

Social Risk Screen: Walmart Inc. (NYSE:WMT)



“Shameless corporate social irresponsibility by @Walmart, @HomeDepot, @Target, @Kohls, @Walgreens, and other big-box brands. The opposite of #CSR.” Peter Fairley, [Twitter](#)

EXECUTIVE SUMMARY

Social Risk is the number one source of disruption and the greatest threat to public and private sector organizations around the globe. It remains largely misunderstood, ill-defined, and unaccounted for in traditional risk analysis – leaving businesses highly vulnerable to its negative effects.

Existing Socially Responsible Investing (SRI) options that focus on generating comparable or higher risk-adjusted returns and positive social impact do not accurately identify or measure a Company's Social Risk exposure.

Social Risk Analysis (SRA) measures a company's exposure to adverse consequences stemming from population-based activities and negative public sentiment. It enables investment professionals to reduce variance, increase consistency, identify mispriced assets, optimize long-term returns, safeguard investments from extreme losses, and attract new investors who prioritize socially responsible investment.

KEY ASSUMPTIONS

- Public sentiment of a company's operations and its Socially Responsible actions is a leading indicator of performance and value
- Companies with low Social Risk exposure are more likely to outperform market expectations

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ENODO Global collaborates with investors that seek greater understanding of their Social Risk exposure and have a desire to increase their social impact.

Companies should consider integrating ENODO's Social Risk Analysis into their investment decisions to increase their bottom line, safeguard their reputation, and improve their stakeholder relations.

DATA ANALYTICS

ENODO analysts designed and implemented a semi-automated data collection and analysis platform tailored for Walmart's specific operating environments. Analysts used ENODO's Social Listening tools to collect information using unique terms, topics, and hashtags across various social media platforms. The platform collected data using a combination of customized Application Program Interface (APIs) and, where relevant, authorized data vendors. It sourced, screened, and analyzed 27,929 Tweets, 21,001 Facebook posts, 17,211 YouTube comments, 14,291 news websites, 11,820 blogs, 10,401 RSS feeds over a 90-day period to inform this report.

FINDINGS

Walmart's size, number of employees, geographic diversification, and position within the retail industry reduce its overall Social Risk exposure. However, the current UK and Mexican political environments, its Indian investments, and technology changes across the retail sector leave Walmart vulnerable to negative population-based activities (e.g., online activism, protests, strikes, and litigation). Moreover, ineffective Corporate Social Responsibility (CSR) initiatives, poor marketing campaigns, and failures to address underlying consumer and employee grievances increase Social Risk. Socially responsible investors seeking to maximize earnings should be wary of Walmart until it addresses these issues.

RECOMMENDATIONS

Walmart can reduce its Social Risk exposure, build social resilience, create pockets of stability, and insulate its operations from broader industry trends, political instability, and social unrest by designing its CSR, public relations, and branding / marketing initiatives to address underlying grievances and Social Risk factors that exist within its various operating environments. Investors should employ Social Listening tools to measure the performance of Walmart initiatives to mitigate Social Risk Factors and reduce Social Risk exposure.

OUTLIERS

Walmart's \$16 billion [investment](#) in Flipkart has created unrest and heightened Social Risk across India. Moreover, it continues to negatively impact global perceptions of Walmart's activities in India, which is represented in the significantly high (7.08) investments rating. An in-depth examination of the India investment issue is found in Appendix A.

“Until SRA is an accepted financial practice and incorporated into stock price, market expectations will remain skewed.” ENODO Global

SOCIAL RISK SCREEN

ENODO's 0 to 10 Social Risk Rating (SRR) is obtained by aggregating quantitative measurement values of sentiment polarities (i.e. positive, negative, and neutral) based upon qualitative context obtained through topic modeling (i.e. classifying the most relevant and discussed topics) across Social Risk Factors: Country, Industry, Company, and Politics. Scores for each Social Risk Factor are calculated based upon the negative sentiment divided by the sum of negative and positive sentiment associated with qualitative topics. See below for an example:

- Qualitative topic receives 60% positive, 20% negative, and 20% neutral public sentiment
 - $\text{Negative} / (\text{Negative} + \text{Positive}) = 20 / 80 = 25\%$
 - $25\% \times 10 = \text{Social Risk Rating of } 2.50$

Companies with SRRs below 5.00 are more likely to meet or exceed investor expectations, whereas companies with scores above 5.00 are likely to fail to meet expectations. When used to screen companies within an ESG or SRI portfolio, companies with a SRR of 7.00 - 10.00 should be removed, 0 - 3.00 should be included, and 3.01 - 6.99 left to the discretion of the portfolio manager.

- **High Risk (Fail):** A 7.00 - 10.00 score warns of imminent or ongoing social risks that can negatively impact an organization's operations, management activities, and potential earnings. Additionally, management has not demonstrated an understanding of its social risk exposure or effective strategy to mitigate its impacts.
- **Medium Risk (Discretionary):** A 3.01 - 6.99 score signifies that an investment is not in imminent danger of loss as a result of social risk, however, a change in the management's mitigation strategy or the country and industry environment can impact the SRR.
- **Low Risk (Pass):** A 0 - 3.00 score indicates that a firm is operating in an environment with few social risks and/or has an effective risk mitigation strategy in place.

“Data-backed findings inform actionable information to manage Social Risk exposure.” ENODO Global

SOCIAL RISK RATING (SRR)

Walmart’s SRR is 6.97. This was calculated by averaging the relative sentiment polarity between positive and negative sentiment for each Social Risk Factor. The SRR for each Social Risk Factor is the average of the Social Risk Sub-Factors. Each Social Risk Sub-Factor is calculated based upon the proportion of negative sentiment to the sum of negative and positive sentiment as a percentage of the highest SRR of 10.00.

Social Risk Factor	Social Risk Sub-factor	Positive Sentiment (P)	Negative Sentiment (N)	N / (N + P)	SRR	Factor SRR	Overall SRR
Country						7.71	6.97
	USA	20.61	48.12	0.70	7.00		
	Mexico	18.32	71.01	0.79	7.95		
	UK	15.12	67.56	0.82	8.17		
Industry						8.42	
	USA	12.42	66.57	0.84	8.43		
	Mexico	10.21	71.76	0.88	8.75		
	UK	17.12	71.84	0.81	8.08		
Company						5.24	
	Risk Mitigation Program	42.13	38.09	0.47	4.75		
	Supply Chain/Partners	29.12	23.10	0.44	4.42		
	Operations	20.14	17.82	0.47	4.69		
	Investments	21.32	51.77	0.71	7.08		
Politics						6.50	
USA							
	Ruling Party	26.01	26.97	0.51	5.09		
	Opposition Party	35.02	42.27	0.55	5.47		
	Corruption	16.02	51.70	0.76	7.63		
Mexico							
	Ruling Party	52.20	15.66	0.23	2.31		
	Opposition Party	11.34	70.89	0.86	8.62		
	Corruption	9.37	66.51	0.88	8.77		
UK							
	Ruling Party	8.41	71.47	0.89	8.95		
	Opposition Party	32.31	20.12	0.38	3.84		
	Corruption	10.21	36.77	0.78	7.83		

Table 1. WMT Social Risk Analysis

APPROACH

ENODO Global combines its population-centric methodology, advanced data analytics, and customized Social Listening tools to synthesize large volumes of publicly available information from social media platforms, RSS feeds, online research, and news articles. Analysts employ qualitative and quantitative methods to measure public sentiment associated with key and trending topics and narratives related to a particular company and its operations.

ENODO employs a repeatable, scientific, data-driven process to determine a Company's Social Risk Rating (SRR) based upon four Social Risk Factors: Country, Industry, Company, and Politics. Analysts conduct topic modeling to uncover trending topics related to the company's operations (e.g., corporate social responsibility, public relations, supply chain, and investments). Qualitative analysis provides context for analysts to identify a firm's Social Risk exposure. Public sentiment measurements provide analysts a consistent, quantitative process (across industries and geographies) to evaluate a company's operations and its socially responsible actions.

SOCIAL RISK ANALYSIS

Our analysis is based upon the widely accepted concept that investor perceptions determine a company's stock price. Measuring a population's sentiment enables ENODO analysts to identify public perception before the market reacts and adjusts to new information. By focusing on perception, analysts are able to accurately evaluate a company's actions through a socially responsible lens and overcome the deficiencies associated with typical Environmental, Social, and Governance (ESG) screens, depicted in Table 2 below.

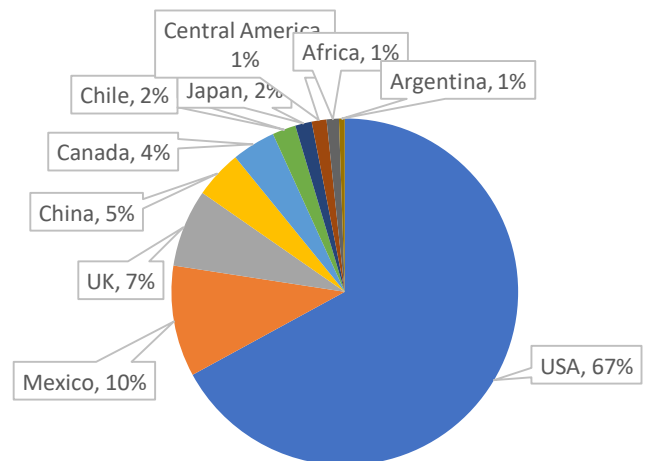
TOPIC	ESG SCREEN	SRA SCREEN
Weighting of Factors	Varies	Consistent
Data Collection	Companies self-report	Multiple external sources
Data Reliability	Removes incomplete data sets	Unlimited data sources
Data Timing	Quarterly lag	Real-time data collection
Data Robustness	Checklists	Single variable

Table 2. ESG and Social Risk Screen Comparison

COUNTRY ASSESSMENT

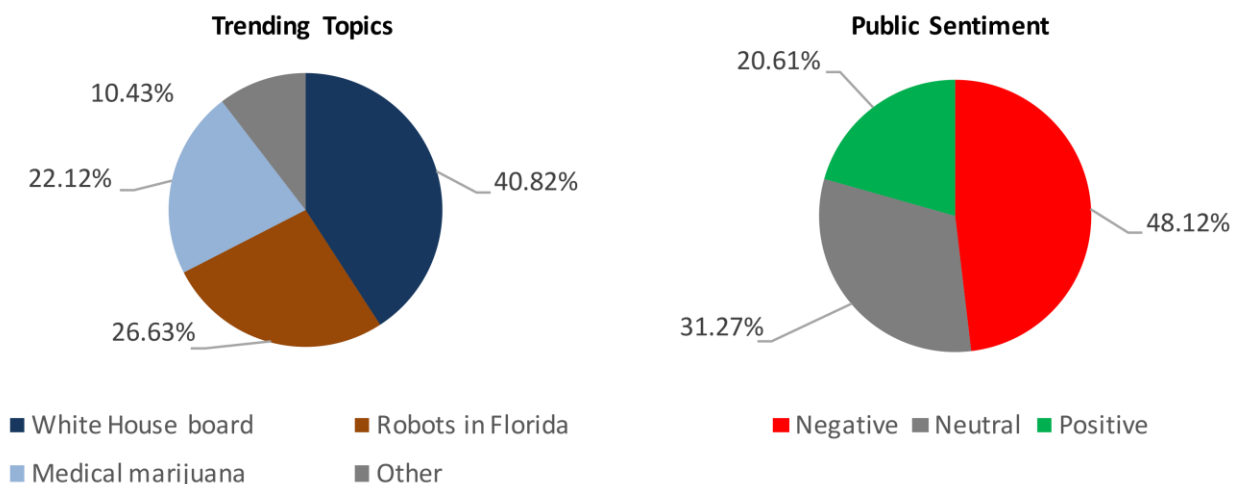
Walmart's retail operations span across 27 countries, under 55 banners, employing approximately 2.2 million people. Our analysis focused on the three countries with the largest labor forces (US, UK, and Mexico). Our analysis identified trending topics and measured public sentiment to uncover population dynamics that heighten Social Risk across WMT's operations and investments.

- Headquarters
 - Bentonville, Arkansas
- Total labor force
 - 2.2 million ([total](#))
- Nations with highest labor forces
 - USA (1.5 million)
 - Mexico (231,996)
 - UK (162,000)



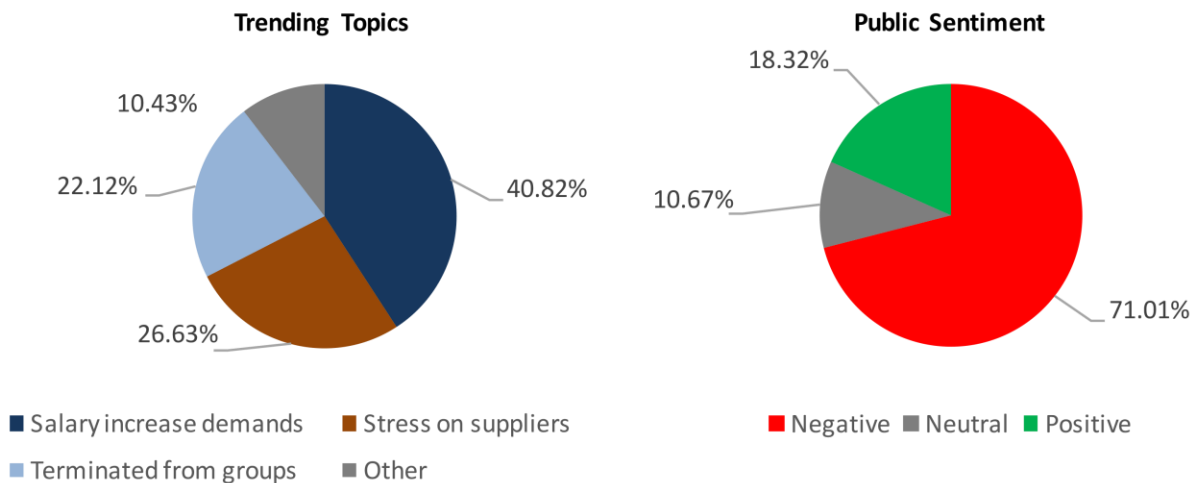
FINDINGS: UNITED STATES

Negative sentiment (48.12%) is largely due to the company's failure to broadcast clear information concerning its role in the White House [Advisory Board](#) on workforce issues. Moreover, citizens are concerned about job losses, following the introduction of [robots](#) in a Florida facility, as well as Walmart's neutral position on medical marijuana in terms of selling it in states where marijuana is legal.



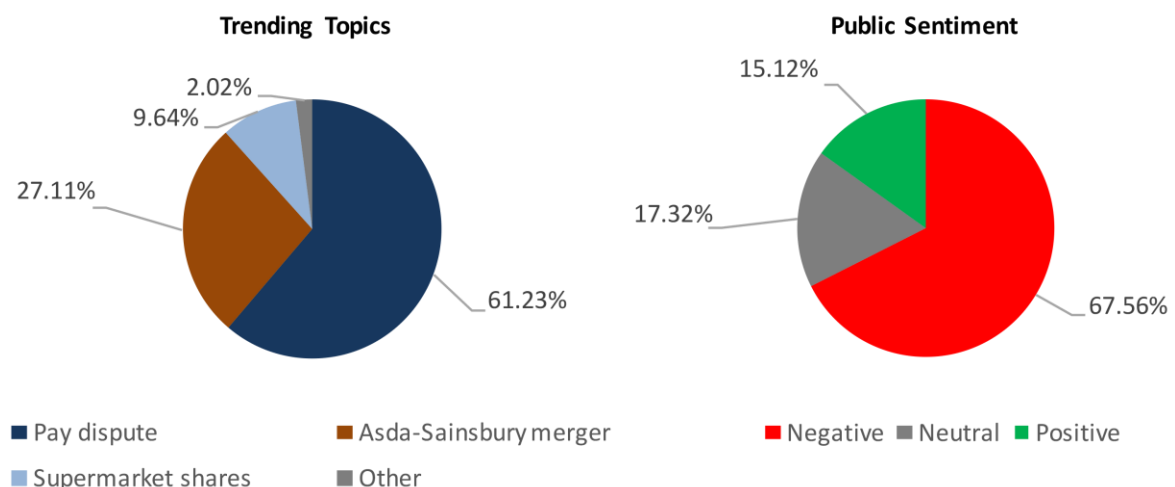
FINDINGS: MEXICO

Negative sentiment (71.01%) is attributed to public grievances including salary [disputes](#) among Walmart's partners and subsidiaries like Bodega Aurrera in several locations outside Mexico City. These issues are increasing negative sentiment with employees and suppliers, which is negatively impacting the brand's reputation in the country.



FINDINGS: UNITED KINGDOM

Negative sentiment (67.56%) is due largely to pay [disputes](#) and the [fallout](#) of the Asda-Sainsbury merger, which raised concerns among employees about their job security.



“Today it is Walmart and tomorrow it may be Amazon or Alibaba who can follow this path with the result that retail trade will be restricted to few hands.” *Confederate of All India Traders, [Twitter](#)*

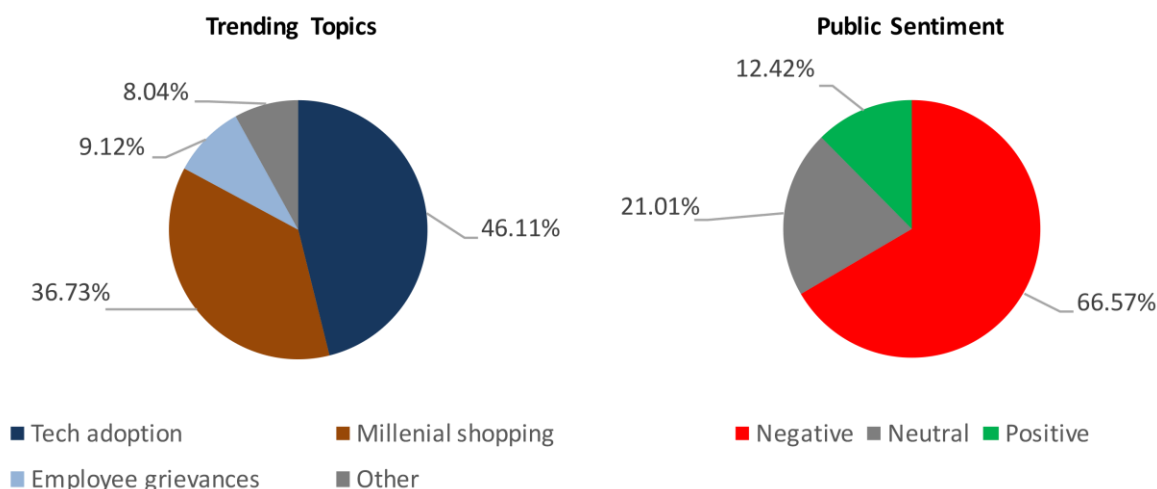
INDUSTRY ASSESSMENT

As the largest retailer in the world, Walmart is an immensely influential player in the retail industry, employing a significant percentage of the local retail workforce in its three key locations. In the USA alone, Walmart employs nearly 10% of the local retail employee population. Public perceptions related to the retail industry in Walmart’s three key operating regions reveal additional insights into underlying Social Risk factors impacting the company and its operations.

- Walmart’s percentage of the retail industry labor force in each country:
 - USA (10%)
 - UK (9%)
 - Mexico (25%)

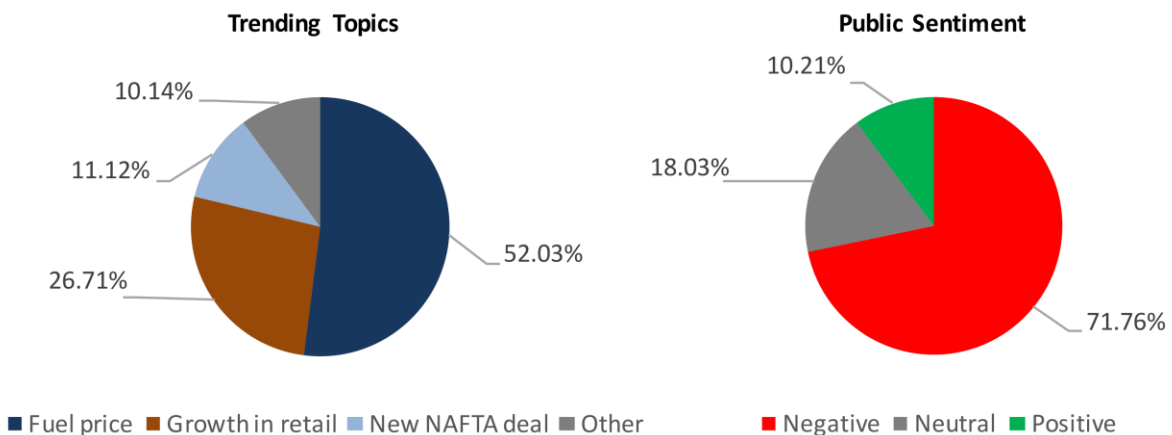
FINDINGS: UNITED STATES

Negative sentiment (66.57%) persists due to grievances emerging from Walmart adopting biometrics on shopping carts. Users question whether this action infringes on their privacy. Negative public sentiment is also driven by millennial customers (aged 19 to 25) who find Walmart’s online offering unsuitable to their shopping needs.



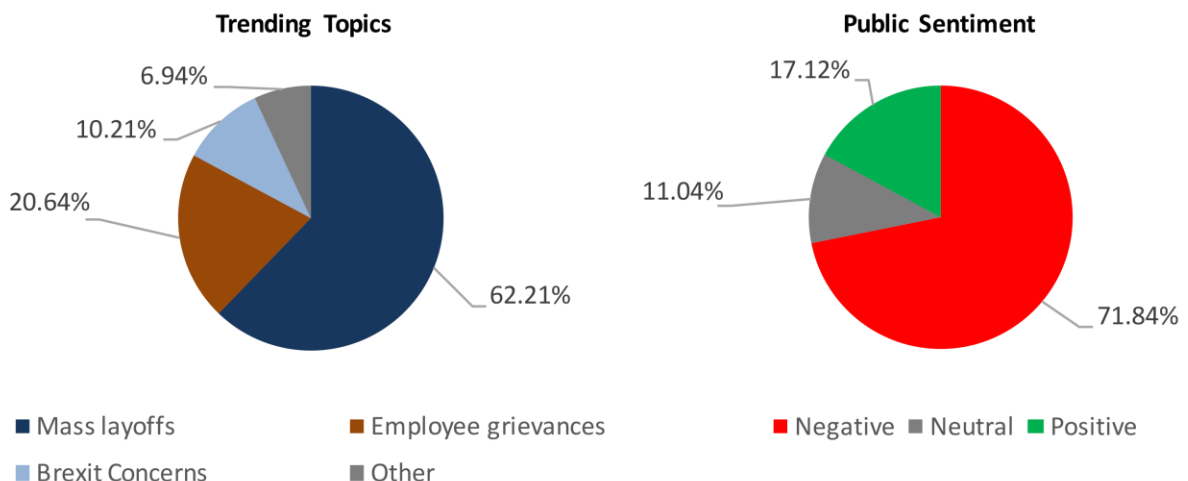
FINDINGS: MEXICO

Rising fuel prices and concerns about the direction of the new North American Free Trade Agreement (NAFTA) deal are driving negative sentiment (71.76%) among consumers and employees towards Mexico's retail industry. Positive sentiment (10.21%) is due to the favorable perceptions of Walmart's economic impact on the country's retail industry.



FINDINGS: UNITED KINGDOM

Negative sentiment (71.84%) is largely due to massive job losses and public uncertainty about the future of the UK's retail industry in the wake of Brexit.

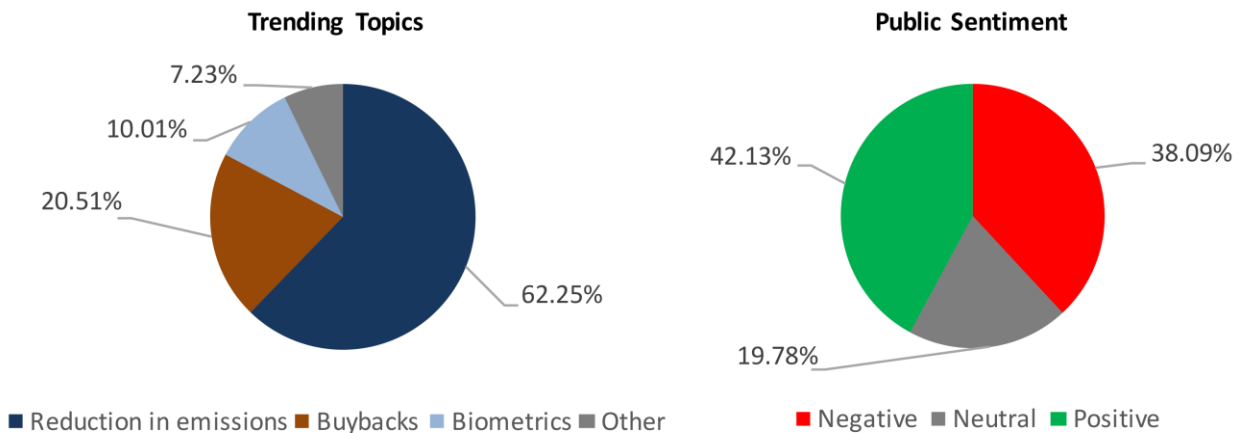


COMPANY ASSESSMENT

Walmart's reputation depends upon the performance of its risk mitigation programs related to CSR, supply chain partnerships, operations, and investments. Identifying trending topics and measuring public sentiment for each of these components reveal insights into the company's broader risk portfolio.

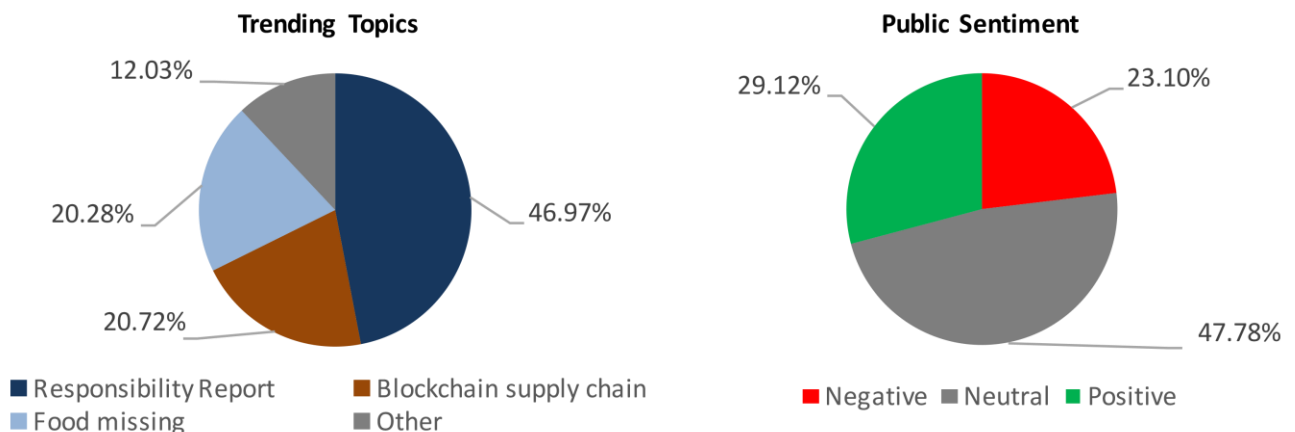
FINDINGS: RISK MITIGATION PROGRAM

Walmart enjoys favorable public perception of its aggressive CSR initiatives, particularly those designed to reduce greenhouse emissions.



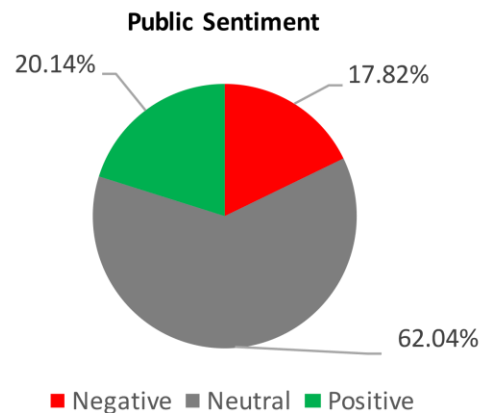
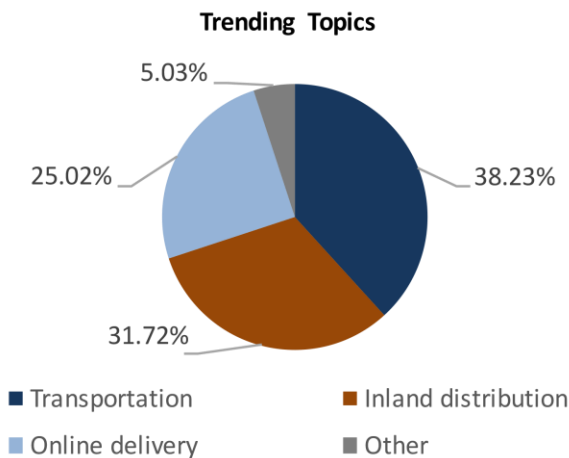
FINDINGS: SUPPLY CHAIN/PARTNERS

A recent positive report on Walmart's supply chain in the [Global Responsibility Report](#) and current conversations on IBM's blockchain integration into the company's supply chain has driven positive sentiment. However, public uncertainty (i.e. neutral sentiment) persists.



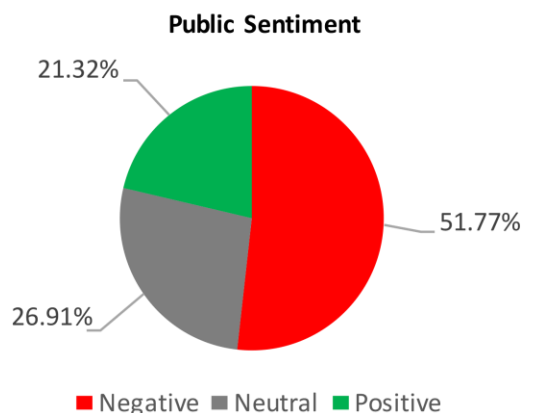
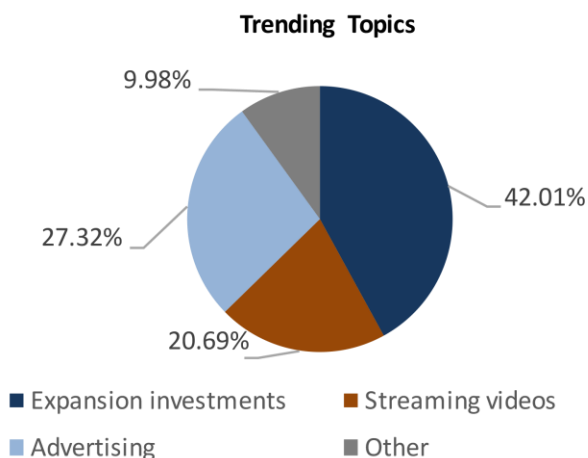
FINDINGS: OPERATIONS

Neutral sentiment (62.04%) of Walmart's operations exists due to poor engagement of Walmart's messages concerning operations and logistics with customers. Discussions regarding transportation to inland [distribution](#) centers are increasing as customers and retailers debate the impact of Walmart's new private [fleets](#).



FINDINGS: INVESTMENTS

Walmart's investments are met with negative sentiment (51.77%) due to public perceptions that customer-oriented [initiatives](#) are not being addressed. Specifically, customers want Walmart to invest more in [online](#) business to compete with Amazon's offerings.



POLITICAL ASSESSMENT

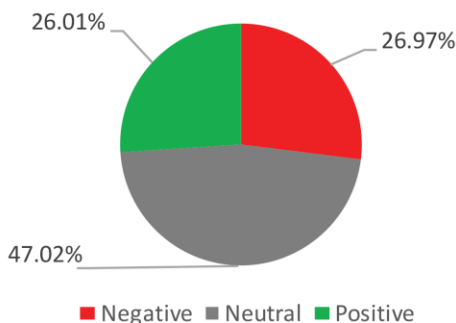
Walmart's operations in the USA, Mexico, and the UK are influenced by various political factors, each shaped by the political party in power, the opposition party, and the country's election cycle, which trigger topics related to employment and job security. By identifying trending topics and measuring public sentiment, additional insights can be gained to analyze the political environment's influence on Walmart's Social Risk exposure.

FINDINGS: US GOVERNMENT & RULING PARTY

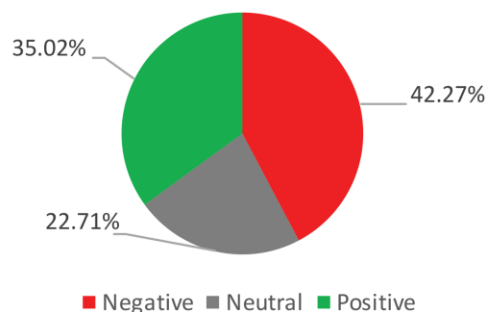
- Head of Government: President Donald Trump (Republican)
- Ruling Party: Republican Party; Opposition Party: Democratic Party
- Next Election: November 2020

Significant neutral sentiment (47.02%) exists due to uncertainty on the [Border Wall](#) proposed by President Trump and confusion on the reason behind low [tax refund](#). Negative sentiment toward Rep. Ocasio-Cortez's [Green New Deal](#) demonstrates growing citizens' concern about the proposal.

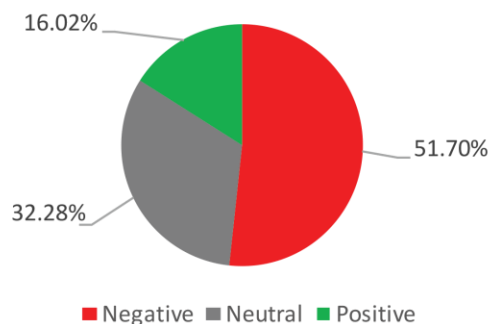
Ruling Party Public Sentiment



Opposition Party Public Sentiment



Corruption Public Sentiment

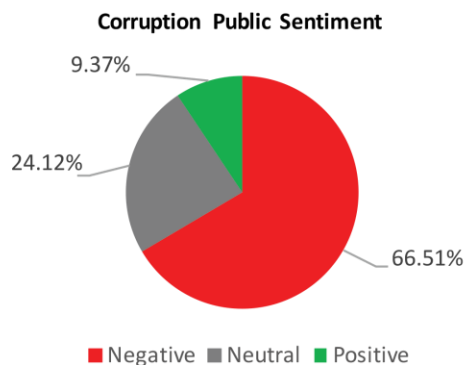
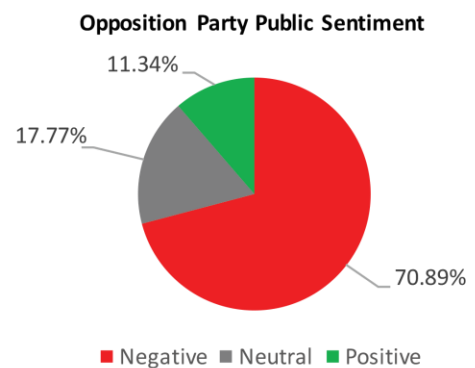
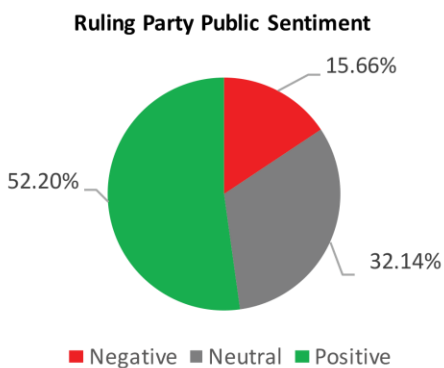


“60 years of PRI and 12 years of PAN left the country with these problems. Be patient. In 18 years of MORENO, this Mexico will be a world power.” Amando Azompa, [Twitter](#)

FINDINGS: MEXICAN GOVERNMENT & RULING PARTY

- Head of Government: Lopez Obrador (MORENA)
- Ruling Party: MORENA; Opposition Parties: PAN, PRD, and PRI Coalition
- Next Election: 2021

Despite electing a new President and significant positive sentiment (52.20%) of the ruling MORENA [party](#), Mexicans are still wary of endemic [corruption](#) and impunity (66.51% negative) that is rampant throughout Mexico.



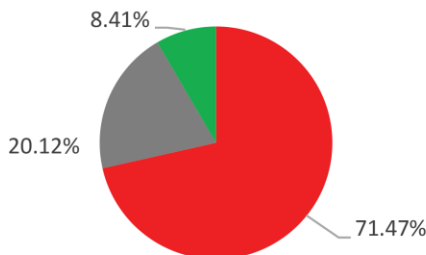
“British politics today looks like a Zombie play - 28 Amendments Later - an undead government plagues the land #r4today #Brexit” *AMPMob, [Twitter](#)*

FINDINGS: UK GOVERNMENT & RULING PARTY

- Head of Government: Prime Minister Theresa May (Conservative Party)
- Ruling Party: Conservative Party; Opposition Party: Labour Party
- Next Election: 2022

The UK’s current Brexit political [crisis](#) has shaped the high negative sentiment (71.47%) toward the ruling Conservative Party. Public perception toward the opposition, however, remains largely neutral (47.57%) due to uncertainty over the Labour Party’s strategy to counter the Brexit fallout. High neutral sentiment (53.02%) on the nation’s corruption levels stems from [uncertainty](#) over the Conservative Party’s plans to combat corruption.

Ruling Party Public Sentiment



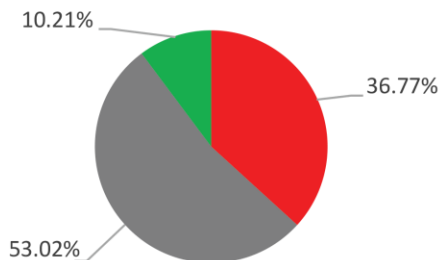
■ Negative ■ Neutral ■ Positive

Opposition Party Public Sentiment



■ Negative ■ Neutral ■ Positive

Corruption Public Sentiment



■ Negative ■ Neutral ■ Positive

OVERVIEW

On July 2, 2018, small traders and local farmers took to the streets across several Indian cities to [protest](#) Walmart's acquisition of a 77% stake in Indian-based e-commerce company FlipKart. Protestors fear the deal will jeopardize 90% of India's \$670 billion retail trade that operates through "mom-and-pop" stores, which service households. With the acquisition pending final approval from the Indian Government, Walmart must find a way to shape public perceptions, contain protests, and create a long-term solution to manage its brand in India.

FINDINGS: TOPIC MODELING

Social media analysis of online discussions revealed three key topics: predatory pricing, Chinese manufactured products, and threats to small traders in rural areas.

- 37.12% concerned with Walmart's predatory pricing strategy
 - People view Walmart's use of steep discounts as forcing smaller traders and local retailers out of business
- 35.02% discussed the influx of low-cost Chinese manufactured products
 - Supporters of Prime Minister Modi's "Make in India" campaign view the Walmart deal as a detriment to the future of Indian manufacturers
- 27.86% of discussions, particularly among farmers in rural North India, fear land grabs
 - Farmers believe that Walmart's acquisition of land to build their logistics and transportation hubs will result in the loss of their livelihoods



Protestors in Uttar Pradesh (India's most populous state) compare Walmart to the colonial British East India Company



Activists from Swadeshi Jagran Manch, a Hindu nationalist group, clash with police

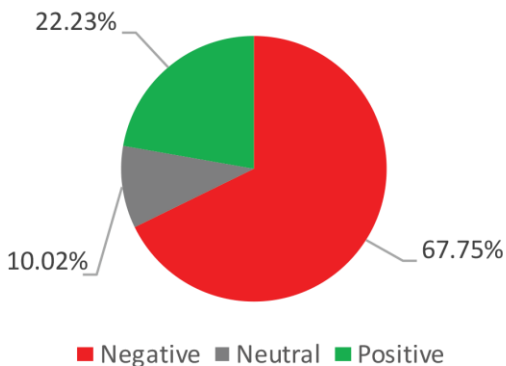
“I still don’t know much about Walmart. But I do know these companies will lure the farmers into selling their goods. Later they will grab their land.” Krishnan, [Twitter](#)

FINDINGS: SENTIMENT ANALYSIS

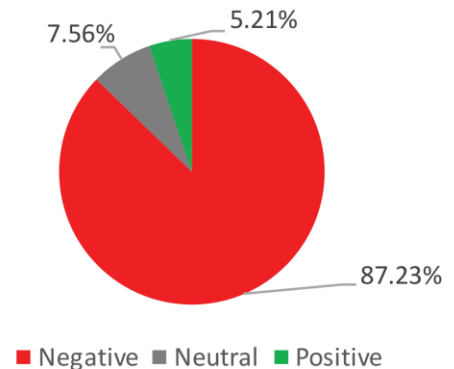
Sentiment analysis measured public perceptions regarding key and trending issues to uncover potential challenges Walmart faces with its India expansion and Flipkart acquisition.

- Public sentiment of Walmart in India
 - 67.75% expressed negative sentiment because Walmart is destroying decades of [relationships](#) between people and their “mom and pop” stores
 - Walmart’s strategy to engage with with local communities has failed despite its entry into the wholesale retail business [eleven years ago](#)
- Public sentiment of the proposed Walmart deal with Flipkart
 - 87.23% negative sentiment is due to citizens’ concerns that the Flipkart deal will create long-term [damage](#) to the livelihoods of millions of Indian entrepreneurs
 - ☐ With the growth of Indian e-commerce, small businesses view online shopping as a key for growth
 - ☐ People fear a Flipkart-Walmart alliance will squash entrepreneurial dreams
 - ☐ 23,781 social media users view the deal as [the antithesis](#) to Modi’s vision to promote Indian businesses in his “Make in India” campaign

Walmart Public Sentiment



Flipkart Deal Public Sentiment



“Now, I consider THIS as good news: Indian shopkeepers organise sit-in protests against Walmart's Flipkart buy.” Kiran Naik, [Twitter](#)

RECOMMENDATIONS

Conduct [Social Risk Analysis](#) or commission a [Social Risk Action Plan](#) to inform the design and execution of a comprehensive communications and engagement strategy that:

- Builds trust and creates transparency between Walmart and communities (e.g. small traders and farmers) and customers
- Uses Social Network Analysis to identify key influencers (e.g., Hindu nationalist groups, trade unions, and community leaders) who shape and influence public perceptions
- Employs social media platforms (e.g., Instagram, Facebook, and Twitter) to disseminate targeted narratives that address key concerns (e.g. predatory pricing) and create a two-way dialogue with traders and customers

DATA ANALYTICS

ENODO's platform sources, screened, and analyzed 27,929 Tweets, 21,001 Facebook posts, 17,211 YouTube comments, 14,291 news websites, 11,820 blogs, 10,401 RSS feeds over a 90-day period to conduct topic modeling and measure public sentiment.





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