number one priority, and in serving our customers safely. Indeed, in many places around the world retail workers, essential workers, were in the spotlight. We've always believed they played a critical part.

There's a duty of care, not only from us, but as a broader societal position. These roles create entry level jobs, and when there's economic pressure, like now, the importance of having entry level jobs and creating opportunities is even bigger. So yes, this should be an essential part of thinking of how would a better world be built, going forward.

- 4. One of the things that is being mentioned as a benefit to our industry, our planet, our people, is that businesses, investors and governments are now lined up in the same direction. One of the concerns is that while businesses might double down in the sustainability agenda, governments will have a huge deficit to address alongside other priorities. What is the responsibility of chief executives to build that relationship to the extent it should be?*

People's expectations from businesses are already changing; society's expectations for businesses to do the right thing have never been more in the spotlight. It's different for each country, but in general through all this we are seeing more partnering with governments, institutions and other bodies, and with each other in the retail industry, in ways that perhaps we wouldn't have done before. So I really believe that one way forward is through more partnerships and collaboration.

We have an obligation to put aside differences and work together to create lasting change, and when you can partner with governments to do this, that is critical. We have partnered in providing testing opportunities, opening our sites, training technicians, and we've stepped forward to help in this effort in ways that were unthinkable six months ago.

We'll continue to create healthy relationships. There will be tensions along the way, unexpected things will come along, and you have to control what you can by making sure your priorities are clear and you have the right principles at heart.

- 5. One of the potential areas of tension is the movement towards more national supply chains, away from globalisation, on whatever grounds - be they political, instability of global supply chains, or climate change. What is Walmart's view of the extent to which this shift away from global to national should happen, and what's your stance in the relationship with governments on this topic?*



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We've all realised how stressed the global supply chain can be and how interconnected it all is. We'll all have to be better in allowing for some degree of flexibility.

There'll always be a global supply chain, and you will always have imports, but businesses will need to decide what's right for each. How can you do it in a sustainable way? People will care even more about knowing what's manufactured where. You'll see a shift to more domestic but global won't go away; it just needs to be managed in the right way.

6. *On one of our earlier Virtual Knowledge Series webinars, Martin Wolf of the Financial Times said that he was worried governments would increase barriers to international trade, even though consumers will be shifting to value. Is there a role for the industry, or business groups like the CGF, to advocate more for the balance of globalisation?*

We've been doing this for a while. There were issues way before COVID like concerns over trade agreements between the US and China, or Mexico, or Canada, that had significant impacts. We need to make sure that a clear dialogue happens, one that is based on fact and impact. This is a role that everybody has to play, and the CGF clearly has a place in this discussion.

There is a role for global supply chains and for national production as well. There are rules that may or may not come into place that need to be reasonable and fair for the benefit of the consumers. People will be more conscious and they will choose, and we have to provide our consumers with choice. But how do you provide choice if you want to simplify?

7. *In three years' time, when you look back, what do you think you would like to say was the most important strategic shift that Walmart made in light of COVID?*

I'd like to say that it's threefold. One, that we've remodeled and reshaped our business to take advantage of opportunities and to create a true omnichannel that is relevant for each country. Two, that we've continued to have the very best talents, who were able to execute what was needed. And three, that we've continued to innovate and create and grow options for the future.

I can't tell what the world will look like, but I want us to be able to respond in ways we need to, facing challenges we have never even heard of before, and deliver underlying sustainable growth wherever we operate. We say "International" as a whole, but for Walmart International it's a collection of 10 primary markets in 26 countries. The story for each one is different; rather than thinking multinational, we ought to think multilocal. What we think for India may be very different from Canada; we have to be flexible about what the right outcome is for each of them, and to keep



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...serving our customers and saving their money. This will be the real skill going forward.

8. *Is there more localisation needed as a result of these trends?*

By being multilocal, our teams on the ground are closer to consumers. We have to empower them, and to leverage what Walmart can give, the knowledge scale and expertise. This is to be done in a way that is more tailored than ever before. We encourage our businesses to have a local identity - there are more than 50 different banners, such as ASDA in the UK, Best Price in India, Superama in Mexico, etc, and there are different personalities around the world already for Walmart. We want to continue working on making the best of that.

9. *I'd like to ask you about leadership. On a personal level, what are the leadership lessons you've taken away from the past three months, and what are those that are going to stick?*

Anybody who says he or she is exactly the same as three months ago is not telling the truth. We've all had huge lessons, accelerated what we know. The impacts of all those weeks working in alternative ways, juggling everything, the joys and challenges it has brought, it all shapes you differently as a person. It has given us more empathy, we're more humble and tolerant as leaders.

Someone said to me, "in virtual calls all the boxes are the same size, so everybody feels the same". This is really impactful.

There is a need for resilience - this thing comes at you in waves of challenges and you have to keep working through. In terms of empowering, I've learned that, if you let go, teams will pick up, if they understand what the problem statement is. Communication has always been important, but it has become more critical.

We've become more customer-centric and associate-centric, as it's become even more crucial to truly understand what it is that you're trying to solve for your customer or associate.

Also, she said, leaders should be thoughtful, when you are able to bring people together again, of what you can do to foster collaboration. What we're missing is the chemistry of the unexpected.

10. *Regarding industry leadership, what is your message? How do you think collaboration should shift due to the tensions raised by COVID?*



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The way our supply partners have been working with us has been amazing for all these past weeks. We saw a lot of openness and communications, and we've worked together to solve problems, created new rules to marketing and alternatives to manufacturing sources.

Manufacturers are thinking about what the future holds, what consumer demand will look like, and we need to create common views and work together to solve problems. Value will be critical, so how can we engineer these supply chains in the right way to be as effective as we can be, and still meet demands of consumers to create value?

People still want innovation in products, this will maybe be even more important in a world where consumer spending is reduced. There will still be a need for newness, innovation and products that solve problems they didn't know they had. Collaboration, sustainability, food waste, product sourcing, all those things will continue to work together.

*11. A technical question to end. It is hard to get high quality data and it is hard to share it sometimes, because it's competitive. Do you see that changing? Are there any shifts you see that are encouraging more collaboration between manufacturers and retailers to share more high quality data?*

There is a movement to share more data, when it benefits all. There have been exemptions given in some places, to different segments, across retailers, to work on data and better serve people. Data is everything, everywhere, so we need to break it down to which data would be most difficult to collaborate on moving businesses forward, and then you can decide if it's sensitive externally and internally. That should be the approach. No doubt that relationships across global supply chains will change for the better in the long term, and we have seen what the benefits are already.