

Chain Drug Review

Reporter for the Chain Drug Store Industry

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MERCHANDISING

Expanded food, beverage mix drives customer traffic

NEW YORK — The consumables category continues to be countifull for chain drug retailers.

Drug chains are reaping plentiful sales and profits for segments ranging from beer to milk to snacks, with much of the business linked to the stores' wellness positioning.

Among the chains where consumables have taken center stage is CVS/pharmacy. The chain's "food convenience cluster" was rolled out to 4,000 stores over the course of nine months, starting in 2009. Outlets in the cluster were remodeled to have double the grocery space of previous stores.

The change resulted in a 12% lift in trips, CVS/pharmacy president Mark Cosby noted at winner's outset.

The retailer's urban cluster

units, which can be viewed as general stores in areas where there is limited food competition, have also thrived.

"The cluster focuses on expanded grocery," including fresh on-the-go food items, Cosby said. "The results have been

impressive, as our sales went up 8% and our profits went up 9%."

CVS expects to have 450 urban cluster outlets by midsummer.

Walgreen Co., meanwhile, has taken food and beverage retailing to a new level at the chain's new two-story flagship location at State and Randolph

streets in Chicago's Loop.

The store's Upmarket Café has a barista preparing fresh-brewed premium coffee, including the exclusive State and Randolph brand, while a bakery serves a range of fresh-baked bread and pastries daily.

A juice bar features fresh fruits and vegetables and made-to-order smoothies. Chocolate malted milk shakes (invented by a Walgreens soda fountain manager in 1922) are also available. And customers may also opt for self-serve frozen yogurt.

A wide variety of fresh hand-rolled sushi and sashimi is prepared daily, as are hundreds of fresh food items, including produce and such on-the-go meals as wraps, sandwiches and salads made fresh daily. And a machine dispenses 130 varieties of Coca-Cola fountain drinks.

"This unique urban retailing concept raises the bar for drug store retailing and sets us apart in our industry," said Joe Magnacca, Walgreens' president of daily living products and solutions. "As we transform from a traditional drug store to a retail health and daily living destination, this store demonstrates how we are a central part of life for many who live and work in this dynamic and thriving community."

The consumables category is

also flourishing at small chains. Food and beverages "continue to be a strategic strength" for Navarro Discount Pharmacy, says chief operating officer Jim Thatcher. "And we are always looking for opportunities to expand on our price and assortment leadership position."

Aggressive promotions are "consistently delivering sales increases that are running positive to the prior year and positive to total company sales trends," he adds.

CONSUMABLES

Retailers large and small report increases in shopping trips, sales and profits.