



WE EVOLVED

INTO

# CAPACITIES ACTIONS



## 2021 REPORT

### STRATEGIC PRIORITIES



### ENABLERS



## ENABLERS

- Customer Centricity
- Technology and Data
- Logistics
- Best Talent

# 31

**Distribution centers (DCs)**

20 Mexico  
11 Central America

# 231,259

**Associates**

193,902 Mexico  
37,357 Central America









# CUSTOMER CENTRICITY

We put our customers at the heart of everything we do. We listen to them to understand their needs and offer them the best service. We focus on delighting them by serving them when and where they prefer to shop.

Our customers have increasingly gone digital by embracing eCommerce. We have directed our efforts to develop communication and marketing strategies in digital channels and in traditional media to accelerate and support their adoption.

We meet our customers and associates needs by listening to them. We conduct systematic research to obtain first-hand information about their perception of our services. All this information is crucial to developing strategies to better connect with them to offer the shopping experience they are looking for and meet their needs.



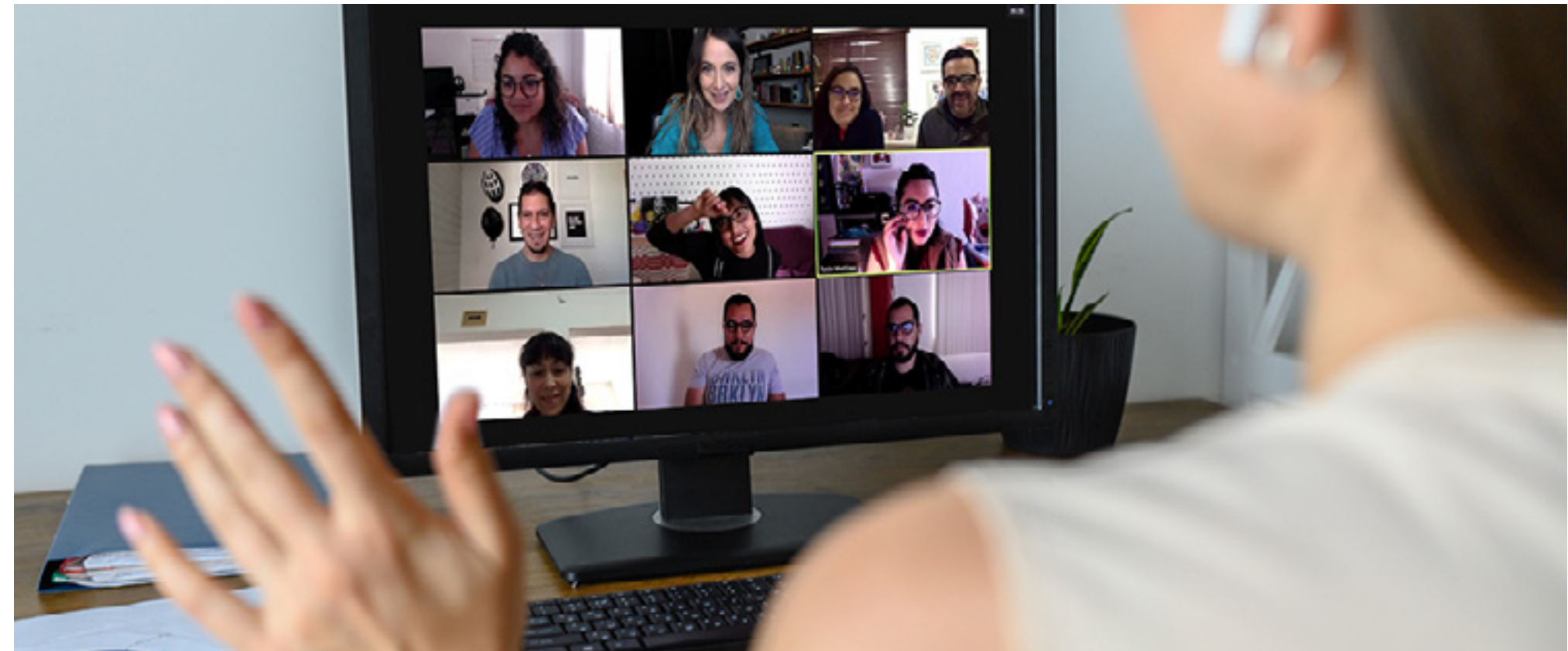
By listening continuously to our customers and members, we are keeping them satisfied

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TOMERCUSTO



## CUSTOMER-CENTRIC CULTURE

This year we launched our **Customer-Centric Culture Training Program** establishing the fundamentals of a **customer-centric culture**. We shared information with our staff and operations associates to help them better understand our customers and the indicators that help us measure their experience and satisfaction levels.



We carried out the following activities:

**Two webinars** were broadcast to more than 8,000 associates, where Walmart specialists shared their knowledge about the following topics:

- **Knowing our customer:** we learned about our customer's three dimensions: person, environment and shopper. We discovered how the dimensions interconnect to influence their purchase decisions.
- **Omnichannel NPS:** we discovered the relevance of the Net Promoter Score (NPS) and how it relates to our business indicators and the levers we must activate to improve the omnichannel customer experience.

**Live with Shoppers:** We held 27 virtual group sessions with customers in all our formats, when more than 2,500 staff associates participated, listened and interacted with them. In these sessions, we learned more about the customers, their needs, concerns, and priorities, both personally and as related to their families. We also understood how they adapted their organization at home and work and their purchasing habits to the new normal.

All this knowledge is available on our ULearn training platform, so our associates can go back to read the information any time they need it.





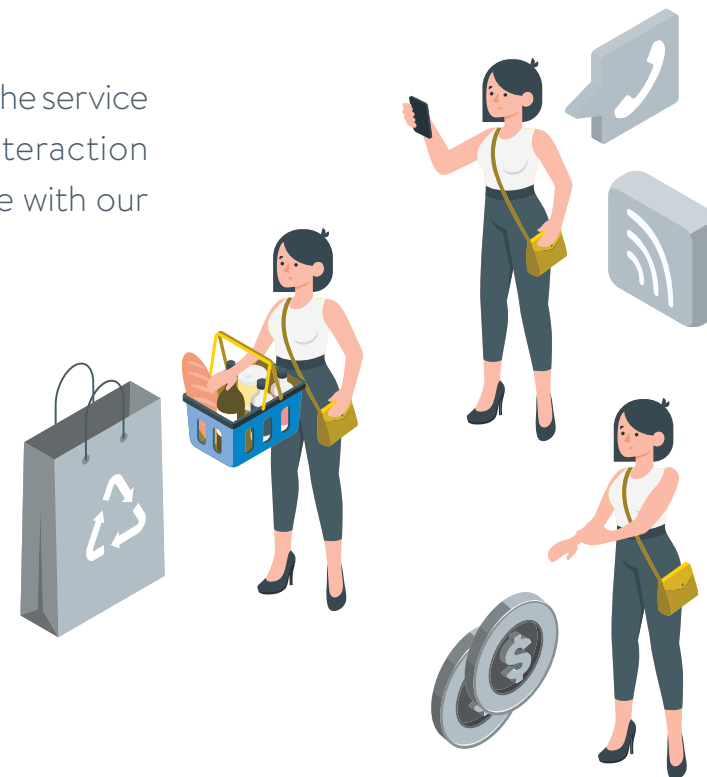
## WE IMPROVED OUR CUSTOMER AND ASSOCIATE EXPERIENCES

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We work to drive a positive impact in how we interact with our customers.

We made progress in implementing the Customer Journey methodology created to define customer experience solutions in our omnichannel formats

This methodology identifies the pain points in the service journey. It provides answers enhancing interaction during the shopping experience as we evolve with our customers.



# +40%

increase in sales in rearranged departments in Bodega Aurrera

In the case of Bodega Aurrera, we conducted an in-depth analysis of the pantry food staples and perishable produce routes to understand customer preferences and improve their shopping experience in stores.

As a result of our rearrangement of store products, we increased sales by 40% in the impacted departments and enabled new automated collection systems to expedite customer payment processes.





## WE MEASURE CUSTOMER SATISFACTION

We use various digital tools to monitor our customers' shopping experiences.

We have two satisfaction surveys that help us identify our strengths and weakness to develop action plans and to improve their perceptions:



Customer Experience Index



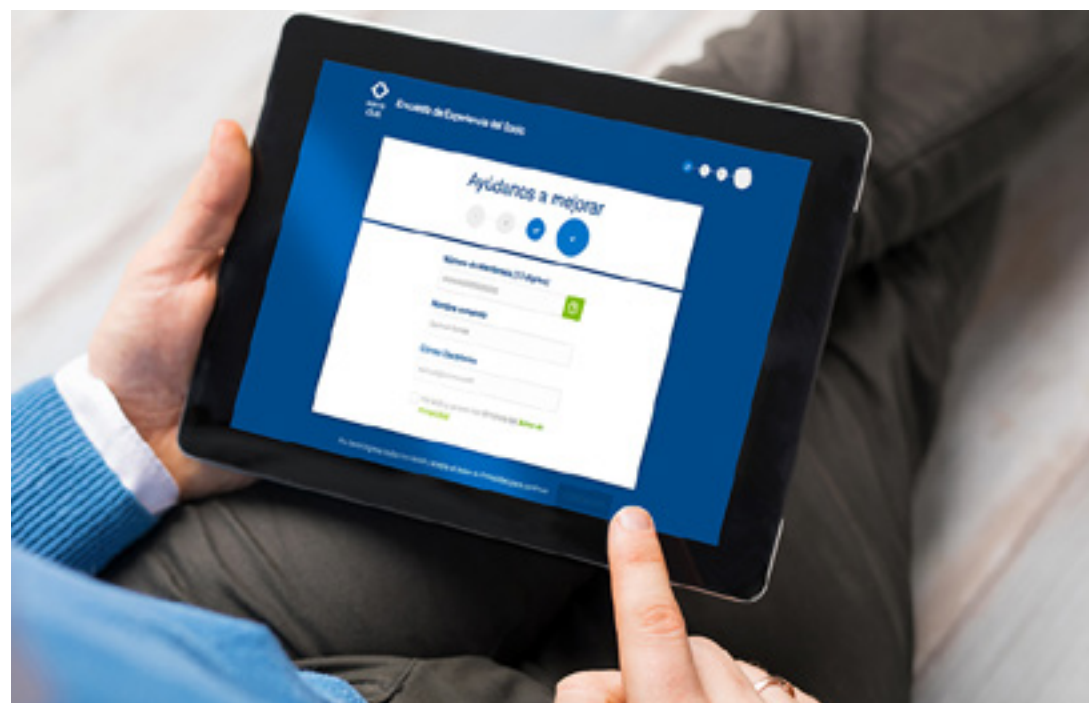
Associate Experience Index



### Tablets



Email / Social media:  
Sam's



**+26,300** surveys applied to our customers and associates in the region

Our Bodega Aurrera, Walmart Supercenter and Sam's Club stores have these monitoring mechanisms **in place at 100%**



### Results for Mexico

- 2.9% increase in overall recommendation rate of our customers
- Increase in overall satisfaction rate of our selfservice customers



### Self-Service

- Increases in recommendation rates of our clients: 5.7% at MiBodega, 4.6% at Bodega Aurrera and 2.5% at Walmart Supercenter
- Increased satisfaction rate of our selfservice customers
- Mi Bodega was highest rated format in general satisfaction in self service



### Results for Central America

- Kept our overall client recommendation rate
- Kept our overall client satisfaction rate
- Self-service was best evaluated format in general satisfaction



### Sam's Club

- 2.4% increase in members recommendation rate
- Increased our members satisfaction rate
- 2.2% increase in membership renewal intention in members that buy at Clubs and online
- Best evaluated format in general satisfaction



### eCommerce

- 12.3% increase in our clients and members recommendation rate
- Increased our clients and members satisfaction rate
- Walmart Supercenter was best evaluated format in general satisfaction



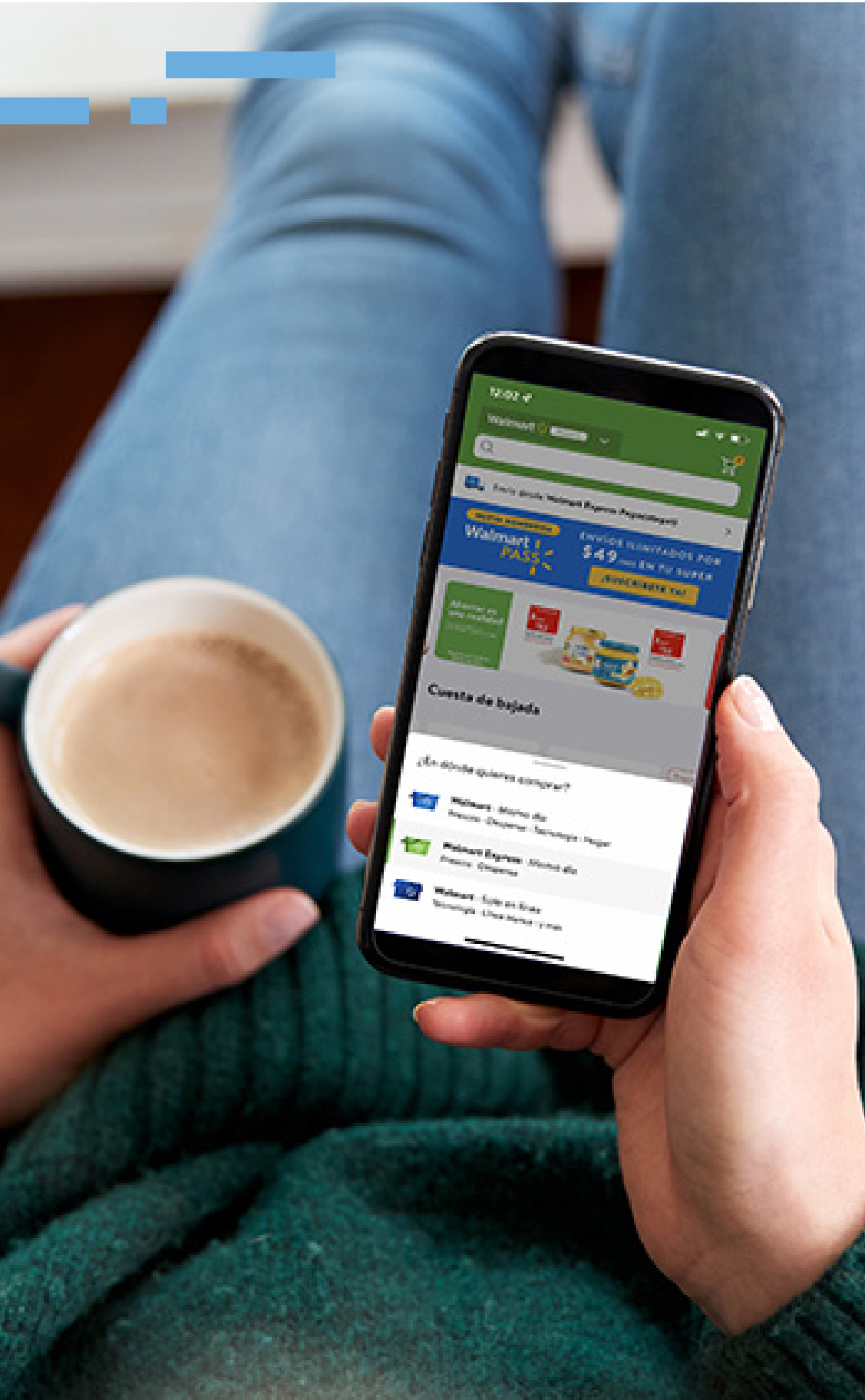
### eCommerce

- 3% increase in client recommendation rate



Sam's reported the highest NPS of all our formats





## OMNICHANNEL NPS EVOLUTION

**The adoption of the NPS across the company, including annual goals, helped us achieve our customer-centric vision goals.** We understood their major pain points and worked to understand root causes in order to provide end-to-end solutions to improve their journey. We used our NPS to track other customer-related metrics that helped us devise holistic solutions to improve their experience.

In 2021, we evolved the NPS measurement system in Mexico to enhance the omnichannel customer and associate shopping experiences.

We hired CxTeam and Medallia to help us measure the indicator in all of our customer contact channels. These commercial partners will accompany us in this evolution to increase data granularity, which will allow us to identify the pain points and strengths our customers experience both in stores and on our websites or apps.

We will also be able to consolidate the information we receive from different sources in a single repository to provide access to an end-to-end view of customer interactions and leverage this knowledge. This new tool, which we plan to launch in 2022, will allow us to continue improving the customer shopping experience and encourage their loyalty.



In line with NPS, we tracked other customer related metrics that helped us come up with holistic solutions to improve their experience

Last year, in Central America, we began to transition to the Customer Experience measurement methodology, based on the one used by Walmart Internacional consisting of an online questionnaire we use to evaluate six variables that measure customer satisfaction: cleanliness, speed, friendliness, quality, price and assortment, as well as satisfaction and our NPS.

In 2021, we used this methodology **to obtain more than 1.3 million responses from our customers and 100% representativeness, with an average of 120 surveys per store.**





## COMMUNICATION CHANNELS

We have a Corporate Contact Center to offer customers different communication channels.

Customers can communicate with us through the following channels:



Social media



Telephone



Email



WhatsApp



Corporate site chat



Campaigns

## CAMPAIGNS

We run different campaigns through multiple channels throughout the year. Such was the case of the Irresistible Weekend, which began with an eCommerce presale and continued with product offers in stores and online.

We also participated in the Hot Days campaign. At Sam's Club, we scheduled special events for members such as Socio Fest and Open House to invite customers to shop at our clubs without a membership to get a first-hand glimpse of the product assortment we sell at the best prices.





# TECHNOLOGY AND DATA

Technology and data have become one of our main tools for growth. **We are accelerating our digital transformation as we invest in developing new technological capabilities that allow us to turn data into information to make strategic business decisions.**

One of our great advantages as a global company is our experience making great strides in technology and implementing best practices in other markets, such as the United States, China, India and Canada. This strength we call Powered by Walmart allows us to implement the best technology in the shortest possible time and at a much lower cost because we leverage the investments made in other Walmart markets.



We will continue to generate technological solutions and make data-driven decisions to ensure an agile operation and transform to continue building the Walmart of the future





## DATA-DRIVEN DECISIONS

We have integrated data as a fundamental tool in our decision-making processes.

We built a predictive marketing model focused on consumer needs. One of the model's basic components collects and analyzes the data we use to better understand our customers and how the different macroeconomic, market and trend variables influences their purchase decisions.

The model allows us to determine the best way to invest in each of our formats and offer a personalized and enjoyable shopping experience that our customers value. We also use this data to implement new initiatives to connect digitally with our customers to offer them an omnichannel experience to buy their products when and where they prefer to shop.

**Regarding our infrastructure, we developed a data-driven model to help us make better investment decisions, optimizing new project feasibility.**

We use this tool to classify and analyze projects based on four criteria: operating profit, operating expenses, the investment time horizon, and competitiveness.

This project assessment method has represented a major change in our implementation and management processes by providing greater clarity and strengthening our decision-making process.

We collect data generated by consumer habits and preferences and translate it into information to improve our operational efficiency





We also use data to make decisions in our operations. We know that the implementation of our strategy requires investments, so we are intensifying our expense and productivity management efforts.

**This year we started the execution of the Smart Spending project, which reinforces our Every Day Low Price culture, using technology and data analysis to enable cost-saving and streamlined operations while generating savings.**

Because of the scale of our company, new data-driven implementations yield significant savings. For example, a change in our logistics fleet scheduling resulted in annualized savings of 140 million pesos.

In total, in Mexico we identified about 3,700 million pesos in savings, of which we executed 1,000 million pesos in 2021. Between 2022 and 2023, we will execute the remaining savings.



The constant transformation of our data-driven agile process guides our business decisions





## OPERATION OPTIMIZATION



### SUSTAINABLE MAINTENANCE:

This year, we invested a significant amount in automating our maintenance system to increase our operational efficiency, spend smartly and achieve significant profitability and sustainability benefits in both the medium and long term. We use this system to centralize all operations in the same channel and use the data collected and algorithms to measure our energy consumption and connect it to other factors such as weather, rates and inflation to be more assertive in our investment decision-making processes.



### FRESHER PRODUCTS:

At Sam's Club, we use automation to keep our products fresher with zero waste. We began to use the Fresh Sales Tool technology with data-driven algorithms that help us be much more assertive in our procurement and fresh produce production processes, sell more with fewer resources and generate less waste.



### OPTIMIZED SPACES:

To improve our members' shopping experience and help our associates save time, in 2021, we launched a new tool at Sam's Club to enhance the mapping of spaces by category and club and improve space planning and optimization. This product will help streamline our associates' working processes.



### CENTRAL AMERICA:

This year we launched the Customer Value Program app to manage markdowns and exit strategies more efficiently and improve profitability.



## TECHNOLOGY AND SYSTEMS

Our Technology and Systems Division providing omnichannel services to both internal and external customers has implemented a new model to improve internal connections and enhance external connectivity with our customers. This model is based on a cell design consisting of six jointly developed points:



**1. Create new technological capabilities.** This year we implemented 115 new initiatives, the most emblematic of which features the improvements applied to internet access and self-checkout service at stores.



**2. Operational excellence:** Operate with fewer resources, increase value and cut costs with the continuous monitoring of all internal operating platforms, aimed at anticipating and preventing failures.



**3. Developments focused on the internal customer:** Maintain communications between corporate divisions to develop and implement models that streamline daily work processes.



**4. Technology enablers:** Identify the best technology at the best cost and develop suppliers to bring the best talent to the company and spend smartly.



**5. One technology team:** Have a team staff member in each tribe to stay informed of new opportunities, allowing us to anticipate remote working and plan for the future.



**6. Information security:** Protect the company's databases and information from the cyberattack attempts that occurred this year. We prepared to serve as the first line of defense to protect and monitor the thousands of electronic devices connected and anticipate failures.



We increased our network connectivity with more modern technology to improve connectivity by 8x and reduced costs by **15%** in stores, distribution centers and offices





# LOGISTICS

One of our greatest competitive advantages is our logistics network. We were pioneers in investing in infrastructure in Mexico, and the efficiency of our network has been essential to our Every Day Low Price guarantee.

In addition to fulfilling their function of having products available to our customers shopping in person, our stores are being enabled as omnichannel distribution points. **We aspire to turn each store into a distribution center and further strengthen our operational efficiency.**



Now, this competitive advantage is evolving into the omnichannel space. We are transforming our network by adapting it to future business needs

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## INTEGRATED OMNICHANNEL NETWORK

One of the capabilities we progressed on, was our **integrated omnichannel network**. Customers are evolving, the market is evolving, and our network is evolving too.

We progressed on our brick and eCommerce transportation and DCs integration to build the foundation to become a digitized, automated, and omnichannel network.



31

distribution centers

20

in Mexico

11

in Central America



The opening of our new distribution centers has improved merchandise flows making them faster and more efficient





**We invested 986 million pesos to open the Santo Niño distribution center in Mexicali, creating more than 700 direct jobs and more than 1,000 indirect jobs.**

The distribution center is equipped with the capacity to process nearly five million boxes of goods received and shipped per month to supply the Bodega Aurrera, Mi Bodega Aurrera, and Walmart Supercenter stores in Baja California and Sonora in the northwestern region of Mexico. As part of our commitment to inclusion, close to 2% of our associates in this DC have a disability.

Therefore, we invested in a transportation system for our associates, including access ramps for wheelchairs.

Together with the Government of the state of Tlaxcala, we also celebrated the signing of a collaboration agreement for the construction of a new omnichannel distribution center in the city of Huamantla that will create more than 1,200 direct jobs and more than 700 indirect jobs. We expect to invest more than 3 billion pesos in this new DC, of which 608 million pesos will be allocated to technology and innovation, which will be directly connected to our omnichannel value proposition to supply 240 stores located in Mexico City and the states of Hidalgo, Oaxaca, Puebla, Tlaxcala, and Veracruz.

We believe a truly omnichannel logistics network, will allow us to improve our service levels and to accelerate growth by enabling us to flow all merchandise indistinctively to stores, customers' homes or pickup locations.



Logistics offer us a huge opportunity to create jobs and do so inclusively





## PERISHABLES NETWORK



Proximity to customers and our ability to deliver a full basket, including fresh items, in a couple of hours, is one of the main competitive advantages we want to further strengthen

We built the capacities needed to centralize produce distribution. This will allow us to increase availability, freshness, shelf life, and overall customer experience in hard-to-reach areas for our suppliers. **In addition, we are expanding the DC Villahermosa capabilities, that will be a model Perishables DC for the southwest region, and it will allow us to serve more than 250 stores in 7 states,** bringing us closer to our customers. And we will expand the capacity of the Culiacán DC by 40%, which will help us reduce lead times and increase availability in the region.

## ALIGNMENT WITH SUPPLIERS

We worked with top suppliers to simplify receiving processes through new initiatives such as fixed appointments and purchase order per item, which allowed us to reduce supplier's receiving time by more than 70%. In addition, we progressed **on our Truck Load Optimization program, reducing more than 20,000 trips for our suppliers;** having a positive impact on their carbon footprint and transportation cost.

## LAST MILE MODEL

An efficient and modern last mile operation is instrumental in offering the service levels our customers expect.

For On Demand, we are serving customers out of our more than 760 enabled stores and **we expanded the crowdsourcing model to more than 170 stores.**

For extended assortment, we launched new operating models like Delivery Stations and Exchange Points that have helped us to reduce customer delivery promise time by almost 40%, with a cost that is over 10% lower.



## FLEET

As for our fleet, **we have incorporated electric vehicles** and are developing omnichannel transport models. Thus, we leverage our fleet that already visits our +2,700 stores every week to enhance merchandise flows for pick-up stores and even home delivery at a lower cost and faster delivery times.





## FULFILLMENT SERVICES

As one of the largest logistics players in the country, we have the means to be involved in our delivery process and the storage of other companies' goods. We promote logistics as an added value to increase our competitive advantage by offering and monetizing additional services.

**We invested a significant amount of money in launching Walmart Fulfillment Services (WFS), a service where select sellers can leverage our world-class supply chain capabilities to fulfill orders quickly and efficiently.**

WFS is designed to help sellers generate more profitable sales of their inventory at scale. We have worked with them to design a simple and expedited process with competitive pricing. As for customers, they'll enjoy a larger assortment and shorter shipping times.

Walmart Fulfillment Services is currently operating from our Mexico City distribution center. About 20% of Marketplace orders are currently delivered through our network. Although it is still in its early stages, sellers respond positively, and the results are quite promising.



Our supply chain is one of the main enablers of our long-term strategy offering a huge competitive advantage. We will continue to aggressively invest in it as our omnichannel business grows.

**About 20% of Marketplace** orders are currently delivered through Walmart Fulfillment Services



# BEST TALENT

**This has been a year full of challenges and changes that has challenged our associates; however, they have adapted and innovated to continue offering the best service to our customers when they need it most.**

Implementing our business strategy has required a team with a growth mindset and new skills. Our associates have also faced the challenge of adapting to our customers' changing needs.



Our associates have known how to respond with their unique talent, demonstrating high levels of professional commitment proving that challenges make us stronger


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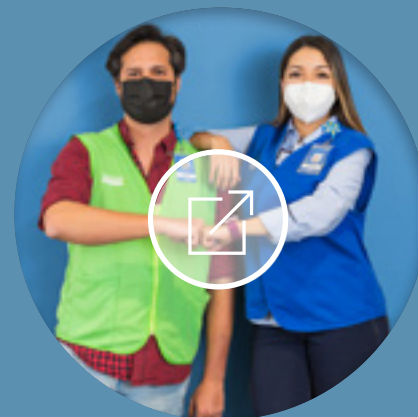




We provide training and education to ensure that our associates are prepared for these new challenges. We continue to offer a value proposition that provides benefits and a diverse and inclusive workplace where they can be themselves, which translates into happier and more engaged associates boosting productivity and our NPS.

Despite the challenging environment this year, we improved our associate satisfaction and engagement rates.

 We can say with full assurance that our team is an example of dedication and tenacity that plays a fundamental role in delivering great results



Please go to our chapter on **OPPORTUNITIES** to learn more about this year's talent development initiatives.

