



*-Week Ending 6/19/09-*

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Thanks to MNB  
for this selection of  
articles.

## Reporting In: From The CIES World Food Business Summit, Day One

*Notes & comment by Kevin Coupe*

NEW YORK – It has to be viewed with a certain degree of irony that at a time when so many food retailers and manufacturers are struggling to read the economic tea leaves and understand what the future holds for them and their companies – consumer needs, desires and priorities are changing, after all, and the degree to which these changes are permanent is a matter of constant debate – the 53rd annual CIES World Food Business Summit convened at the Waldorf Astoria here, one of the most expensive hotels in one of the most expensive cities in the world.

Of course, when the Waldorf Astoria was chosen there was no recession, just as there was no swine flu pandemic. These things happen, and an industry is best served when its thought leaders soldier on while dealing with reality, as opposed to either ignoring or collapsing under the weight of circumstances.

That doesn't make the sense of unreality that an almost anachronistically opulent place like the Waldorf creates any more real. One US retailer, with a rueful shake of his head, told me how he'd had a breakfast in the hotel restaurant that consisted of Raisin Bran, fruit, orange juice and a Diet coke, and had dropped \$40 in the process. But thought leaders like – and need – to go to cities that can challenge their business, political and thinking, and this is something that CIES has excelled at over the years, with the Summit having been hosted in cities such as Stockholm, Dublin, Prague, Barcelona, Rome, Budapest, Paris, Shanghai, and Munich in just the last decade.

This is a different CIES World Food Business Summit, however, in that this year the organization is announcing a change in its governance, shifting from being a retailer-driven organization to one in which retailers and manufacturers share the driving. While the official announcement and details are not scheduled to come until Thursday morning, Pierre Olivier Beckers, president/CEO of Delhaize Group and the current chairman of CIES, hinted at the extent of the makeover when he referred to CIES as "an international network of food and consumer goods retailers and manufacturers." Beckers said that once the requisite votes are taken in the early morning hours on Thursday, CIES will become an organization called the Consumer Goods Forum, 'built on the foundation of CIES' and designed to bring retailers and manufacturers together "to think and develop common approaches and objectives."





These are institutional realities, what in the United States we would call “inside baseball.” The more important realities – the ones that attendees were there to learn about – have to do with global consumers, and the changed circumstances in which they find themselves.

Gareth Ackerman, chairman of Pick n Pay Holdings as well as chairman of the CIES Summit Committee, said as much when he noted that the original theme of the conference was “Ingredients for Success,” but that “when the world was falling apart,” it quickly became evident that the theme needed to be amended to “Ingredients for Success in Turbulent Times.” Ackerman, who is well known for both a personal and corporate dedication to the concept of social responsibility, drew a direct line between this priority and finding ways to “look after the consumer” and helping them cope with the “disquiet” of changes taking place all around them.

Indeed, the sense seems to be that one of the reasons for the conversion of CIES into an organization run by both retailers and manufacturers is that this is almost too much for one sector to do by itself, that broader and more granular cooperation is needed – in much the same way that CIES has led the way in terms of developing global food safety standards that are both effective and efficient.

“Our mission is as relevant today as it was a half century ago,” Beckers said. “We cannot be satisfied with good intentions alone. We have to be right.”

#### *Other notes...*

The first day’s sessions took a broad look at the economy and the world’s food supply, beginning with Dr. Michael Mandelbaum, an author and professor at the John Hopkins School of Advanced International Studies, who offered a primer on the “macroeconomic context” in which the world finds itself.

It was, he said, a “triple whammy” of events that took place almost simultaneously – a bursting of the economic bubble, the credit crisis, and a recession. The burst bubble, he said, was like drinking too much for far too long and waking up with a hangover; the credit crisis was like having a heart attack; and the recession was like a serious case of the flu. Any one of the three would be a challenge, but having all three at the same time would certainly remind a person of his or her own mortality.

Among the risks still facing the global economy, Mandelbaum said, are:

- The possibility that the various cures employed by governments will be inadequate, making the recession last longer than necessary; he suggested that because the US and China have spent more in their attempts to fight recession, they would come out of it faster than Europe and Japan...which is good news unless you happen to be European or Japanese.
- The possibility that enormous debt created by US government actions, coming on top of eight years of deficit spending, will create crippling inflation...which is a problem for everyone, he noted, since this recession has proven the global centrality of the US economy.
- The possibility that turbulent times will create economic nationalism and protectionism, with “would be disastrous” for the global economy.

There was, however, good news. “The worst has not happened,” Mandelbaum said, referring to a total collapse of the global financial system. “And it is not going to happen. This recession, like all recessions, will end, and growth will begin again.”

In the second plenary session, Professor Robert Watson, chief scientific advisor to the UK’s Department for Environment, Food and Rural Affairs, addressed the fact that despite a doubling of global food production since 1960, 15 percent of the world’s population still goes to bed hungry every night. Watson noted that demand for food will double in the next 25-50 years, and said that the globe needs “sustained growth in the agricultural sector” if it is to meet this challenge.

However, Watson also said “that there is plenty of food today,” and the real problem is one of distribution and the fact that the poor cannot afford to buy it. In other words, the system is both functional and dysfunctional at the same time.



Watson elaborated by pointing out that the US government subsidizes the growth of certain crops, and then “dumps” the crops that cannot be sold on the open market in places like sub-Saharan Africa, where local farmers cannot possibly compete on price. This leads to less than optimal use of land in such places, and a lack of self-sufficiency on the part of those farmers. “It is in our best interests to make sub-Saharan Africa more self-sufficient,” he said.

And, Steve Burd, president/chairman/CEO of Safeway Inc., brought to this global audience his company's approach to health care issues, reiterating a familiar position: that if individuals were obliged to pay the full cost of “unhealthy behavior,” they would be motivated to a) change their behavior and b) be more responsible about health care costs.

*Final thoughts about Day One...*

It seems to me that in some ways, the story of this CIES World Food Business Summit may be told by events that bookend the event.

One of them doesn't happen until Friday – the annual closing black tie reception sponsored by L'Oreal, which people already are talking about because it will be considerably less lavish than receptions past. This appears to be a bow to the new reality, and delegates to whom I have spoken actually seem to think this is both sensible and timely – a way of dealing with reality as opposed to ignoring reality or collapsing under its weight.

The other event was far smaller, but perhaps more telling. On Tuesday, there were a series of store tours, with four busloads of delegates shuttled around nearby Westchester and Fairfield Counties to see the local retailing scene. I had the opportunity to serve as a kind of informal host to the delegates at Stew Leonard's, and it was great fun to see them gape at an innovative form of food retailing that I've gotten used to having shopped there for 25 years.

I was struck that, as the retailer and manufacturer executives milled about the store, there was another tour taking place: a group of school kids, maybe eight or nine years old, walking happily through the store, wearing Stew Leonard's hats, tasting and learning and generally connecting to a unique retail experience and the various foods it offered.

That's the future colliding, I thought to myself. Today's executives and tomorrow's customers, equally delighted by superior food, marketing and merchandising.

Which is as it should be...

*Tomorrow: Michael Sansolo reports from the CIES World Food Business Summit, Day Two.*

## Reporting In: From The CIES World Food Business Summit, Day Two

*by Michael Sansolo*

NEW YORK - There's no clearer sign of how the world has changed than the sudden confluence of the Prince of Wales and the kings of sales. That is, Prince Charles delivered a video message to the CIES World Food Business Summit here on the importance of sustainable fishing. In the course of his short talk, Prince Charles cited efforts from Walmart – a reference that probably doesn't get made in the palace every day.

Then again, maybe things aren't changing. There was no clearer sign of that than when Supervalu CEO Jeff Noddle talked about the importance of understanding today's younger generation. It was a stunning irony that on the same day Twitter was powering countless protests in Iran, only a handful of CIES delegates could claim they actually use Twitter.

Although the themes of CIES moved from simplicity to agility and optimism, the real theme was change in a number of issues impacting the supermarket industry worldwide on issues from sustainability to the economic climate, obesity and food safety. And in the midst of all that, CIES announced its governance changes and migration to a new name: the Consumer Goods Forum.



Two of the most gripping presentations came from opposite ends of the globe - clearly the most compelling attraction of the CIES meeting.

In the midst of the global economic crisis, Antonio Coto Gutierrez, CEO of Latin America's Dia supermarkets, showed how much worse things could actually get by sharing his company's experiences during the financial meltdown in Argentina a decade ago. In the course of that financial mess, prices declined then soared, leading to stunning economic chaos and, at its worst, wide scale looting.

Yet, Dia found a way to survive and thrive by examining and building relationships with suppliers, associates and shoppers. Dia built market share during the crisis by focusing on what was most important to each group and managed to address the issues as best as possible. For instance, employee salaries were raised to keep staff committed and focused.

Mark Price, managing director of Waitrose in the UK, delivered an equally sobering talk on an equally challenging topic - the sustainability of the global fishing industry. (Price's speech included the specially taped message from Prince Charles.) As Price explained, the industry's role in combating this problem is vital and he detailed steps Waitrose is taking to ensure its seafood offerings meet the standards of sustainability.

Environmental concerns were also critical to Bill Hickey's speech on the impact of food waste. Hickey, the CEO of Sealed Air Corp. offered shocking statistics such as 25 percent of food in the US being discarded uneaten; or how the majority of food grown in developing countries is trashed unsold or eaten. (This was an extension of the same message offered during Wednesday's speech by Professor Robert Watson, chief scientific advisor to the UK's Department for Environment, Food and Rural Affairs, as reported here on *MNB*.)

As Hickey explained, the tragedy of this situation is hunger for individuals, waste for economies and an environmental disaster from the energy used to consume the wasted food down to the methane gas released by rotting food products in landfills. Hickey talked about the relative benefits of minimal packaging in combating this problem - an interesting message that must be balanced against Hickey's position as CEO of the company that makes Bubble Wrap. But the message was compelling all the same.

One interesting and somewhat offbeat speech came from David Rockwell, an architect whose projects have included the staging for the Academy Awards. Rockwell talked about creating theater, treating shoppers as guests to be entertained and how to use lighting for dramatic eye appeal in stores.

On top of the program, change was definitely in the air for CIES itself as the association opened the day by announcing its demise - at least in current form and name. The global association is recasting itself as the Consumer Goods Forum, with equal support and guidance from retailers and suppliers. As co-chair A.G. Lafley, CEO/president/chairman of Procter & Gamble said, the association will not lose its DNA as a global forum.

If anything, proponents of the change say, it will grow in that direction. The new Forum will focus on a few key issues that fit the criteria of global, industry-wide issues where cooperation is key to success. Such issues include supply chain (building on the existing success of global tracking numbers and global commerce initiative) food safety and security, and environmental concerns. Co-chair Pierre-Olivier Beckers, president/CEO of Delhaize Group, emphasized the point on the growing concern about climate change and the need for coordinated and non-duplicative action.

The new forum will be overseen by a 50-member board, split equally between retailers and suppliers. Daily operations will be overseen by managing director Alan McClay, the current head of CIES. Sabine Ritter of the Global Commerce Initiative will serve as integration manager of the new Forum.

Beckers and Lafley said the new group will not usurp the power or issues of various national associations such as the Food Marketing Institute (FMI) or the Grocery Manufacturers Association (GMA) in the US, since only those associations can deal with lobbying, national or regional issues. (FMI and GMA will also have links to the global board.) And on issues of conflict between retailers and suppliers, those groups might work on separately to set up specific education or discussions.



Of course, the devil is always in the details. The integration of national associations will be critical, especially with the goal of eliminating duplicative efforts. It will be interesting to see how FMI, which has a strong reputation in food safety, blends with the Forum's global food safety efforts or how FMI and GMA coordinate on supply chain efforts. It will also be interesting to see how issues migrate between the associations, especially at a time of financial pressure on all.

And then it remains to be seen how CEOs will split their time between board commitments at FMI and GMA with the new Forum. One supplier told me more North American presidents and fewer global CEOs will largely fill the GMA board. And the role of smaller companies, a large part of the leadership at FMI and NGA, will need significant consideration.

One retailer called the new structure a "big company" club and pointed out that Lars Olofsson of Carrefour, who is vice-chair of the new Forum, never attended a single board meeting prior to his election. "They just wanted a big guy in there," this retailer said.

*Monday: Kevin Coupe files a final report from the CIES World Food Business Summit, Day Two.*

## Amazon Tests Private Brands

*BrandWeek* reports that as so many retailers embrace private label as a way to offer cash strapped shoppers expanded options, Amazon.com – the world's biggest e-tailer – is testing the same waters.

According to the story, a new private label line called Tom Douglas by Pinzon, went live this week, offering a variety of cooking equipment.

An Amazon spokesperson tells *BrandWeek* that the retailer also has an outdoor furniture line called Strathwood that serves as a private label, and has offered some private brands since 2004 – though there is no statement from Amazon as to what extent the e-tailer may be considering a further expansion.

*Fast Company* analyzes the initiative this way: "The fact that a pioneer of online retailing and maker of such forward-looking products as the Kindle is dabbling in private label linens and patio furniture speaks well of the dexterity of Amazon's leadership. The company can make money selling e-readers, but it can also make money selling miter saws. The move into private labels means Amazon is competing with its obvious online rivals like eBay, but it's also staying competitive with storefront rivals like Target or Kohl's."

## Whole Foods Launches iPhone App

Whole Foods Markets announced that it has developed an application for the iPhone that provides the retailer's entire selection of over 2,000 online recipes to iPhone and iPod touch users.

Searchable by ingredient, special diets, and other elements like "budget" and "family friendly," each recipe contains detailed preparation instructions and nutritional information, which can be copied and pasted, saved as a personal "favorite," and emailed from within the App itself. The App also includes an "On Hand" feature where customers can enter ingredients and get back meal recommendations.



## Food Lion Gains First Place Market Share In Richmond Market

The *Richmond Times Dispatch* reports on new market share data suggesting that Delhaize-owned Food Lion has moved into first place in that marketing area with a 19.34 percent market share, passing Ukrop's, which has a 17.58 percent share. Walmart is in third with 12.14 percent, a Kroger in fourth with 11.38 percent.

It is the first time since 1986 that Ukrop's has fallen out of first place, and company CEO Robert S. Ukrop professes not to be worried.

"Market share is not our thing," he tells the paper. "We think there is enough business for us to continue to do what we do. We just have to be better at it. The fact that we have as much of a market share as we have as the little guy is amazing."

## Stater Bros. Cuts Prices On 10,000 SKUs

California grocery chain Stater Bros. has announced a price-cutting campaign, saying that it is reducing prices on more than 10,000 basic items, including private brands.

"We know our customers are having a hard time making ends meet," stated Jack H. Brown, Chairman and CEO of Stater Bros. Markets. "That is why we're offering even lower prices to help the families we are privileged to serve make their food dollars go even further."

## Walmart Grades Its Own Sustainability Efforts

The *Arkansas Democrat-Gazette* reports that Walmart has posted its 2009 Global Sustainability Report on its website. Among the conclusions:

- "A goal of improving fuel efficiency in its truck fleet by 25 percent by October 2008 led to a 38 percent improvement, and a goal of selling 100 million energy-efficient compact fluorescent light bulbs by the end of 2007 resulted in 137 million sold."
- "A goal of, in effect, banning use of 20 chemicals in products led, instead, to a screening tool that the company says provides a more comprehensive way to identify potential risks to consumers."
- "From February 2008 to January 2009, 57 percent of the waste from its stores was 'redirected' so that it did not end up in landfills. The original goal of a 25 percent solid waste reduction by October 2008 was set aside, the report says, while Wal-Mart worked with its waste haulers to develop a method of measuring its waste stream."

According to the story, "Wal-Mart acknowledged in its report that it has not met its goal of reducing its so-called 'carbon footprint,' the amount of greenhouse gases emitted into the atmosphere as a result of its operations. While the company has improved the energy efficiency of its operations, it also has continued to grow in the United States and globally, resulting in greater energy consumption."

Despite the improvements, Walmart remains under fire for personnel policies that critics say are anti-union and exploit workers; the company also faces accusations that it does not adequately police the policies of its offshore suppliers.



## *Sansolo Speaks: "Faster Horses"*

*by Michael Sansolo*

Last week I did something I hadn't tried since college.

Now while that may sound like a particularly dangerous statement, it only proves that you don't know what I did either last week or in college. What I did was nothing illegal, immoral or questionable in most ways.

I took an inter-city bus for the first time since Jimmy Carter was in the White House. Obviously, it's been a long time.

It wasn't the traditional Greyhound or Trailways. Rather it was something called Vamoose, one of a number of bus services running passengers between Washington, DC, and New York. Again that might not sound like much to you, except there is probably no better-served route in the US than New York to DC. There are countless airline flights, trains on Amtrak and, of course, major highways. In short, there wasn't a real crying need for a new link between the two cities.

Yet, Vamoose is making its work so well it has loads of competitors.

The basics of these new bus routes are simple. Passengers board in various places in the DC area (DC, Maryland or Virginia) and for \$25 ride to the heart of Manhattan or vice versa. The buses offer amenities including a free trip every fifth ride or WiFi access throughout the trip.

I had heard from friends about the buses, but could never talk myself into using the service. Until I tried it and realized I waited too long.

The trip was a very pleasant surprise. The bus was relatively clean, the ride comfortable and the company of fellow passengers was totally acceptable. (Okay, the woman painting her nails and the guy working on his fantasy baseball team were over the top, but I can deal.) On the positive side, it was easy, convenient, relatively cheap and allowed me to work, read and take a nap. That's a pretty full day.

The crowd of passengers who rode with me round trip are big fans of the service. Many said they use it regularly to visit New York for shows, family and more. Despite the options, they see the value.

And there's the puzzle. No one started Vamoose because there was a lack of options or competition. No one asked for such a service. It started because some small entrepreneur detected a need and divined a new way to fulfill it. Many of the bus services between the cities began with service from one poor neighborhood of DC to a corresponding neighborhood in New York. That alone was an excellent idea. It took a leap to bring it to affluent neighborhoods where the options were so plentiful.

Such leaps are nothing new provided an entrepreneur sees opportunity where none exists. Ted Zittel of McMillan/Doolittle closes his excellent speeches with a quote from Henry Ford about the birth of the automotive industry. As Ford said, "If I asked people what they wanted, they would have asked for a faster horse."

Sometimes you have to give people what they didn't know they wanted. That thinking launched many great business ventures. And last week, it got me back on the bus.

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## Aldi One-Ups Walmart In Chicago

The *Chicago Tribune* reports that Aldi plans to open a store on Chicago's South Side – in the same shopping center where Walmart wanted to open but was stymied by union interests objecting to the company's position on organized labor.

According to the story, "The 17,000-square-foot freestanding building is slated to debut in late 2010 and will follow Aldi's new prototype design, touting high ceilings, plenty of windows and generally a brighter, warmer more welcoming look and feel" than traditional Aldi units.

Aldi already operates 120 stores in the Chicago area.

## Safeway Launches "Locally Grown" Produce Initiative

The *Baltimore Sun* reports that Safeway "is launching a campaign to significantly increase its focus on locally grown produce. Nearly a third of Safeway's produce comes from local sources, and the grocer said that shoppers can find more local produce per item at its stores than at a typical farmer's market ... Safeway's in-store campaign will also include 'locally grown' reference maps that will geographically show the location of key local farmers."

## Making The Case For In-Store Health Clinics

*Time* has a piece about in-store health clinics, and frames the growth of this health care option in some fairly persuasive terms:

"For all the complexities of the U.S. health-care crisis, most Americans experience the problem in a straightforward way: it's just too hard to schedule face time with your family doctor, and it costs too much when you finally get in the door. Of the approximately 1 million physicians working in the U.S., just 30% provide primary care. If you do get an appointment during the week, you'll probably have to take off time from work and carve out at least a few hours to sit in a waiting room. And if you get sick on a weekend, good luck.

"That, of course, is assuming that you have a doctor in the first place, not a given in a country where up to 50 million people lack health insurance. Even for the insured, ever changing corporate health plans may mean that a physician you see one year is not available to you the next. In times of illness, more and more people just show up in emergency rooms, which increases crowding and slashes revenues as bills to the uninsured go unpaid. In the past 13 years, at least 190 ERs have responded by shutting their doors.

"Enter the retail health clinic. In the past decade, more and more pharmacies like CVS and Walgreens, supermarkets such as Kroger and Publix and big-box stores like Wal-Mart have made space for clinics that treat minor ailments, administer vaccines and examine kids who need medical forms to enroll in camp. In those nine years, storefront clinics have logged at least 3.4 million visits. Today there are about 1,200 such clinics, pulling in some \$550 million in annual revenue, by one estimate. Doctors, worried that the clinics will dig into their bottom line, are resisting the trend, but it's hard to argue that the innovation wasn't needed ... Family doctors...argue that retail clinics undercut the concept of a 'medical home,' a care provider who knows your history and can act as a director for all your medical needs. The clinics counter that with as many as 60% of their patients reporting that they don't have a primary-care provider, there's not much to undercut."



## FastNewsBeat

- In New Hampshire, the *Eagle Tribune* reports that there has been a 50 percent increase in the number of shoppers who have stopped using paper or plastic bags and instead are adopting reusable bags – that's better than the national average, which has shown a 44 percent increase.
- UK retailer Sainsbury said that it plans to raise the equivalent of more than \$700 million (US) that will allow it to fund its expansion plans. The company currently operates more than 500 supermarkets and 300 convenience stores, but CEO Justin King notes that in more than half the country, Sainsbury's market share is 10 percent or less. That's a "huge geographic opportunity," King says.
- There is a report out of the UK that Ocado, the online grocery service there, may be planning an IPO in 2010, which could give it more capital for expansion.
- Tesco's US division, Fresh & Easy Neighborhood Markets, announced yesterday that it plans to open four stores in July, including the first of the company's units to be located in Pasadena, Oxnard and Santa Barbara counties.

Fresh & Easy currently operates 120 stores in California, Arizona and Nevada.

• Fresh & Easy also announced yesterday that it "will be introducing over 1,000 new products to existing stores over the summer. Customers should expect to see more Fresh & Easy brand products, larger pack sizes, more national brands, as well as exclusive new lines of national brand quality products at unbelievably low prices."

• The *St. Petersburg Times* reports that Albertsons will pay \$200,000 "to resolve false advertising complaints last summer that will translate into \$20 settlement checks to shoppers who claim they were misled."

"The supermarket chain angered many shoppers across Florida when it hired liquidators to stage inventory 'blow out sales' at 53 stores being sold or closed, while advertising lower prices at 40 other stores that were not being closed."

"Supermarket liquidators, who buy the stock and hope to profit by selling it at progressively lower prices over a period of weeks, frequently raise prices at the start of a going out of business sale because discounts supported by the stores' suppliers are no longer part of the deal. Many Albertsons regulars were enraged that even prices they were used to paying day in and day out went up before they were discounted by liquidators. Albertsons ads for stores that were not closing, however, continued to promote the discounted vendor prices, but did not mention they would not be honored at stores being closed."

## The MNB Wal-Mart Watch

- *Dow Jones* reports that Walmart's planned relaunch of its Great Value private label brand is taking longer than expected...with most of the products expected to be on store shelves by the end of July. A May-June time frame had been projected.

## The Balance Sheet

- Smithfield Foods reports that its lost \$78.8 million during the fourth quarter, compared to a \$2.4 million profit during the same period a year ago. Sales were down one percent to \$2.85 billion.



## Executive Suite

- The *Chicago Sun Times* reports that Walgreens has hired two Walmart executives and one Kraft Foods executive for its merchandising team.

Shannon Petree and Eddie Frail are moving from Bentonville to Walgreens, taking the posts of general merchandise manager for beauty and personal care, and general merchandise manager for seasonal and general merchandise, respectively. Petree most recently was senior buyer in the beauty department for Walmart, and Frail was general merchandise manager for seasonal, hard lines and sundries.

Maurice "Moe" Alkemade, who most recently has been running Kraft's Target business, will become Walgreens' general merchandise manager for private brands.