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From: Owen Barder  
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JONATHAN POWELL

cc: Jeremy Heywood  
Geoffrey Norris

#### MEETING WITH BOB MARTIN OF WALMART

The Prime Minister met Bob Martin and Lord Jacobs yesterday. You, Geoffrey Norris and I were also present.

Martin said:

- Walmart expected to grow by 20 per cent this year;
- Walmart had stores in Asia and all over Latin America and had recently begun trading in Germany;
- there had been a lot of speculation about Walmart entering the UK market; he could not back up any of these rumours but he hoped some day to get a chance to be all over Europe - and if Walmart was in Europe, then it should be in the UK;
- the main obstacle to entering the UK market was zoning and planning controls - Walmart had concluded that they could only come into the UK by acquisition of an existing company (as they had in Germany);

- the opening of Walmart's stores typically begun price wars which forced companies to work hard for their customers; as well as lower prices, the effect was increased investment to improve efficiency and develop new systems;
- there had been a perception that the German market was sophisticated and that there was not much room for improvement: by contrast, Walmart had seen low-hanging fruit. There had been a lot of waste and scope for improvements in transportation;
- Martin knew well companies such as Tesco and Sainsburys - they were great retailers. The use of quality premium product labels had kept prices lofty. There was still scope to get cost out of the system and margins were high;
- Walmart had pioneered partnering with suppliers. All information available to Walmart was shared. Suppliers knew as much about the market as Walmart's buyers. Walmart had integrated Profit and Loss Statements with their suppliers.

The Prime Minister said that the Government's approach was to deliver a stable macro-economic environment while promoting competition and innovation in markets. It was claimed that prices to consumers were up to 30 per cent higher in the UK than abroad. This suggested that a lot of change was needed.

Lord Jacobs said that it was a real challenge to address higher prices in the UK. The problem was in manufacturing as well as retailing. Walmart's capitalisation of \$170bn compared to Sainsbury's of \$11bn. He had indicated possible targets for acquisition in the UK.

If the Prime Minister had time, he should read Sam Norton's book. Bob Martin offered to send the Prime Minister a copy, signed by Sam Norton's son.

Comment: I wouldn't be at all surprised if Walmart try to acquire Asda. I gather Geoffrey Norris reached the same conclusion.

OB

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