

# A new era arrives in drug store design

Chain Drug Review

By David Pinto, Editor

Two-thousand-eleven will be remembered as the year when the basic drug store format took several dramatic turns for the better, burying, perhaps forever, the vanilla-flavor format that has served chain drug retailing so adequately for so long.

Two of the newly unveiled formats — those by Duane Reade and Rite Aid — make a bold statement as to what its architects believe a chain drug store should stand for going forward. The new Duane Reade model is all about daily living, as its architects define it in the second decade of the 21st century. By contrast, Rite Aid's new design emphasizes health and wellness and the many contributions a drug store can and should make to its customers' well-being.

Much has already been written about the 22,000-square-foot Duane Reade store that opened its doors on July 6 at 40 Wall Street, a Trump Building one block east of the New York Stock Exchange.

The store stands on three pillars — a health care offering that includes the on-site presence of a physician as well as extensive consulting facilities; a sprawling beauty care assortment under the Look Boutique banner that Duane Reade has developed and popularized over the past year, a selection that includes a range of cosmetics brand not yet seen in a chain drug store as well as such salon services as manicures and hair blow-out treatments; and an array of daily living accessories that includes a juice bar, a sushi bar, an assortment of fresh food, natural products and such offerings as gluten-free products, as well as a variety of often overlooked or neglected services such as a shoeshine stand, a cell phone charging

station that gives customers a secure way to charge their devices while shopping, and a prominently placed stock ticker to keep its clientele abreast of the latest share prices.

Additionally, the store offers the standard range of health and beauty care products, though it does so in an intimate and appealing stores-within-a-store environment that emphasizes assortment and utilizes signage that facilitates shopping by logically organizing and displaying the various product categories.

The new store has been an instant success. Variations of the format will reportedly be rolled out to Walgreens' drug stores in such urban centers as Chicago, Miami and San Francisco, as will elements of the Look Bou-

July 18 issue of this publication, succinctly and accurately described as "an iPad-toting advisor who roves the aisles and provides customers with information on over-the-counter medications, vitamins and supplements."

As well, these ambassadors provide service and information on the spot and can print coupons from their iPad via a wireless link to a printer at a nearby "wellness station."

But that's just the beginning. The store's pharmacy is perhaps more prominent and easily accessed by patients than has yet been true of a drug store pharmacy counter. Moreover, the pharmacy is a focal point for all manner of health care services: A computer located in a consultation room off the phar-

the beauty assortment has been located on the same side of the store as the pharmacy and O-T-C assortment, creating a dedicated wellness area.

Rite Aid has already unveiled eight stores in the wellness format, which chief operating officer Ken Martindale describes as "the model going forward for our high-potential stores. So you're going to see a lot of these as we ramp up our remodel schedule going forward."

Atop these two models is Walmart's new Express format, a 15,000-square-foot store that the retailer has begun opening in northwest Arkansas and plans to roll out to such cities as Chicago.

Observers have initially had more difficulty classifying the Walmart Express stores than they have had evaluating the Duane Reade and Rite Aid models. In part, this is due to the fact that each of the new formats differs slightly from the others. For instance, a pharmacy, present in some units, is absent from others. So, too, is on-premises gasoline.

Another source of confusion is that observers have been hard put to understand the role of the Walmart Express stores. Have they been designed to compete with the dollar stores, a trade class many Walmart staffers believe is taking business away from the Walmart Supercenters and discount stores? Or have they been launched to compete with the chain drug stores they resemble in size and, to some degree, merchandise assortment? Or are they expected to compete against both trade classes?

Frankly, it's too soon to tell — or to evaluate the new concept. One thing, though: Walmart very rarely does anything without a very good reason — even if that reason is not always initially evident to its competitors.

## Walmart is trying its hand at small-format stores, some of which include pharmacies.

tique, a concept that has taken beauty in a drug store setting to new levels of excitement, selection and personal shopping aids, the most impressive of which is a computer-based device that allows shoppers to see how they look in the latest cosmetics and skin care products — before they make a purchase.

The 10,600-square-foot Rite Aid Wellness Store that recently opened in Mechanicsburg, Pa., not far from the retailer's Harrisburg headquarters is more narrowly focused. More specifically, it seeks, with great success, to bring a personal approach to the task of educating customers about health care.

To that end, it offers customers what the retailer calls a "wellness ambassador," which CDR reporter Russell Redman, writing about the store in the

macy provides access to Rite Aid Online Care, an interactive service that allows customers to speak live with pharmacists trained in various health issues; expanded clinical pharmacy services give patients access to pharmacists trained in medication therapy management, diabetes care and a range of immunizations; an expanded selection of such health and wellness products as organic and gluten-free food and beverages, homeopathic medicines, home health care products, health care literature and pet vitamins as well as a GNC nutritional department give customers a range of healthy options they have never before had in a drug store environment.

Though health care is obviously the primary focus of the new store, beauty care has not been forgotten. As an example,

# PBM merger reshapes playing field for Rx

By Jeffrey Woldt

The pending \$29.1 billion merger of Express Scripts and Medco Health Solutions — a deal that, if it passes muster with government regulators, will combine two of the three largest pharmacy benefit management companies to create a dominant player in the sector — raises a host of challenges for community pharmacy operators and others involved in the prescription drug supply chain.

The stated reasons for the transaction are reasonable enough. Express Scripts chairman and chief executive officer George Paz, who will hold the same posts following the closing of the merger, cites responsibility to help eliminate waste

from health care delivery while improving quality.

He asserts that by melding the complementary strengths of Medco and Express Scripts, the new entity will be able to "better protect American families from the rising costs of prescription medicine."

One important issue is how those savings will be achieved. The combined company will certainly wield a lot of clout in negotiations with pharmaceutical manufacturers, wholesalers and pharmacies. Those organizations may well be faced with the choice of accepting Express Scripts' terms or walking away from doing business with a company that accounts for between 30% and 40% of the PBM market.

The current confrontation between Walgreens and Express Scripts illustrates the problem. The nation's largest drug chain decided in June to drop out of Express Scripts' pharmacy provider network at the beginning of 2012. Walgreens executive vice president and chief financial officer Wade Miquelon noted that the move was made because "we believe the long-term ramifications of accepting Express Scripts' proposal with below-market rates and minimal predictability for the services we provide would have been much worse than any short-term impact to our earnings."

That's saying a lot when this fiscal year the retailer will fill some 90 million prescriptions administered by Express

Scripts that account for approximately \$5.3 billion in sales. Walgreens' willingness to draw a line in the sand to protect the integrity of its pharmacy business, even when the potential financial impact is considerable, should be commended. Whether any pharmacy retailer could come to a similar conclusion if the stakes were doubled is an open question.

Leading community pharmacy groups have already voiced their strong opposition to the Express Scripts-Medco merger. Despite their concerns, the transaction very well could win the necessary approvals. Pharmacy operators would do well to begin thinking about how they will cope with a PBM of unprecedented size and influence.

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