

# Walmart Pharmacy Report

## Excitement, action return to Walmart aisles

By MIKE TROY

BENTONVILLE, Ark. — Walmart stores have regained a familiar feeling this holiday season, and if senior executives are right, the increased promotional intensity will halt six consecutive quarters of declining same-store sales and put the company on the right track for 2011.

The most obvious change is the return of branded feature displays and four-sided fixtures to the main aisles of Walmart's 3,600 U.S. supercenters and discount stores. Under the leadership of a prior senior executive team, Walmart abandoned this hallmark of its merchandising strategy in an effort to simplify the shopping experience in its large stores. The elimination of the displays was one element of an overarching strategy known as Project Impact that also involved store remodels and such operational changes as improved labor scheduling. Suppliers howled when the change was made in the name of bringing clarity to the customer experience, and that rationale also was the basis for paring product assortments and restricting how suppliers featured branding elements in the design of the remaining feature displays.

As Walmart has moved in a new and familiar direction under a different senior leadership team (*see story below*) and a restructured merchandising organization focused on the familiar brand promise of everyday low prices, it has sought to retain the best elements of its Project Impact strategy while modifying those that negatively affected sales, the most notable of which was the elimination of feature displays. "Customers are also happy with the Action Alley



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[displays] because of the price intensity and product availability that they deliver," Walmart U.S. president and CEO Bill Simon said when the company released third-quarter results. "In addition, because they are pallet driven, the Action Alley displays are very efficient from a labor standpoint."

The change wasn't enough to help third-quarter same-store sales, which declined 1.3%, but Simon said a positive comp is expected for the fourth quarter. Walmart won't provide guidance for the coming year until the release of its fourth-quarter results in

mid-February 2011, but the company's suppliers are optimistic. More than half of the 139 predominantly Bentonville-based supplier executives who participated in a recent survey conducted by *Connecting Northwest Arkansas*, a sister publication of *Drug Store News*, expressed a high level of agreement with the assertion that the changes made at Walmart U.S. in the areas of senior leadership, merchandising strategy and structure and philosophy toward supplier relationships would lead to an improved performance in 2011, even without an economic recovery.

## A new team for the New Year

BENTONVILLE, Ark. — As Walmart's U.S. stores division looks to execute a broad slate of initiatives in the coming year to recharge domestic growth, it does so under the leadership of a new chief executive and a restructured merchandising organization.

If those words sound familiar it's because the names, strategies and structure at Walmart tend to change fairly often. So much so that adjusting to shifting personnel and priorities at Walmart was ranked second only to growing sales in a Walmart supplier survey conducted by *Connecting Northwest Arkansas*, a sister publication of *Drug Store News*. A total of 139 suppliers, based primarily in Northwest Arkansas, that are responsible for their companies' business with Walmart participated in the survey. Roughly half said they had worked

with Walmart for 12 years or more, providing a sound historical footing for their perspective of change.

The change they have seen lately is somewhat of a novel approach for Walmart, and a function of the retailer's circumstance and size. The merchandising organization now is directly overseen by Walmart U.S. president and CEO Bill Simon, who has four EVPs of merchandising reporting to him. For most of the past 15 years, Walmart functioned with an executive in the role of head merchant or split merchandising responsibilities among two EVPs.

However, the new structure was put in place several months ago following the promotion of former COO Bill Simon to the position of divisional president and CEO, and the subsequent departure of former chief mer-

chandising officer John Fleming. As a result, Walmart now essentially has four head merchants, and the crew is a mix of two veteran Walmart executives and two others who obtained the bulk of their experience elsewhere.

Falling into the latter camp is Duncan MacNaughton, EVP health and wellness and Walmart.com. He joined the company's Canadian division in 2009 as head merchant before moving to the U.S. division a few months ago to assume his current position. MacNaughton's name is familiar in the health-and-wellness world due to his lengthy track record with Supervalu, Albertson's, H-E-B and Kraft Foods.

Reporting to MacNaughton are Scott Huff, SVP consumables; John Agwunobi, president and SVP health and wellness; and Scott McCall, SVP health-and-wellness merchandising. Also reporting to MacNaughton are Steve Nave, SVP Walmart.com, and Phillip Freehling, senior direc-

tor of planning, pricing and modular development.

Another fairly recent addition to the merchandising group is Jack Sinclair, EVP food, who joined Walmart in early 2008 after spending the bulk of his career in senior positions at such U.K. food retailers as Safeway and Tesco.

The group is rounded out by Walmart veterans Andy Barron and John Westling. Barron serves as EVP softlines and joined Walmart in 1993. He is responsible for the apparel and home areas, and has spent his entire 18-year career in the merchandising area.

The veteran of the group is Westling. He serves as EVP general merchandise and replenishment. He joined Walmart in 1988 as an hourly employee and held a variety of positions before becoming a VP/DMM in 1998. He became SVP/GMM consumables in 2001, EVP merchandising operations in 2007, and assumed his current position this year.