

Upheaval in Loblaw ranks

Son takes helm: President and chairman resign after targets missed

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John Lederer resigned as president at Loblaw Cos. yesterday after failing to hit timeline targets on an ambitious strategy to tighten up the retailer's supply chain, lower prices and rapidly expand its grocery stores.

The seismic management shakeup also saw Galen G. Weston, the scion of the family business, succeed his father W. Galen Weston, 65, as company executive chairman. Allan Leighton, chairman of the U.K.-based Royal Mail Group, a former chief executive of Wal-Mart Europe, and board member of George Weston Ltd., joined the Loblaw board as deputy chairman.

The elder Weston, who took up the reins of the company after his father's death in 1978, will remain chairman of George Weston, which controls Loblaw, Canada's largest supermarket company. Many of Mr. Lederer's former duties will fall to new president Mark Foote, 45, who was lured to Loblaw from rival Canadian Tire Corp. in April to become executive vice-president of general merchandise.

Mr. Foote will be in charge of the company's supply chain and its core food and general merchandise businesses -- areas which have caused the most headaches in the past year and a half.

The remainder of Mr. Lederer's role will be taken on by the younger Mr. Weston, including labour relations, the President's Choice banking unit, store construction, real estate and retail operations.

"Mr. Lederer has been president for six years and the first half was pretty good but the last half wasn't great," said Peter Holden, retail analyst at Veritas Investment Research.

"Management's job is to find these problems and fix them, and by their own admission they were slow to fix them. It's unfair to say this is all the fault of the CEO in an organization of this size, but I guess he didn't have the confidence of the board anymore which is the confidence of the majority owner."

The Weston family holds the controlling stake in George Weston Ltd., a family-run company which began as a bakery in 1882.

W. Galen Weston said in a conference call with analysts that he and the board had been "considering the company's leadership structure and succession for some time,"

adding Mr. Lederer had stepped down after three decades with the retailer by "mutual agreement."

The delineation of duties among the new team seemed to baffle some analysts, who pressed executives on the call to state plainly who would be in charge.

"I am the executive chairman and Mark is very clearly the number two," Mr. Weston Jr. replied.

Mr. Foote will report directly to the younger Weston, 33, who has worked for the company for the past eight years, most recently as senior vice-president of corporate development.

"I don't think it's terribly important to try and sort out who reports to who so much as recognize that the company runs as a unit," Mr. Foote said. "It's a team environment and we are a quite strong one at that."

John Chamberlain, an analyst at Dominion Bond Rating Service, said the new structure was likely set up to provide some checks and balances in the executive team between Mr. Weston Jr. and Mr. Foote, who has a broad retailing background but is new to Loblaw. Mr. Leighton will likely act as a pivotal senior advisor to both executives, he added.

The realignment could cause some internal turbulence, said analyst Perry Caicco of CIBC World Markets, who speculated the company might not be able to retain the strong management team Mr. Lederer built.

"The resignation of a brilliant, hard-working and well-known CEO to be replaced with a committee of relatively unknown or unseasoned executives should not be instantly viewed in a positive light," he wrote in a note to clients, noting the company is experiencing problems in its food business, has yet to finish key union negotiations and has not seen a material recovery from its massive supply chain overhaul.

At the same time Loblaw, which has a 30% share of Canada's grocery market, has been boosting sales of general merchandise, and shaving prices to put pressure on rival Sobeys Inc. and gird against the arrival this fall of Wal-Mart Canada Corp.'s first grocery superstores in Canada.

LOBLAWCOS. LTD.

Ticker: L/TSX

Close: \$49.50,down\$1

Volume: 1,240,778

Avg. 6-month vol.: 307,671

Rank in FP500: 1 (top subsidiary companies)