

A 'global brand': Hometown values circle the globe

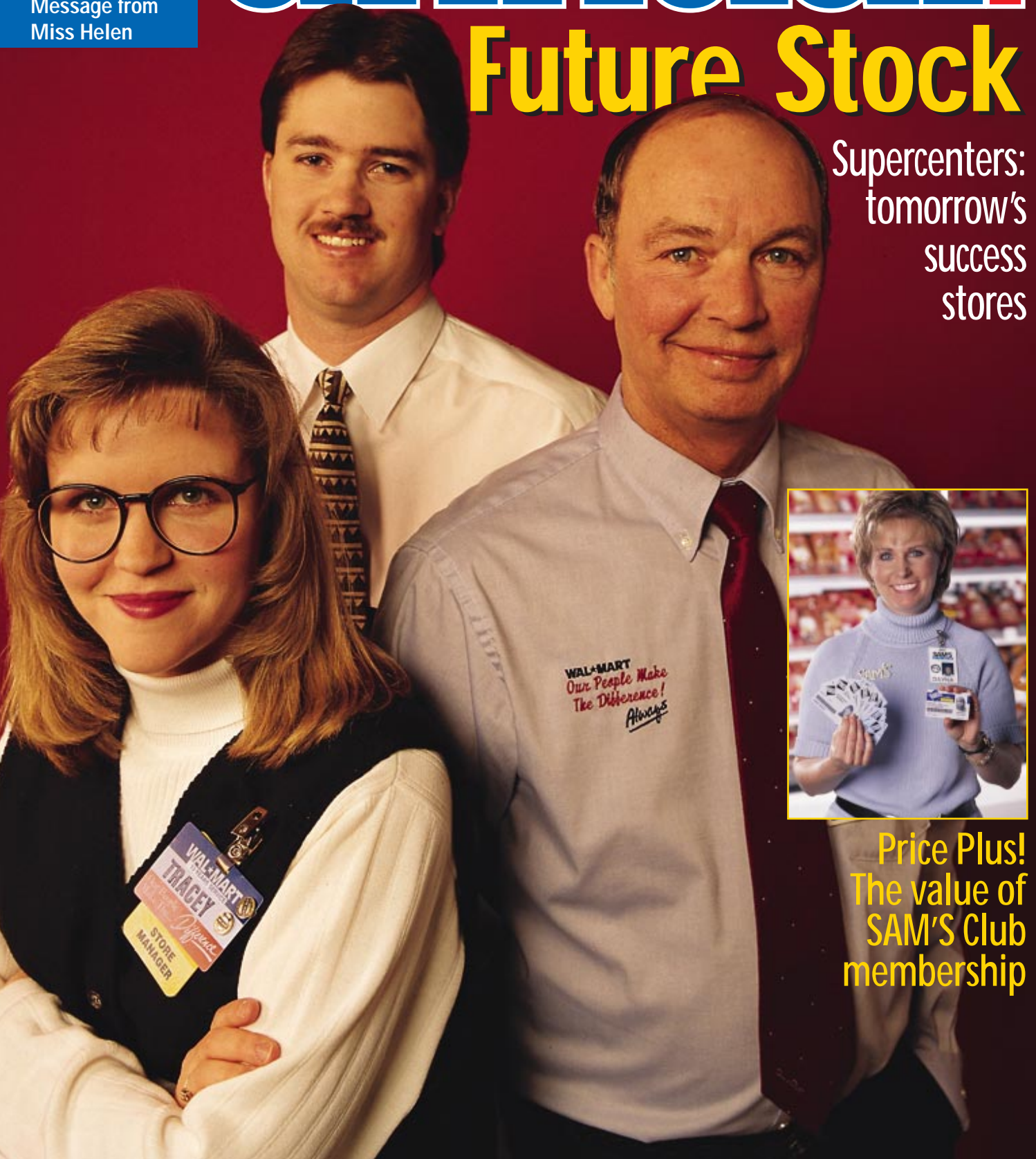


Message from Miss Helen

# 1997 WAL★MART® **annual** REPORT

## Future Stock

Supercenters:  
tomorrow's  
success  
stores



Price Plus!  
The value of  
SAM'S Club  
membership

Keeping the **FUN** in **QUALITY & VALUE!**  
**Every DAY**



Always Quality. Always Fun.™



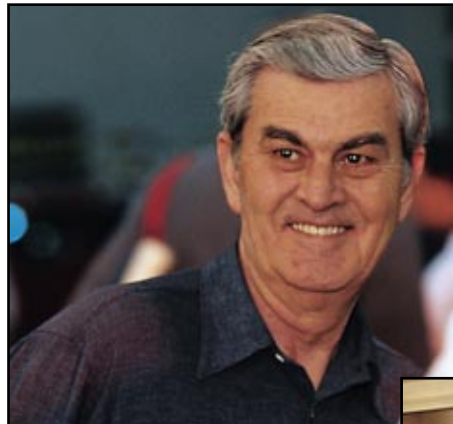
available exclusively at **WAL★MART**®

**1997 WAL★MART<sup>®</sup>**  
**annual** **REPORT**

- 2 President's Message**
- 4 Inside Track**
- 9 Rebirth in Vermont**  
Wal-Mart anchors revitalized downtown
- 9 Making miracles**  
Our associates' own "Children's Miracle"
- 10 Letters**
- 11 Trivia**
- 12 Magic Wand**  
Life in the technological fast lane
- 14 Everybody's Hometown**  
Wal-Mart culture drives international growth
- 16 The Future of Retailing**  
Supercenters lead way to 21st century
- 20 The Value Equation**  
Building membership benefits at SAM'S Club
- FINANCIALS**
- 22** 11 Year Financial Summary
- 24** Management's Discussion and Analysis
- 26** Consolidated Statements of Income
- 27** Consolidated Balance Sheets
- 28** Consolidated Statements of Shareholders' Equity
- 29** Consolidated Statements of Cash Flows
- 37 Corporate Information**



**About the cover**  
Tracey Murphy, her father Bob Brown and her husband Dale Murphy are all managers with Wal-Mart — and don't forget her brother, mother-in-law and brother-in-law! For more on Tracey and her Wal-Mart family, see page 16.



**Looking up**  
Wal-Mart's latest year was record-shattering ... and the best is yet to come, David Glass says in the President's Message. See page 2.

**Star power!**  
Washington powerhouse (and sculptor) Paula Stern is just one of the notables who lend their know-how to Wal-Mart's Board of Directors. See Inside Track, page 4.



**Cutting edge**  
state-of-the-art technology is a key competitive advantage for Wal-Mart. See page 12.



**Wal-Mart's world**  
Agnes Seto is "having much more fun" now that Wal-Mart has expanded to Canada — not to mention six other countries worldwide. See page 14.

DIRECTORS:

Paul R. Carter  
 John A. Cooper, Jr.  
 Stephen Friedman  
 Stanley C. Gault  
 David D. Glass  
 Frederick S. Humphries  
 E. Stanley Kroenke  
 Elizabeth A. Sanders  
 Jack C. Shewmaker  
 Donald G. Soderquist  
 Paula Stern  
 John T. Walton  
 S. Robson Walton

Chairman of the Board  
 S. Robson Walton

Chief Executive Officer  
 President  
 David D. Glass

Vice Chairman  
 Chief Operating Officer  
 Donald G. Soderquist

Executive Vice President  
 President, Wal-Mart Realty  
 Paul R. Carter

Executive Vice President -  
 Operations  
 Thomas M. Coughlin

Executive Vice President -  
 Specialty Division  
 David Dible

Executive Vice President  
 President - Sam's  
 Joseph S. Hardin, Jr.

Executive Vice President  
 President - International  
 Bob L. Martin

Executive Vice President  
 Chief Financial Officer  
 John B. Menzer

Executive Vice President -  
 Merchandising  
 H. Lee Scott, Jr.

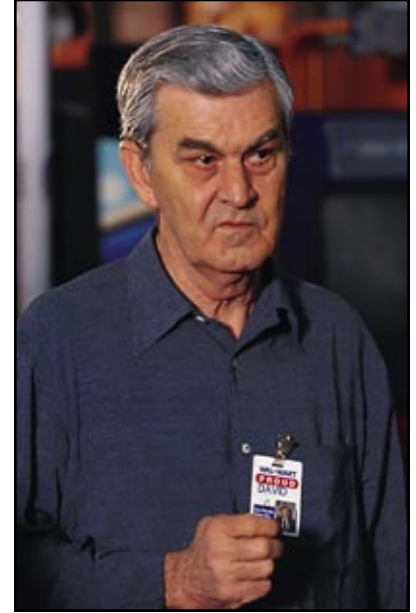
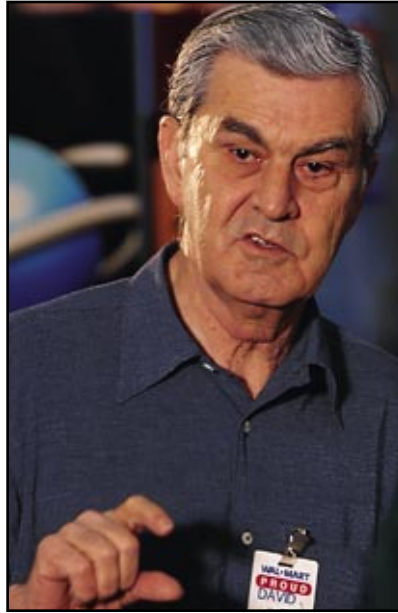
Executive Vice President -  
 Supercenter  
 Nick White

Secretary, General Counsel  
 Robert K. Rhoads

Treasurer  
 Terri Bertschy



PRESIDENT'S LETTER



▲ CEO David Glass looks forward to a world of future prospects.

# FUTURE STOCK

## *Building shareholder value*

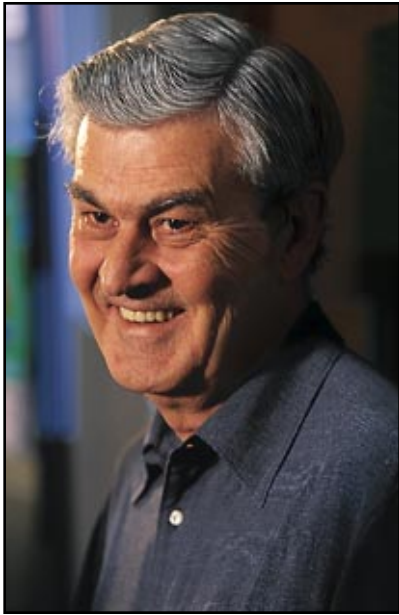
**W**al-Mart has a history of rising to the challenge. After a disappointing year in fiscal 1996, our associates responded with a solid performance in fiscal 1997. Sales for the fiscal year approached \$105 billion and earnings topped \$3 billion. Each operating division generated higher comparable sales growth and improved operating margins. Our Wal-Mart operations experienced some of the best customer approval scores in our history and SAM'S Club showed solid improvement in comparable sales, membership, merchandise selection and income.

Asset management and cash flow were key themes this year. We generated over \$3 billion in free cash flow and increased our return on assets. With the

growth in the Company's cash flow, we now can finance our aggressive capital expenditures program internally and still have excess cash available for distribution to our shareholders.

This strong sustainable cash flow allowed us to announce two actions to enhance shareholder value. The first was to increase our dividend by 29% and the second was to increase the size of our share repurchase program with the intent to repurchase up to \$2 billion worth of stock over the next 12 to 18 months.

Our first priority remains profitable internal growth. Future increases in the dividend and repurchase program will depend on the availability of our growth opportunities.



The significant increase in both the dividend and the share repurchase program demonstrate our confidence in the Company's future earnings and cash flow growth. We believe our double digit earnings growth combined with the new shareholder initiatives will allow us to achieve our targeted annual total shareholder return of 15%.

In June of 1990, at our annual shareholder's meeting, Sam Walton predicted Wal-Mart would reach \$100 billion in sales by the year 2000. At that time, we thought the goal was quite a stretch. After all, it took us 10 years to reach \$100 million and another 7 to reach our first billion. But our strength has always been our dedicated associates, their ability to work together, and the support of our loyal customers. So 3 years ahead of schedule, we reached that goal.

Even though we exceeded that lofty goal, there is still

plenty of room left to grow. In the United States, Wal-Mart holds only 7% of a \$1.4 trillion retail market. That leaves a tremendous opportunity for future growth.

The supermarket industry, amounting to \$425 billion a year, is a great opportunity for continued growth. It's almost three times the size of the discount store industry, where Wal-Mart is one of the three retailers that, combined, hold almost 85 percent of the market. Yet in the grocery segment, the top five players constitute less than 25%.

Then there is the rest of the world. Our international division reported sales in excess of \$5 billion and these operations could represent 10 percent of our total sales in the next 5 years.

The international division was profitable for the year with

In June of 1990, Sam Walton predicted Wal-Mart would reach \$100 billion in sales by the year 2000. At that time, we thought the goal was quite a stretch.

Canada and Puerto Rico showing excellent results and Mexico achieving profitability in a difficult economy.

Only three years after acquiring the Woolco stores in Canada, Wal-Mart has become Canada's highest volume discount retailer and in Mexico our joint venture is also the country's largest retailer.

The value our customers respond to in the United States is enthusiastically received wherever we go. In China, where we recently opened our first units, the people already know what Wal-Mart is all about. Our three story Supercenter had 80,000 visitors on its first Saturday.

With over 300 locations and more than 50,000 associates outside the United States, Wal-Mart has become a true global brand name, with worldwide appeal resembling Coca-Cola or McDonald's. The Wal-Mart way of doing business makes us one of the world's most recognizable companies - which translates to loyal customers and steady profitable growth.

Wal-Mart associates have every right to be proud of what we've built, from our very first store to today's worldwide network of nearly 3,000 stores and clubs. We're the company that works because of our people - the associates who make it happen every day.

So if anyone wonders where our next \$100 billion will come from - it will come from customers who recognize value throughout the world and from our associates who will deliver it with a smile.

I am really excited about the next year. We have so much opportunity and our team is focused on continuing to serve our customers in such a way that clearly indicates they are the boss. But more importantly, they are focused on value. Value to our customers and value to our shareholders.

# INSIDE TRACK

## ‘Wal-Mart is welcoming’:

*Values are the ties that bind our extended ‘family’*

A sense of community draws Paula Stern to Wal-Mart. The Washington, D.C.-based international trade consultant feels at home shopping at Wal-Mart, where the associates are friendly and the customers diverse. “Wal-Mart is so inclusive,” she says.

Stern, one of nine outside directors on the Wal-Mart board, is proud to be associated with the company because of its positive impact.

“In significant ways, Wal-Mart has affected the standard of living of American families,” agrees director Betsy Sanders, a management consultant.

Here’s an inside look at the values these important members bring to our Wal-Mart family.



▲ **Frederick Humphries** bought his Prince tennis racket at Wal-Mart, along with another important outdoor item. “I have found a wonderful barbecue grill,” he says. “I like the quality of goods there.” Humphries, the president of Florida A&M University in Tallahassee since 1985, also likes the “upbeatness” of Wal-Mart associates. Humphries is pretty upbeat himself – about Wal-Mart’s community involvement and associate recruitment programs, and its efforts to create jobs.

► **Paula Stern** advises President Clinton on international trade policy and is chairwoman of the Advisory Committee of the U.S. Export-Import bank. She’s an important figure in Washington. But there’s also an artistic side to this former chairwoman of the International Trade Commission. Stern loves to sculpt in clay, especially busts of family members. If she weren’t an international trade consultant, Stern says, she’d spend her days in artistic pursuits. “Instead of intellectualizing, I’d be reading a lot more poetry and listening to a lot more individual expression,” she says. She also would spend more time with her family before her children leave the nest.

### Artistry helps consultant sculpt trade policy





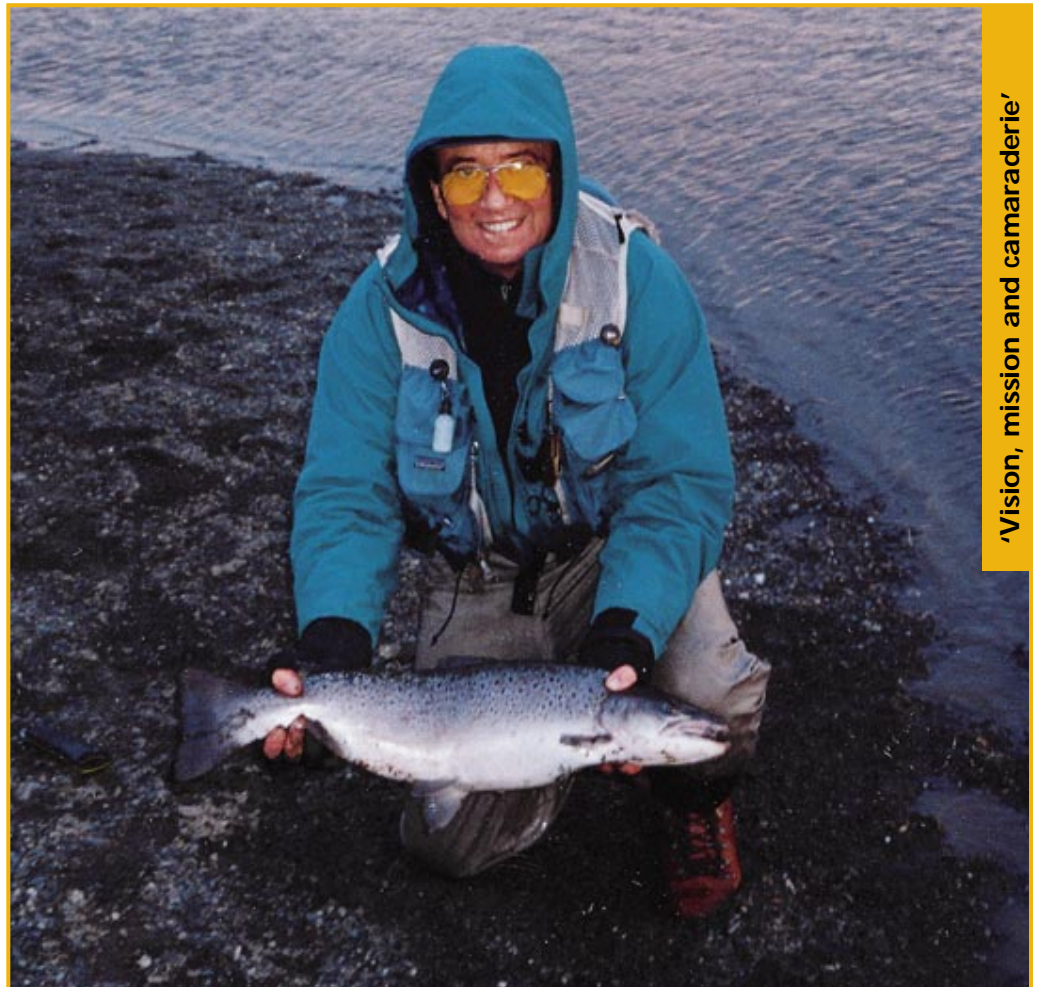
Can't beat the upbeat...



A personal 'search for excellence'

▲ **Stephen Friedman**, senior chairman and limited partner of Goldman Sachs & Co., equates Wal-Mart with excellence. The company constantly strives to satisfy customers and refuses to settle for “good enough,” he says. “It is one of the very few companies in the world which has genuinely sparked a revolution.” Besides his position on the Wal-Mart board, Friedman holds leadership roles including vice chairman of the Columbia University trustees and executive committee chairman of the Brookings Institution.

▶ **Jack Shewmaker** somehow finds time to fish in the Patagonia Mountains of South America, consult with retail, distribution and manufacturing companies in South Africa, Australia and Asia, and ski with his grandchildren. He announced his “semi-retirement” from Wal-Mart in 1988 after 18 years with our company, during which he rose from district manager to Vice Chairman and Chief Financial Officer. “I started there when Wal-Mart was small, with \$30 million in sales,” he says. “No one imagined it would be as big as it is today.” Shewmaker, named one of the 10 Most Influential People in Mass Retail Today by *Discount Merchandiser* in 1997, says Wal-Mart is a phenomenon that grew from “a desire to do something different, better, and more efficiently with a sense of vision, mission, and camaraderie.”



'Vision, mission and camaraderie'

# INSIDE TRACK

Hobbies? Service is his hobby!



▲ **John Cooper**, chairman of the Arkansas land development company, Cooper Communities Inc., could retire and take the time to enjoy the beauty of the Arkansas outdoors. But there's no golfing or fishing or other leisurely pursuits for Cooper, who believes one of his most important roles is serving the community. "I really think all a person can do is to be helpful to somebody," he said. Cooper has helped his neighbors – and helped protect the outdoors – as a founding member of the Arkansas Nature Conservancy. When he's not lending his experience to the Wal-Mart board, he also serves on the boards of J.B. Hunt and Entergy Corp.

▶ **Elizabeth A. "Betsy" Sanders** needs solitude to meditate, write and "be a friend," to balance out her heavy business and community commitments. That's why she left corporate life in 1990 to form The Sanders Partnership, a consulting firm. Sanders and her family live near the Sierra Nevada mountains in northern California. Before heading for the hills, Sanders was vice president and general manager for Nordstrom Inc., earning national recognition as an expert on customer service. She's always admired Wal-Mart for low prices, top-quality products and, yes, customer service. This, she says, helps American families stretch their dollars for other goods and improves their standard of living. "There's nothing ordinary about this company," she says.



Family, friendship first

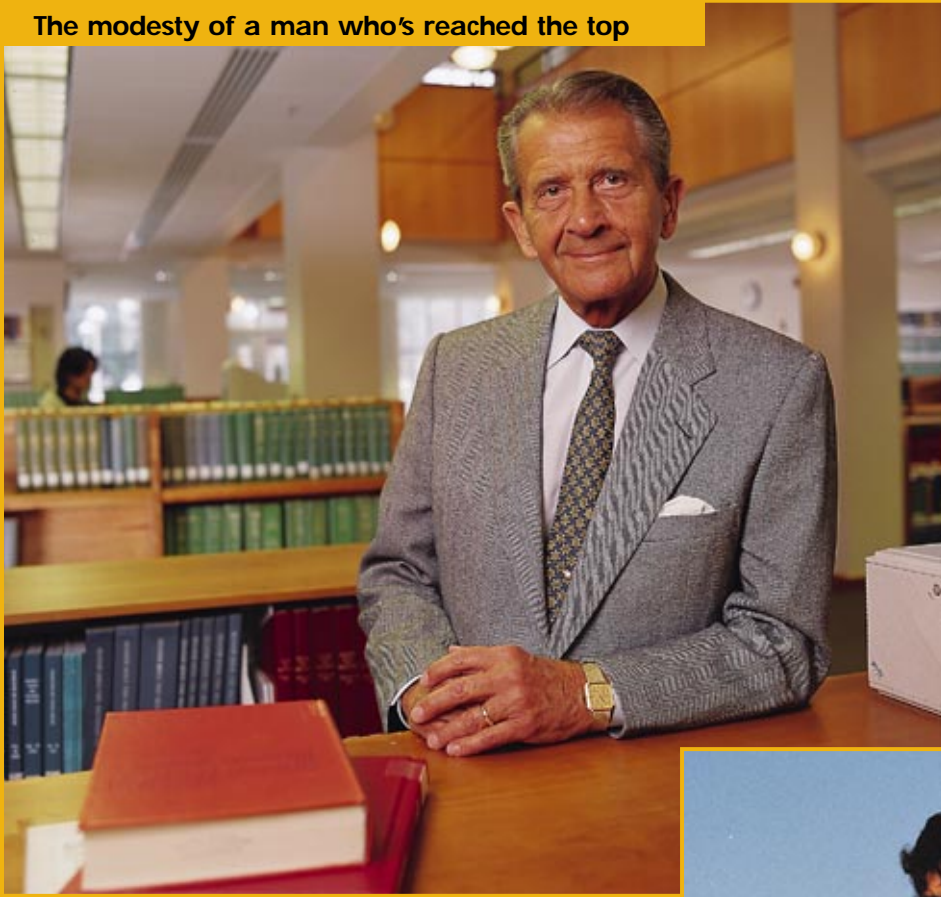


Raised on retailing

▲ **Stan Kroenke**. Retailing has been part of Stan Kroenke's life since he swept out his father's hardware store as a child. Kroenke later worked in retail to put himself through college and graduate school. "Being exposed to people like Bud and Sam Walton had a major impact on my life," Kroenke says. Today, he owns the Kroenke Group, a national investment, development, and commercial real estate company based in Columbia, Missouri. He's also co-owner of the St. Louis Rams football team. "Expanding into the sports business has been an interesting and challenging experience," he says.



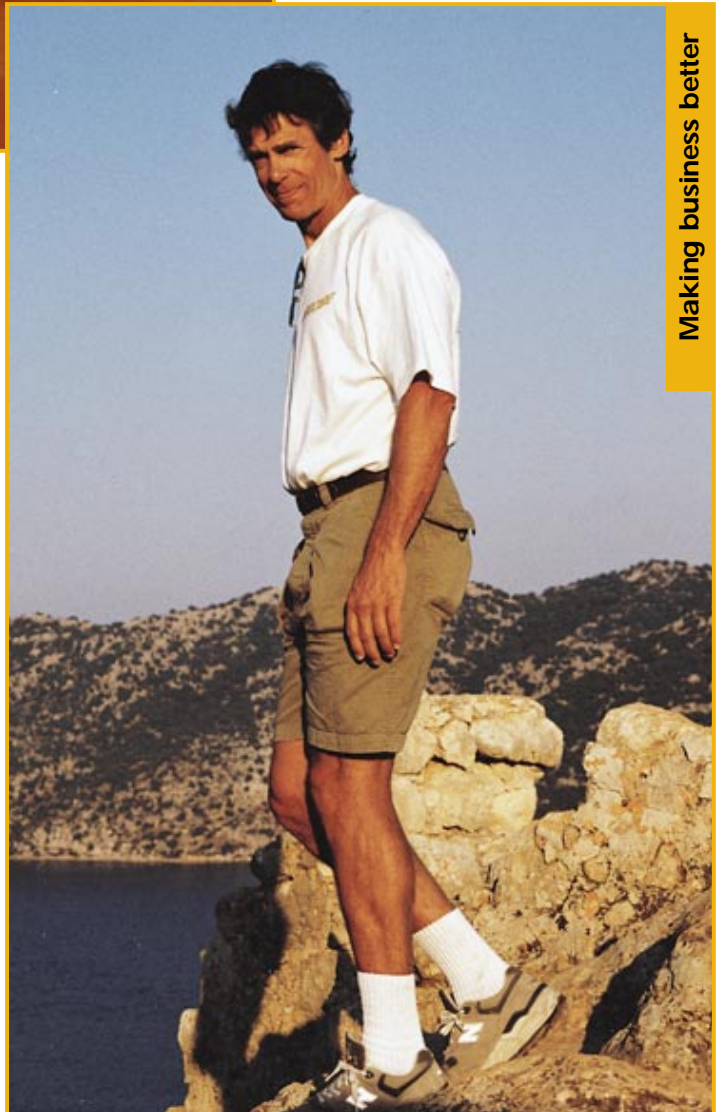
## The modesty of a man who's reached the top



▶ **Stanley Gault**, retired chairman of the Goodyear Tire & Rubber Co. and, before that, Rubbermaid Inc., has been honored by countless business groups and publications such as *Fortune* magazine. Perhaps most notably, two years ago he was named International Executive of the Year by Brigham Young University for his leadership and high moral and ethical standards. In addition, he brings the perspective of Wal-Mart's vendor-partners to our board. Despite the accolades he's received, Gault is modest about his role at Wal-Mart. "I hope to use my almost 50 years of (business) experience to the benefit of Wal-Mart associates, customers and shareholders," he says.



▶ **John Walton** likes to have his "old van worked on" in the Wal-Mart automotive department while he shops. Walton enjoys the associates at his local Wal-Mart – they're almost family. "I've grown up with the company," says the son of founder Sam Walton. In fact, John Walton was Wal-Mart's second pilot (Sam was No. 1). John's current business interests include investments in small companies in a wide variety of industries. As he considers American business, Walton is convinced that Wal-Mart has been a positive force because of its integrity, customer service, and its "influence on the shopping experience." Before Sam Walton died, John told him that "what he had done went far beyond Wal-Mart to make American business better." When he's not involved with business, John Walton is working to make a difference in American education.



Making business better

# Hand Tools

## That Are Popular With Mechanics

A collection of Popular Mechanics brand hand tools, including sockets and a wrench, arranged on a yellow surface. The tools are made of polished metal and are shown in various orientations, highlighting their design and quality. The background is a warm, yellowish-gold color, creating a professional and high-quality aesthetic.

**Popular  
Mechanics™**

When it comes to getting the highest quality and the best values, Wal-Mart is the do-it-yourselfer's best friend. Available exclusively at Wal-Mart, Popular Mechanics™-brand hand tools are a household name when it comes to car repairs, home remodeling and just about any project in between. That's because Popular Mechanics tools are made to last and backed by a lifetime guarantee.

From socket sets, wrenches and screw drivers to hammers, drills, extension cords and more—you name it, Wal-Mart's got the tools you need to get the job done right.

**WAL★MART®**



▲ *Rebirth in Rutland: From left to right, Mayor Jeff Wennberg and Wal-Mart associates Chet Landon, Gail Scribner and Brenda Heath proudly show off a revitalized downtown.*

## 'THE JEWEL IN OUR CROWN' Wal-Mart helps set downtown on the right track

"Phenomenal" is a word Jeff Wennberg uses a lot – especially when he's talking about Wal-Mart.

Wennberg is the mayor of Rutland, VT, where a Wal-Mart store that opened this January is the linchpin of an eight-year downtown revitalization project.

"Wal-Mart has been better than expected for us, and we had extraordinarily high expectations," Wennberg said.

Rutland, population 18,000, is the second-largest city in Vermont. Because its business district serves a sizable surrounding region, downtown Rutland is "about what you'd expect for a city of 60,000," Wennberg said.

Or anyway, it is now – thanks to the redevelopment project and Wal-Mart.

"Eight years ago, downtown Rutland was perceived as being in a serious decline," Wennberg said. "There'd been no significant private-sector investment in quite some time. Downtown was suffering a slow death."

Rutland's central business district, built around 20 acres of railroad yards, was focused

on an aging, 1960s-vintage strip center.

Then began years of planning to revitalize the city's core. When the Wal-Mart lease was announced as the anchor of the project, the *Rutland Daily Herald* wrote in an April 1996 editorial:

*There is a feel of life on the streets of downtown Rutland that is new. It is the result of all these developments. It is the payoff for years of work by numerous people in the community who have refused to give in to drift and defeatism.*

With the new Wal-Mart, of course, Rutland added 140 new jobs and learned the Wal-Mart way of doing business.

"Their philanthropy is legendary, not to mention their involvement in the community," Wennberg said. "What Wal-Mart represents is economic prosperity and growth in our central business district, because they are such a phenomenal draw. The Wal-Mart opening is the jewel in our crown."

## Associates Help Make Miracles Wal-Mart Sponsors Children's Miracle Network

Taylor Dippery is no ordinary Wal-Mart associate. At Store #1607 in Lewistown, PA, the associates consider little Taylor their special miracle.

At 18 months of age, Taylor learned to walk at Wal-Mart. Using her special walker, she now scoots all over the store with her grandfather, wearing her honorary associate's name tag and giving smiles and greetings to everyone she passes.

It was a hospital in the



▲ "Associate" Taylor Dippery

Children's Miracle Network (CMN) that made it possible for Taylor to get around, and Store #1607 did its part to help. Last year, that store's associates raised \$20,500 for their local CMN hospital, and helped hundreds of children like Taylor.

Wal-Mart associates have raised more than \$71 million for CMN since Wal-Mart became official retail sponsor in 1988. In calendar 1996, Wal-Mart donated \$14.3 million, or 10 percent, of the \$143 million raised in the entire CMN campaign.

# LETTERS

## ★ THE “CLAM JUNIOR”

I am writing because of an experience that I shall always remember with a smile. This experience involved many different Wal-Mart associates in various Wal-Mart stores.

After making many calls searching for an ice fishing shelter, the “Clam Junior,” I reached Dan Curtis at the Concord, NH, store. At 8:45 in the evening, this gentleman without reservation and with total willingness, was helping me and then apologized because he would have to call me back in 15 minutes.

As promised, the phone rang at 9 p.m. Dan Curtis was returning my call with not only the store locations, but with all the phone numbers and the quantity that each store might still have. The actions and reactions of these employees display the essence of a quality organization.

Very Sincerely,  
Linda A. Betti  
Mendon, MA

## ★ WAL-MART DELIVERS

On 1-9-97 I went to Wal-Mart in Chula Vista to purchase a ping-pong table. Juan Wood, an employee in sporting goods, assisted me. I told him I did not have a truck to transport the table. He spoke to his manager, Don Olson, to see if they could deliver it.

On 1-10-97 Juan Wood and Don Olson delivered the table to my residence.

This was an extreme act of customer service, beyond the call of duty. For this excellent service (that did not have to happen), Wal-Mart has earned a faithful shopper in me.

Sincerely,  
Roberta DeLeon  
Chula Vista, CA

## ★ GUARDIAN ANGEL

I am writing this letter to commend one of your assistant managers, Ms. Sue Cantu. She went well above and beyond what any store manager would normally do to help me.

The heat had been out all day in my granddaughter’s dorm room, and the temperature was in the teens. I tried calling the residence hall; but they were closed because of the weather. I then thought of the Wal-Mart Store in Waco – I suppose because our local Wal-Mart is so helpful to our community.

I called Ms. Cantu and asked if there was any way she could help. She was shorthanded because of the weather; but within the hour, she had delivered two blankets and an electric heater to the dorm.

Saint Augustine said, “Every visible thing in the world is put in charge of an angel.” Ms. Cantu is truly an angel.

Sincerely,  
June Arnold  
Carthage, TX



*Helen Walton, Wal-Mart's First Lady*

## ★ A HISTORY OF CHANGE

Recently, Helen Walton took a moment to share her thoughts on Wal-Mart’s focus, leadership and legacy:

“As our Company has grown, questions have come up about where Wal-Mart is going and if Sam would approve,” Helen said. “I believe he would. I feel good about our leadership, especially in this last year. People have accepted the fact that there is new leadership and they are doing a good job. I think their stewardship has been absolutely marvelous,” she said.

“We need to continue to emphasize putting the customer first. Everyone has a customer and they need to see that the people needing information or attention are getting it. Another thing that Sam always said was ‘respect the individual.’ That is so important.

“Never fail to be open to change when there are ways to improve what you’re doing,” Helen said. “We can’t say, ‘That’s not the way we do it.’ The world is changing too fast. We’ve got to be ready to change with it.

“If we keep these things in mind, Wal-Mart is going to keep growing and getting better,” said Helen.

# TRIVIA

1. Where is the first Wal-Mart located?
2. Wal-Mart's first people greeter was in which store?
3. What charity receives money from sales of Sam's American Choice products?
4. Where did Sam and Helen meet?
5. Wal-Mart first hit \$1 billion in profits in what year?
6. What year was Sam Walton born?
7. What year did Sam write his autobiography?
8. Sam was presented with the Presidential Medal of Freedom in what year?
9. What year did Sam do the Hula on Wall Street?
10. How much did Wal-Mart Store #1 do in its first year of operation?
11. Name Sam's favorite dog.
12. What did Wal-Mart stock actually sell for the very first day it was traded?
13. What year did the first Wal-Mart open?
14. What year did Wal-Mart become a publicly owned company?
15. Wal-Mart satellite network began broadcasting in what year?
16. SAM'S Club was started in what year?
17. Helen Walton holds a B.S. in what field?
18. What percentage of sales goes to run the entire general offices, from the chairman of the board to the secretaries?
19. Who came up with the idea of profit sharing?
20. Sam thought about running for what political office?

## Did you know?

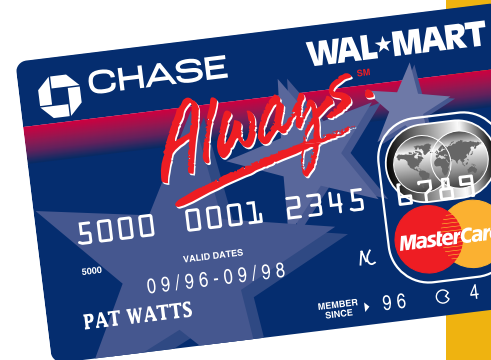
Companywide, Wal-Mart recycles over 700,000 tons of cardboard, paper and plastic each year.

Wal-Mart sold about 80 million Valentine cards this February across the United States.

Wal-Mart is the largest private sector employer in the United States.

Wal-Mart's Private Fleet drives more than 1 million miles a day. Making this happen requires the purchase of more than \$50 million of fuel a year.

## Wal-Mart Savings EVERYWHERE You Shop



**Now**, no matter where you shop or what you buy, you can take advantage of Wal-Mart's legendary savings and value. With the Wal-Mart MasterCard® from Chase you pay no annual fee and a low 14.48% APR fixed rate for purchases. Plus, save even more with our low 9.9% fixed APR on transferred balances.

**Best of all**, the Wal-Mart name is recognized around the world. So, you can use your new MasterCard at more than 13 million locations.

**Don't wait** to get great Wal-Mart savings every day, apply in the store or call:

1-800-858-3100

**Answers** 1. Rogers, Arkansas. 2. Crowley, Louisiana. 3. Competitive Edge Scholarship Program. 4. In a bowling alley. 5. 1990. 6. 1918. 7. 1992. 8. 1992. 9. 1984. 10. \$1 million. 11. Old Roy. 12. \$16.50. 13. 1962. 14. 1970. 15. 1983. 16. 1983. 17. Finance. 18. 2%. 19. Helen Walton. 20. President of the United States.

# MAGIC WAND

*"Space age"*

*technology helps*

*keep Wal-Mart*

*in front on price*

*and service*



★ TECHNOLOGY

▲ *The magic wand gives our associates a window on a world of Wal-Mart merchandise.*

**A**t any given moment, a typical Wal-Mart Discount Store has more than 70,000 standard items in stock. Every one of them has to be identified, ordered, inventoried and replenished.

A typical Supercenter is even tougher to stock, since it also carries more than 20,000 additional grocery items, a lot of them perishable. So they have to be reordered frequently, sometimes daily.

So how do we do it? We wave a magic wand!

That "magic wand" is actually a handheld computer, linked by

a radio-frequency network to in-store terminals. It's a high-tech conduit to an internal information system that gives every associate a window on the world of Wal-Mart merchandise.

There are "magic wands," sometimes dozens of them, in the hands of associates at every Wal-Mart store. They help us keep up-to-the-minute track of the inventory on hand, deliveries and backup merchandise in stock at Wal-Mart distribution centers.

The computerized wands are amazing enough, "seeing

through walls" to find what our customers want, when they want it. But that's just the proverbial tip of Wal-Mart's high-tech iceberg.

"What it's really about is putting information in people's hands," said Randy Mott, Senior Vice President and Chief Information Officer. "We're careful not to get too enamored with all the bells and whistles of technology. It's there to support people."

With an annual technology and communication budget of \$500 million and an information systems staff of 1,200, Wal-Mart

leads the industry in information technology – and we're not slowing down. We know our future earnings growth has to come not just from increased market share, but from increased productivity. That means Wal-Mart is dedicated to giving every associate the technological tools to work smarter every day.

But this is Wal-Mart, we're not just developing technology for technology's sake.

Our investments in systems are measured in terms of their effectiveness for our stores and customers.

"With this technology, we're getting better, quicker and more accurate information to manage and control every aspect of our business," Mott said. "Wal-Mart has always been intensely conscious of holding down expenses, because that's another way we can have lower prices, better merchandise and service for our customers and better returns for our investors.

"We may be talking about state-of-the-art computer systems, but the way we manage them is pure Wal-Mart."

In the world of information technology, Wal-Mart has long been known as a leader. Earlier this year, we were recognized by *Computerworld* and *Smithsonian Magazine* as one of the top five innovators in information technology within business.

The award recognized the Retail Link system, which provides sales data – by item, by store, by day – to our vendor-partners. That helps suppliers save time and

expense in planning their production and distribution, which translates to lower merchandise costs.

For another example of leveraging technology, Mott mentioned the item locator system. This system enables associates to scan an item and electronically check on its availability in other area stores.

"That's a function that lets

**"Our technology helps us buy the right merchandise at the right time, and have it in the right place at the right price."**

associates leverage our shared information to provide even better customer service,"

Mott said. "It's taking advantage of technology to add a little extra service without adding a lot of cost."

Wal-Mart's constant drive to improve can be summed up in one word: Efficiency! And that's

where our technology comes in, because the best way to improve both service and merchandising is to get it to our customers faster and more efficiently.

"Speed of delivery is a key competitive advantage, Mott said. Fortunately, he added, here at Wal-Mart, one thing people are comfortable with is change."

From "magic wands" to the millions of lines of our own computer code and the world's largest commercial database, Wal-Mart is out in front – and

picking up speed.

As Don Soderquist, our Chief Operating Officer, is fond of saying, 'we don't sell to our customers. We buy for our customers,' Mott said. "Our technology helps us buy the right merchandise at the right time, and have it in the right place at the right price."



▲ CIO Randy Mott: a bigger bang for the technology buck.

# A "GLOBAL BRAND"

★  
INTERNATIONAL



▲ Even in Shenzhen, China, "Wal-Mart" translates to value.

## WAL-MART: HOMETOWN VALUE IN ANY LANGUAGE

**A**gnes Seto will be the first person to tell you. "I consider myself very fortunate to be part of the Wal-Mart International family," Seto said. "I am having much more fun than before."

She leaves no doubt about that, at least when it comes to her job. After a long career with the Woolco chain in Canada, Seto is now a buyer with Wal-Mart Canada in Toronto.

Wal-Mart acquired 122 Canadian Woolco stores in 1994, and immediately embarked on a multimillion-dollar plan that saw the stores revamped and remerchandised in less than a year. Wal-Mart Canada has already become that nation's No. 1 discount chain, and is on the verge of becoming Canada's largest retailer of any sort.

And Canada is just one of the seven countries worldwide in Wal-Mart's international expansion. With more than 50,000 associates and over 300 locations outside the United States, Wal-Mart is already serving some 5 million customers every week. The International Division was profitable in fiscal 1997, driven by a strong fourth quarter. And the division's profitability is expected to improve this year.





▲ *Agnes Seto, Wal-Mart Canada*

“The Wal-Mart name is better known outside the United States than any of us imagine,” said Bob L. Martin, President of the International Division. “We are a global brand name. To customers everywhere it means low cost, best value, greatest selection of quality merchandise and highest standards of customer service.

“It takes time to make money in these markets, but the fact that International has grown to \$5 billion in sales in less than five years gives us an idea of how great the potential is.”

The Wal-Mart culture has proven that it is transportable to other cultures worldwide. The international market is virtually unlimited, and the farther the Wal-Mart “global brand” reaches around the world, the greater the opportunity for long-term growth.

To see just how distinctive – and advantageous – the Wal-Mart culture is, you only have to meet someone like Seto, who knows the other side of the street from first-hand experience.

Asked how things are different now at Wal-Mart Canada, Seto’s list included:

“We have the most advanced computer technology as tools to do our job, whereas before a lot of reports were not available for us to analyze our business.

“We set specific goals for sales, inventory and gross margins.

“We treat our customers as No. 1.

“We are all equal in this company—we just have different jobs to do.”

Part of the credit for the worldwide expansion of Wal-Mart culture should go to the 170-some associates who are affectionately known as “expatriates” – associates who go to work in international locations for two or three years, sharing their knowledge with

“We have always been very proud of the company,” Garza said. “My husband was so excited when he heard about this, he came home and said, ‘Guess what? We’re going to Monterey! We’re going to pass on the Wal-Mart culture!’

“Our associates in Mexico know retail; it’s the culture we brought that makes the difference,” Garza said. “It was so easy for us to work together, like big kids having fun.”

Community involvement, responding to local needs,



▲ *The Wal-Mart Supercenter looks right at home anywhere in the world.*

new international associates.

“It doesn’t become dull, not for one moment,” laughed Erlinda Garza, who is nearing the end of her stint in Monterey, Mexico. Garza is a co-manager of a Supercenter that was built from the ground up with the help of a small team of expatriates.

Garza and her husband Chris, who works at another store in Monterey, are both natives of Corpus Christi, Texas. They had worked at several Wal-Marts in Texas and Arkansas before they were asked if they’d like to help in the international expansion. Their answer? “You bet we would!”

merchandise preferences, and buying locally are all hallmarks of the international Wal-Marts, just as they are in the United States.

Perhaps it is Wal-Mart’s emphasis on serving its hometown – wherever that may be – that makes Wal-Mart culture travel so well. Garza’s Mexican associates, for example, quickly became devotees of the Wal-Mart way.

“I’ll miss the people,” Garza said as she prepared to return to the United States. “They’re so motivated, they’re so willing to say, ‘I’m going to do it.’ As long as we have people like that, we’ll be in good shape.”

# TOMORROW'S SUCCESS STORES: SUPERCENTERS LEAD THE WAY TO THE FUTURE OF RETAILING



SUPERCENTERS





▲ *Truly a Wal-Mart family: Front row, left to right: Mike Murphy, Barbara Murphy, Tracey Murphy and Dale Murphy; back row: Bob Brown and Mike Brown.*

**W**hen Tracey Murphy was introduced on the main stage at Wal-Mart's 1997 year-beginning store managers' meeting, the term "Wal-Mart family" took on a whole new meaning.

Her husband, Dale Murphy, manages a store in Kansas City, Missouri. Her father, Bob Brown, is a district manager with the Supercenter division. Her brother, Mike Brown, manages a SAM'S Club location. She has a mother-in-law who's a department manager and a brother-in-law who's a store manager too. "Truly a Wal-Mart family," as CEO David Glass told the 3,500 Wal-Mart associates at the meeting.

"I grew up with Wal-Mart," Tracey Murphy said later, over a cup of coffee at the

*One-stop shopping: Convenience is key for Supercenter manager Tracey Murphy.*



Ann Burchett: Personal shopper in cyberspace.



Supercenter she manages in Harrisonville, Missouri. “My dad has been with Wal-Mart for 20 years, and I always had an interest in retail. So here I am, after 14 years with Wal-Mart.”

There are many families like Murphy’s represented in Wal-Mart, and it’s only appropriate that she works in the Supercenter division, where Wal-Mart “family values” combine with the industry’s hottest shopping format to lead our company into the future of retailing.

With its blend of a discount store with groceries and such additional services as restaurants, Vision Centers, Lube Express, hair styling, dry cleaning, shoe repair and banking, the Supercenter is designed for shopping convenience – a sizable competitive advantage

in an age when consumers complain that they don’t have enough time to shop.

The Supercenter “works everywhere, and we think it is quite likely going to prove to be the most flexible retail concept ever and, by definition, to have the longest life yet achieved,” according to a recent analyst’s report by CS First Boston Corp.

Focusing on the Supercenter division as a growth vehicle, the CS First Boston analyst gave Wal-Mart stock a “strong buy” rating.

The Company’s fastest-growing division, Supercenters combine one-stop convenience with Wal-Mart’s focus on top-quality merchandise, services and food at everyday low prices.

“It’s one-stop shopping for most people,” Murphy said.

“Before you needed to go to a grocery store and any number of specialty retailers to get what you needed. Now you can just go to the Supercenter.

“We always preach that we sell for less, so we’re saving people both time and money,” she said. “It’s real convenient for most customers.”

And while the Supercenter offers the shopping of tomorrow, Ann Burchett is in a stockroom at the back of the Harrisonville store, getting a peek at the day after tomorrow.

That’s where Burchett, a seven-year Wal-Mart associate, handles fulfillment for orders received through Wal-Mart Online, our World Wide Web site, on which an experimental online shopping service was rolled out last November.

Wal-Mart changes because

the world changes. Our customers are constantly looking for new ways to meet their needs. That's why, after studying catalog shopping and TV shopping and a plethora of Information Age innovations, Wal-Mart has gone on line, testing one of today's most exciting ways to shop without shops.

Internet or no, Burchett said, the basics of Wal-Mart Online are pure Wal-Mart.

"Really, I'm like their personal shopper," she said. "They may be surfing the Web on their computer, but when they hit our site, we want the service to be just as good as they get walking into a Wal-Mart."

So far, Murphy noted, U.S. military personnel stationed overseas have been among the most enthusiastic customers of Wal-Mart Online. The electronics department is a particularly big hit with these cyber-customers.

"Even after shipping cost, they're getting a great price and selection", Murphy said.

(You can check out the on-line shopping experience of Wal-Mart on the Web by going to <http://www.wal-mart.com> and clicking on "Go Shopping.")

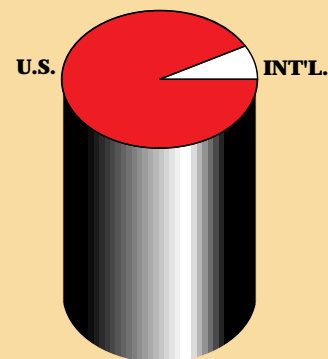
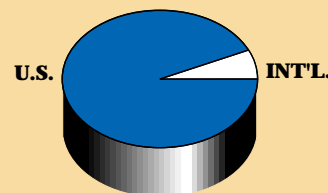
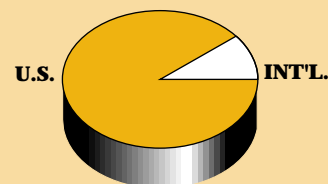
From the growth of the Supercenter concept to such futuristic ideas as Internet shopping, Wal-Mart is still on the leading edge of retailing – driven by associates like Murphy and her own Wal-Mart family.

David Glass, President and CEO, sums up the Supercenter concept simply: "I believe Supercenters will be to the next decade what discount stores were to the last, and that means Wal-Mart will continue to be a better company with each passing year."

## FISCAL 1997 END OF YEAR STORE COUNTS

	Discount Stores			Supercenters			SAM'S Clubs		
Alabama	54	22	8						
Alaska	3	0	3						
Arizona	33	0	6						
Arkansas	54	22	4						
California	95	0	24						
Colorado	32	4	10						
Connecticut	9	0	3						
Delaware	2	1	1						
Florida	109	23	31						
Georgia	65	22	15						
Hawaii	5	0	1						
Idaho	9	0	1						
Illinois	98	8	24						
Indiana	62	11	14						
Iowa	45	0	7						
Kansas	44	3	5						
Kentucky	53	15	5						
Louisiana	58	17	9						
Maine	19	0	3						
Maryland	21	0	10						
Massachusetts	25	0	4						
Michigan	44	0	21						
Minnesota	33	0	9						
Mississippi	45	11	4						
Missouri	79	29	11						
Montana	7	0	1						
Nebraska	13	4	3						
Nevada	10	0	2						
New Hampshire	16	0	4						
New Jersey	14	0	6						
New Mexico	19	0	3						
New York	48	5	17						
North Carolina	82	3	14						
North Dakota	8	0	2						
Ohio	77	0	22						
Oklahoma	61	17	6						
Oregon	20	0	0						
Pennsylvania	49	10	18						
Rhode Island	5	0	1						
South Carolina	46	6	8						
South Dakota	8	0	2						
Tennessee	63	25	10						
Texas	173	69	51						
Utah	14	0	5						
Vermont	3	0	0						
Virginia	35	14	10						
Washington	18	0	2						
West Virginia	12	3	3						
Wisconsin	54	0	11						
Wyoming	9	0	2						
<b>U.S. TOTAL</b>	<b>1,960</b>	<b>344</b>	<b>436</b>						
Alberta	14	0	0						
British Columbia	12	0	0						
Manitoba	9	0	0						
New Brunswick	4	0	0						
Newfoundland	7	0	0						
Nova Scotia	7	0	0						
NW Territories	1	0	0						
Ontario	50	0	0						
Quebec	24	0	0						
Saskatchewan	8	0	0						
<b>CANADA TOTAL</b>	<b>136</b>	<b>0</b>	<b>0</b>						
Argentina	0	3	3						
Brazil	0	2	3						
Mexico	106*	18	28						
Puerto Rico	7	0	4						
China	0	1	1						
Indonesia	0	2	0						
<b>INT'L. TOTAL</b>	<b>249</b>	<b>26</b>	<b>39</b>						
<b>GRAND TOTAL</b>	<b>2,209</b>	<b>370</b>	<b>475</b>						

\*Includes 3 Superamas, 25 Bodegas, 4 Aurreras, 67 Vips and 7 Suburbias





▲ Merchandise, price and more! Dayna King helps SAM'S Club give members the best value in the business.

# SAM'S CLUB

## BUILDS VALUE FOR MEMBERS

**T**he first thing she noticed when she came to work for Wal-Mart nine years ago, Dayna King says, was that “this company has always been interested in what I could offer, both from a work standpoint and an idea standpoint.

“I thrived in that kind of environment,” King added. Indeed. As a Regional Vice

President for SAM'S Club<sup>SM</sup>, King is responsible for 76 clubs in the northeast United States – an area extending from Lexington, KY, to Bangor, ME. Her work and her ideas help guide Wal-Mart's membership warehouse division as it continues an intensive program of creating more value than ever for SAM'S Club members.

“While wholesale prices on quality merchandise drive our business,” King said, “the membership gets even more valuable with our wide variety of additional services and member benefits.”

That kind of value is equally relevant to both kinds of SAM'S Club members – Business Members and Advantage

(individual) Members.

"We strive to create value for our members, first and foremost by providing small businesses with top-quality merchandise at exceptional prices," said Joe Hardin, President of SAM'S Club.

And that membership value translates into shareholder value, as SAM'S Club showed improvement in sales and operating profit in the latest fiscal year. Membership income was also up, driven by growth in new Advantage memberships and renewals.

Among the ways SAM'S Club creates membership value:

- SAM'S Club offers quality through branded merchandise at exceptional prices.
- The clubs also emphasize bringing in the best regional brands – the brands many of our members grew up using.
- SAM'S Club has moved aggressively to lower price points on the vast majority of its merchandise without giving up quality, through better prices from our vendors or, in some cases, alternative vendors. This enables the clubs to encourage impulse buying with prominent displays of those items.
- By lowering the number of individual items a club stocks, SAM'S Club has been able to merchandise the items more effectively. This reduces operational costs and enables the clubs to move huge quantities of merchandise.
- For qualified members, Business and Advantage alike, the SAM'S Club credit

program offers a 1 percent rebate on everything they buy.

- And the list of membership benefits just goes on and on... significant discounts on cruises through the Travel Department; discounts on rental cars, hotels, car and boat purchases; discounted long-distance telephone service; and more.

The process of building membership value also includes an aggressive remodeling program for many clubs, and an effort to expand the clubs' selection in the fresh categories – bakery, fresh meat and produce. "These are commodity categories that build excitement, and encourage people to shop at a warehouse club more frequently," Hardin said.

In a simple but effective move to build business, the new lower price points are combined with a new layout, which encourages impulse purchases.

Building membership value is "a work in progress, not

something we just do once and forget about it," Hardin said. "We're trying to exceed members' expectations by working to be more consistent."

And so SAM'S Club strides into the future. As always at Wal-Mart, change is not only expected, but encouraged, through the ideas and enthusiasm of associates like King.

"I'm a product of the investment the company makes in its people," King said. "The company allows you to have total ownership of your ideas by letting you put them in action and watch them succeed.

"That approach, that openness to associates' ideas, has been around since the company was started," she said. "And what I find very promising is that, even today, you can still see it happening.

"The company is always pushing us to wherever our capabilities will take us. Wal-Mart will open the door to opportunity any time somebody knocks on it."

▼ *Whether it's a small business or a large family, SAM'S Club membership means value.*





*Catalina*  
ACTIVEWEAR

exclusively at

**WAL★MART®**



# Membership Value



## Shop at any SAM'S Club today!

Get behind the wheels of a SAM'S Club<sup>SM</sup> cart and suddenly you've got the purchasing power of more than \$20 billion behind you. That means significant everyday savings on quality brand names from groceries to computers and electronics, casual clothes, sporting goods, seasonal items, travel and more. Shop from the most unique product selection under one roof.

All it takes is a SAM'S Club membership. Now that's real value!

Visit our web site at <http://www.samsclub.com>

Use this SAM'S Club one-day guest membership and see how great these values really are.

### One-Day Guest Membership

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/ZIP Code: \_\_\_\_\_

Phone #: \_\_\_\_\_

Membership# 176969285

Expiration Date: 12/31/97

5% upcharge applies on all purchases when shopping with this One-Day Guest Membership. Cash, Discover® or Novus® Card only (no checks). You may apply for membership, subject to qualifications, while visiting any SAM'S Club<sup>SM</sup>.



**Membership Warehouse**  
FOR BUSINESS & HOME

Item selection may vary by club location.