By the time it had unveiled the latest evolution of its hot, new Wellness store concept this fall in Lemoyne, Pa., Rite Aid was coming off seven consecutive quarters of Adjusted EBITDA and same-store prescription count growth — the strongest growth period for the company in several years. From its Wellness stores, which will number about 800 by the company’s fiscal year-end on March 2, 2013, to its highly successful wellness+ loyalty program and its 25 million active cardholders, to the 800-plus Wellness Ambassadors that are helping to knit the entire experience together for its customers — it is becoming increasingly clear that Rite Aid executives get “well.” And the chain is seizing on that knowledge to create programs that are resonating with customers, improving its sales and in a sense, helping Rite Aid to get its business well, too.

To be sure, the new Wellness store concept and its customer loyalty program are huge factors behind its recent success. The generic wave, which has helped make drugs cheaper, has been a help, and no doubt Rite Aid has gotten a significant boost from the dispute between Walgreens and Express Scripts that has helped bring in lots of new customers in recent months. And looking ahead to the future, healthcare reform is expected to create new momentum. Needless to say, prior to that, it was a very different time and place, Standley said.

But comeback stories can happen when a company brings in people who understand its problems and how to solve them. “I am very much a believer in this company,” he said. “I thought it had huge potential. I knew a lot about it, understood it and had a sense of what needed to be done.”

“When we stepped in here in 2008 following the Brooks-Eckerd acquisition, we had a group of stores with significant negative script count trends. We had significant growth in [selling, general and administrative] expenses, a liquidity crisis compounded by a collapse in the financial markets, and a recession, so there was some urgency to some immediate issues,” Standley said.

That meant improving liquidity and improving working capital, by taking some inventory out of the stores and the distribution centers, and bringing costs under control. Since 2008, according to Standley, the company has reduced costs by about $300 million per year.

But when a company is trying to mount a comeback, lowering costs isn’t enough. You’ve got to invest back into the business, and you’ve got to pick your shots. Rite Aid put its chips behind its wellness+ loyalty card program and a new store concept — and it has proven to be
a winning bet for the company.

Loyalty card programs have become common among pharmacy retailers. The other two of the top-three drug chains, CVS and Walgreens, have programs of their own, as do Safeway, Kroger and many other supermarket retailers. But Rite Aid’s wellness+ loyalty program was born out of genuine necessity, and its aim was to be not just a discount card, but a “brand card,” that would provide members with free health and wellness benefits as well as shopping discounts and special prices. “We are a healthcare company at the end of the day, so ‘how can we compete to provide great value and service’ was the question Rite Aid’s executives had to address,” Standley said. “When we thought about how to go to market, a loyalty program seemed to be a natural in this space.”

At the time, Rite Aid was facing negative script trends because of the poor pharmacy performance of many of the old Brooks-Eckerd stores it had acquired, so the challenge was to bring traffic back into the stores. Uncomplicated, it was not. Any typical drug store will receive customers who only shop the front end, those who only go to the pharmacy and those who use both. But Rite Aid’s problem was that many stores had a mismatch. Some had lots of pharmacy business but little front-end business; others had lots of front-end business but little pharmacy business.

The goal of the program would be to help improve Rite Aid’s image around health and wellness, and help rebuild foot traffic back into the stores, Standley told DSN. The challenge was to bring pharmacy and the front end together, and work together through Rite Aid’s loyalty program.

So Rite Aid connected the card to the pharmacy, making prescriptions the easiest and fastest way to accumulate rewards, quickly moving a cardholder to “gold” or “silver” status.

The results have spoken for themselves: As of

**What makes you different is really a lot about the people inside the store. A store is bricks and shelves and lights and floor, but in our business, it’s really about the people.**

John Standley, Rite Aid Chairman, President and CEO
Rite Aid’s second-quarter 2013 results, announced in September, the number of active members of wellness+ stood at 25 million, an 8% increase over the same period the prior year. Members accounted for 74% of the chain’s fiscal year 2013 second quarter front-end sales versus 69% in the prior year period, and 68% of the company’s second quarter prescriptions filled compared with 67% in last year’s second quarter. Meanwhile, gold and silver members’ basket sizes are significantly larger than non-members, with about half of them shopping at Rite Aid stores weekly. Since its national rollout in April 2010, wellness+ has seen such enhancements as wellness+ for Diabetes, Load2Card and other features.

And, despite the fact that a rise in generic utilization shaved its pharmacy same-store sales some 750 basis points during the second quarter, depressing pharmacy sales comps somewhat (down 0.7 percent during the period), it seemed the card was still helping drive front-end growth with same-store sales up 1.4% in the front-end of the store.

Another challenge Rite Aid faced was keeping its stores relevant to today’s consumer. Enter the Wellness store concept, which the company first unveiled in the spring of 2011. Rite Aid first rolled out the concept in eight key markets: Boston, Philadelphia, New York, Pittsburgh, Baltimore, Seattle, Los Angeles and Buffalo, N.Y.

One of the key differentiators in these Wellness stores is Rite Aid’s Wellness Ambassadors, who work closely with Rite Aid pharmacists and are specially trained and provided with iPads to enable customers to obtain information about products such as over-the-counter medications, vitamins and supplements.

By September, the chain had trained some 815 of its associates to serve as Wellness Ambassadors. “That level of service, when you think about it, has a halo effect on the entire store and can truly help improve the customer experience,” Standley said. “Clearly it’s helpful to have dedicated, specially trained people in the store using this personalized, knowledgeable approach to further assist our customers.”

As for the customers Rite Aid gained as a result of the Walgreens-ESI dispute, Standley likes the company’s chances to keep them and will use the wellness+ program as...
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an incentive to keep their prescriptions with Rite Aid.

But through everything, it’s the people who make the difference, Standley said. “What makes you different is really a lot about the people inside the store,” he said. “A store is bricks and shelves and lights and floor, but in our business, it’s really about the people, the whole store team.”

That’s how Rite Aid is turning its business around — one store at a time, with all the people inside it. “It’s a store-by-store recovery,” Standley said. “As a company, we’re only as good as our stores are. It’s all about every single store team making good, steady progress that contributes to our overall performance. And right now, our store teams are doing a great job.”

One key differentiator of its Wellness stores is the presence of the Wellness Ambassador. At press time, Rite Aid had about 815 of its associates trained to fill this special role.
Evolving a brand in the pursuit of Wellness

By Alaric DeArment

Drug stores, especially chain drug stores, brand themselves differently. But once customers step through the doors, they tend to only see slight variations of the same thing: the same shelves, too tall for mere humans to reach the top without a ladder; the same product categories every other drug store carries; the same pharmacy counter in the back of the store; and the same cash registers in the front. Some stores have carpets, others have tile floors.

But increasingly, it’s no longer enough for a retail pharmacy chain to be “the red one” or “the blue one.” Today, pharmacy retailers are looking for new ways to distinguish and differentiate themselves from the rest, with the goal of branding customers to their stores. Loyalty programs have become more than discount programs; they aim to form more personalized relationships with the shopper.

For Rite Aid and the company’s evolving journey to reposition its brand and turn around its business, this has meant wrapping everything it does around the central theme of wellness. “It’s not just a matter of putting pills in a bottle or putting product on a shelf,” Rite Aid COO Ken Martindale told Drug Store News. “Now it’s about helping our patients and our customers in their pursuit of wellness.”

The company’s “wellness empowerment” focus has informed just about every one of Rite Aid’s initiatives over the past couple of years, from its wellness+ loyalty card, to its Wellness stores and the Wellness Ambassadors who work in them. And Martindale has had a hand in all of it.

“Innovation hadn’t been one of our hallmarks,” Martindale said. “We grew quickly through acquisition, assimilating businesses. It’s what our team got used to doing, but we didn’t spend a lot of time on innovation. For us to compete in the future, we need to be innovative; we need to be creative; we need to get outside the box — and that would apply very nicely to what we’re doing both with our Wellness store and wellness+ program.”

That new spirit of innovation is on display at the company’s newest iteration of its Wellness store concept in Lemoyne, Pa. Martindale walked DSN through the new store in early October at a special grand reopening event. The store updates the whole look of the Wellness concept, featuring a softer layout designed to make it easy for customers to find what they’re looking for, with new signage and decor that includes ceiling rings clearly designating each section; lighting fixtures and brand headers across select departments like beauty; and a relaxing, warm color palette with wood tones and softer lighting.

Importantly, the store advances Rite Aid’s goal to put pharmacy on a stage and make it the star of the show, with lower sight lines that make the

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Ken Martindale, Rite Aid COO

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pharmacy pop the moment a customer enters the store. Offset wooden flooring creates a beeline for pharmacy, which features a giant, dew-drenched leaf mural that communicates a less sterile, medicinal role for pharmacy, recasting it as a destination for wellness and prevention versus “sick care.”

The remodeled Lemoyne location is also a reflection of the journey Rite Aid has undergone as a company. The Wellness stores are an evolving concept that is elevated a little at a time, taking on a bit more life with each iteration. As the new stores have generated positive results and its loyalty card program has taken hold, Rite Aid has been able to increase its investment in Wellness stores. Martindale said the company intends to incorporate elements of this “genuine wellness” design in upcoming store remodels and relocations, and expects to have a total of nearly 800 Wellness stores by the end of its fiscal year on March 2, 2013.

And it’s not just the stores that have had a makeover. In an effort to get its store teams even more engaged, the company reevaluated its somewhat dated associate uniforms. This fall, the chain unveiled its new “team colors” — khaki trousers for men, khaki skirt or pants for women and a navy blue top. Associates are able to choose what they want — as long as it fits that color scheme.

Another area in which Rite Aid has shown innovation — and in which it is significantly investing in order to evolve its brand and differentiate the shopping experience in its stores — is its Wellness Ambassadors. A new role in the store, these specially trained staff, who walk the aisles wielding iPads with access to information about OTC products and supplements, have the job of actively engaging customers in the store, and of serving as a “bridge” between the front end and the company’s pharmacists. Martindale compares the new role to that of a free safety in football; these associates’ job is to “roam the backfield,” and to proactively engage with Rite Aid customers throughout the store.

Currently, Rite Aid has trained more than 800 of its associates to serve in this new role. About three-quarters of its Wellness Ambassadors were existing Rite Aid associates who demonstrated a special passion for wellness and for interaction with customers, and “they are shaping the role everyday” under the direction of Special Projects Manager Eric Hauser, a Rite Aid pharmacist who oversees the program for the company. Importantly, the Wellness Ambassadors also are tied into their communities, so the role is carried beyond the store. Martindale shared examples of Wellness Ambassadors who set up tables at the local Friday night high school football games, and who make visits to assisted living centers and gyms to raise awareness about flu shots and where to get them. “I
think what makes them successful is a real passion for what they’re doing, and an enjoyment of getting out and engaging with the public,” Martindale said. “Because that’s really what we charge them to do — their job is to engage with every customer who comes through the door.”

The third critical leg of Rite Aid’s efforts to rebrand itself is, of course, the company’s wellness+ loyalty card program. Now in its third year, with more than 800 million transactions to speak of, the program is producing volumes of important data about its customers, and Rite Aid is using that data to inform its business across the company.

It is also a strong example of the amount of innovation that has gone into the reinvention of the Rite Aid brand. Rite Aid’s wellness+ was the first loyalty card of its kind to create a rewards program that provides members with free health and wellness benefits, as well as shopping discounts and special prices. “It also was designed from the pharmacy outward to the store,” Martindale said. “The structure resembles travel industry programs, and we put...
together what we consider the most compelling loyalty program in our industry.”

Importantly, the card solved a critical issue for the company — namely, how to create a vehicle that would enable it to grow script count in some stores and increase front-end sales in other stores. Again, over the years Rite Aid had become a product of its many acquisitions; it was a chain of many different types of stores that the company had done its best over the years to assimilate. The result was that customers shopped its various stores differently.

While the program is designed so that a customer earns one point for each dollar spent on most items throughout the store, the fastest way for customers to rack up points through wellness+ and advance to silver or gold status is to fill prescriptions at Rite Aid, earning 25 points per script where allowed by law. Rather than a straight discount-based card, the program also offers members certain rewards, including magazine subscriptions, gym memberships and free health screenings. Like the Wellness stores, wellness+ has evolved. In January, Rite Aid introduced Load2Card, the drug store industry’s first coupon management tool that allowed wellness+ members to save, manage and redeem Rite Aid and manufacturer coupons via their wellness+ card. And in September, the company introduced a new Load2Card function that allows customers to have +UPs— special rewards that can be used like cash toward future purposes and that are earned when customers buy certain items — loaded automatically to their cards, eliminating paper.

Another strong example of how the program has evolved was wellness+ for Diabetes, which Rite Aid introduced in 2011. The plan is to roll out new subsegments of the program that target other key disease states.

In the end, all of it, every aspect of Rite Aid’s efforts to rebuild and differentiate its brand is an evolution. And from its humblest beginnings, each iteration builds on the last. So far, so good. “We’re happy with the results, and we’re happy with the evolution of the stores because they’re getting better all the time,” Martindale said. “And, we are going to keep pushing.”

Martindale compares the role of its Wellness Ambassadors to the position of free safety in football. Their job is to “roam the backfield” and proactively engage customers throughout the store.

“It’s not just a matter of putting pills in a bottle or putting product on a shelf [...] Now it’s about helping our patients and our customers in their pursuit of wellness.”

Ken Martindale, Rite Aid COO
A common remark in arguments between people is, “You’re not looking at the big picture.” But it’s often just as important to look not just at the big picture, but all the little parts that constitute it, especially if you’re the head of store operations for a major retail chain.

For Rite Aid, the big picture is creating a better experience for its customers through its Wellness initiatives, from the new store format to its loyalty card program. But for Rite Aid EVP of Store Operations Bob Thompson, it’s as much about improving the experience for its associates — namely, by taking work out of the store — any way it can, to enable its people to focus on the customer experience. “We call it ‘project simplification,’” Thompson told Drug Store News. “We’re always looking for the next new way we can simplify things. It really is ‘How do you make a store easier to run? How do you simplify things so that the associates and management teams can focus on the customers?’ We want this to be a very customer-centric experience.”

Rite Aid’s overarching focus on “wellness” as the unifying concept behind its initiatives in the pharmacy and in the front end all tie into this goal, and Thompson’s role is to make sure all the little pieces in the store fit together to make it happen, particularly when it comes to the Wellness store concept. This includes the parts of the store that customers see, as well as the parts they don’t see.

Usually when customers come into a store, their first thought is where to find the products they’re looking for. But Rite Aid has a system that determines the location of everything that goes into its stores, from products to signs. Thompson calls it the “walk sequence,” which sequences all work in the store based on its location in the store; signs, for example, will arrive in a stack in the order in which they are to appear in each aisle.

The company also utilizes a backroom inventory system in which every item in the store is scanned by location. So when a store associate tries to find a product for a customer or restock an item that has run out on the shelves, he or she can scan the barcode, and the system will identify its location in the backroom. This makes it a lot easier to restock the store and maintain perpetual inventory, Thompson said.

A major aspect of the new Wellness concept is its more open, airy design, which calls for the de-cluttering of the store. That creates what Thompson calls a “decompression zone,” which includes removing select merchandise from the stores, lowering the shelves, reconfiguring some adjacencies and overhauling the traffic pattern through the store. The company has become better at deciding which SKUs to retain and which ones to remove, basing those decisions on factors like selling history, volume and demographics; for example, in a store in a resort area, seasonal might play more like a year-round category. “Part of the challenge in our business, as it is in

"We call it ‘project simplification.’ It really is, ‘How do you make a store easier to run? How do you simplify things so associates and management teams can focus on customers?’ We want this to be a very customer-centric experience.”

Bob Thompson, Rite Aid EVP Store Operations
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every retailer, is understanding that an item may be important to a customer in spite of a slow selling rate,” Thompson said. “One of the things we do is, we look at all these remodel candidates in advance of the remodel, and we look at every demographic that’s associated with that store to help determine which products stay and which ones go, where to locate certain categories like photo and how to recapture space that could be reallocated to a more relevant business for that store.”

Rite Aid is even looking at how to improve the checkout experience — both for its associates and its customers — moving to more of a straight-line configuration, raising the cash register by a couple of inches, re-positioning the cashier and positioning monitors so that customers can watch as their items are being rung. These kinds of minor changes might escape a customer’s notice, but it can make a huge difference in the cashier’s ability to serve customers more effectively.

All of this is just a small part of changing the store, but not just in terms of appearance or getting inventory under control. Again, it’s about engaging its associates to help better engage the customer — a critical goal of the new Wellness stores. “The customer doesn’t just experience a new look when they come into the store — they get a new experience because our associates are responding to the format in such a positive way,” Thompson said. Just as Rite Aid measures its customers’ satisfaction levels, it also regularly surveys its associates regarding their work experience, as well as the tools, communication, resources and training they are given to get their job done. On this front, Thompson said associate satisfaction scores have been improving “in the double digits,” over the last couple of years — particularly since the introduction of the Wellness store concept.

The pharmacy gets a big makeover as well, both in front of the counter and behind it. Rite Aid has made a major commitment to advancing the profession of pharmacy, and has emerged as a major leader in the push to expand immunization services in community pharmacy, with all of its pharmacists certified to be immunizers. This changes not only the physical space, but also the equipment placed in the stores, Thompson said.

One example is the need for appropriate refrigeration for vaccines. In addition, the “vast majority” of the new stores have consultation rooms near the pharmacy as well, said Thompson, who called the rooms a “game changer.”

Remodeling for wellness

And it’s all a pretty big job. Every week, Rite Aid completes about 15 Wellness remodels, adding up to about 500 per year — or one-and-a-half per day — with anywhere up to 45 stores being redone at any single time. The construction is designed to happen with minimal disruption, with stores remaining open while construction is underway. Stores are selected for conversion to the new Wellness concept based on front-end sales volumes, the profitability of the pharmacy and the amount of time it has been since the store was last remodeled.

But in reality, it’s a job that is bigger than just the operations group. Getting it all done requires substantial coordination between different parts of the organization, Thompson explained. In keeping with the more open spirit of collaboration and communication across departments that has come to define the new corporate culture at Rite Aid in recent years, executing store remodels includes regular conference calls with field leaders, real estate, merchandising, loss prevention and headquarters, all with the goal of making the company as a whole — not just departments and divisions — successful.

“[Rite Aid] has developed some great strategies around customer loyalty, around health and wellness, around a great new prototype,” Thompson said. “All of those things have to be executed with consistency in order for us to be successful as an organization.”

Put another way: You have to have the ability to see the big picture, but you also have to be able to execute every last detail in order to bring it all into resolution.
Ultimately, there’s no “retail pharmacy” without the “pharmacy,” and that’s true of any store that dispenses prescription drugs — whether it’s a small independent drug store, a nationwide chain, a supermarket or a mass merchandiser. But in many respects, Rite Aid is trying to make the “pharmacy” component of that phrase just a little bit bigger.

Maybe one reason for that is because — at least for Rite Aid — pharmacy is bigger. That part of the store accounts for nearly 70% of the chain’s sales, and it’s from the pharmacy that the company has seen some of its most impressive growth. The company has grown Adjusted EBITDA and same store prescription count for seven consecutive quarters, although higher utilization rates of increasingly lower-priced generic drugs shaved some 750 basis points from same-store pharmacy sales, the company noted in its most recent quarterly earnings call.

At the heart of that growth has been a series of major initiatives — from the wellness+ loyalty card program to the Wellness store remodels and the Wellness Ambassadors in those stores — that are all ultimately tied to the pharmacy and all geared toward making customers bigger users of its pharmacy. And while there is no denying that the company got some help from the impasse between Walgreens and Express Scripts, which brought many former Walgreens customers to Rite Aid’s pharmacy, Rite Aid executives will tell you that was really just the gravy — the company had been cooking this up for a while, they say.

“The real story is, we had already begun making the turn,” Rite Aid’s EVP of Pharmacy Robert Thompson told Drug Store News. “Our initiatives, our focus, our strategy, our tactics were already taking effect, and so the Walgreens-Express Scripts dispute was just an additional opportunity on top of what we were already doing. I think it would be inappropriate if our key stakeholders didn’t realize that this had already started taking root.”

It really began back in April 2010, with the debut of wellness+ — the original goal of which was to get the front end and pharmacy to play off each other, driving sales on both ends of the store, but particularly in pharmacy, as the program is designed so that rewards accumulate faster for pharmacy purchases, with each prescription worth 25 points, where allowed by law. By the end of that fiscal year (Rite Aid’s fiscal year ends in late February or early March), the seeds of a turnaround had begun to take hold, with fourth-quarter same-store sales increasing for the first time all year, including an almost 1% increase in pharmacy comps.

“... People are going to need more choices, so figuring out a way to use technology to enhance the delivery of your services makes sense because it provides convenient and efficient access at a lower cost.”

Robert Thompson, Rite Aid EVP Pharmacy

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“Wellness+ lays right on top of that,” Thompson said. “With the introduction of wellness+, we’ve seen continued growth, and that’s very important because wellness+ … is a pharmacy-centric loyalty program. There are greater rewards for being a pharmacy customer. The idea is to reward those pharmacy customers where we can with a program that really focuses on health and wellness.”

If wellness+ “lays on top,” then beneath that is a plethora of pharmacy services that Rite Aid has worked to expand in recent years. Rite Aid has emerged as a key leader in the push to advance the profession of pharmacy to take on an expanded role in the future of health care in America. One area in which it has demonstrated its leadership has been in its work with the Pharmacy Quality Alliance; Rite Aid has 200 pharmacies in its home state of Pennsylvania participating in the PQA research, as pharmacy, like other areas of health care, prepares for a time when reimbursement levels are influenced by star ratings, and providers are paid by their ability to improve outcomes and manage costs.

In that regard, it also is demonstrating a fair amount of creativity and innovation, with the introduction this year of its new Rite Care Prescription Advisor. Launched in March, the opt-in program actually maps out what a Rite Aid patient’s prescription-drug adherence looks like. Each Rite Care Prescription Advisor report includes a compliance score for each prescribed medication, depicted in an easy-to-read line graph. Scores also are calculated and graphed across multiple medications used to treat the same or related health conditions, and combined for an overall score based on all medications taken regularly. The Rite Care Prescription Advisor is a tool for the pharmacist to use to guide face-to-face consultations with the patient and to help break through some of the barriers to compliance like helping patients deal with side effects. Rite Care Prescription Advisor reports also can be accessed through a patient’s MyPharmacy account at RiteAid.com.

“We’re witnessing a new era of patient care that is more effectively using community pharmacists to ensure that medications are taken as prescribed, which can lead to better patient outcomes and lower overall healthcare costs,” Thompson noted at the time of the program’s launch. “We believe face-to-face counseling is critical to improving therapeutic outcomes. The Rite Care Prescription Advisor is a new tool designed to do just that by facilitating meaningful face-to-face counseling and enhancing the pharmacist-patient relationship.”

Since its inception, Rite Aid pharmacists have conducted more than 1 million interventions with Rite Aid patients through this program, Thompson told DSN. Rite Aid has promoted the program heavily in its circular ads and on prescription information inserts.

Another area in which Rite Aid has demonstrated its leadership is in the expansion of vaccination services in community pharmacy. All of the chain’s pharmacists are certified to administer all immunizations allowed by the state to be delivered by a pharmacist.

Last flu season, the company administered some 1.5 million flu shots, and during its quarterly earnings call in September 2012, company executives said they hoped to take that number to 2 million flu shots this season. However, vaccinations, which won the chain the 2012 American Pharmacists Association’s Immunization Champion Award, aren’t just an important new service offering for Rite Aid; they’re also a key component of the company’s focus on the concept of prevention and wellness.

“Our idea around immunization is not just about flu shots,” Thompson said. “Our immunization program is designed to be a year-round, constant focus to ensure patients have access to immunizations when needed — that is a core part of wellness.” Indeed, Rite Aid promotes its immunization program as an everyday service, with reminders throughout the store, including an information board listing the pharmacy services at the checkout and signage behind the pharmacy counter that instructs customers, “Our certified immunizing pharmacists are available at any time.” And of course, Rite Aid’s Wellness Ambassadors — Rite Aid reported in its most recent earnings call that it had 815 of its associates trained in this role — also play a key role in promoting the chain’s immunization services.

In the future, Thompson sees a role for pharmacists in more advanced injection services, and in the short-term, a role with first-dose injection training for more complex specialty drugs. As for specialty, the chain currently operates a central specialty pharmacy operation, mailing the drugs either to the patient’s physician or to the patient’s local Rite Aid pharmacy, creating a relatively seamless experience for a patient who may not understand that the medication for his or her rheumatoid arthritis or psoriasis is actually a specialty drug, or what that means from a distribution standpoint.

While Rite Aid hasn’t been a major investor in the retail clinic space the way its two biggest...
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competitors have, it has forged several partnerships with clinic providers like Lindora. In addition to the acute care services it currently offers, Lindora began as a weight-loss clinic, and its Lean For Life program remains a differentiator for it and the six Rite Aid stores in which it co-locates in Southern California. Rite Aid also hosts three other clinics operated by Sutter Express Care in stores in the Sacramento area.

For Rite Aid, Thompson explained, the key focus is using its pharmacists to expand its clinical services, primarily through its immunization services and in broader patient consultations like it is doing with Prescription Advisor, as well as through more medication therapy management, particularly as payers beyond the Centers for Medicare and Medicaid Services begin to see value in paying for these services.

But there is another retail clinic model that Thompson and Rite Aid executives believe could have broader application for the chain in markets across the country. In September 2011, the company partnered with OptumHealth to launch NowClinic, becoming the first retail pharmacy chain to provide “virtual clinics.” With NowClinic, which currently operates at nine stores in Michigan and five in Pennsylvania, patients can video chat through an Internet connection with physicians, who can offer guidance, diagnoses and prescriptions. They also can converse with nurses, who can provide basic healthcare education, information on common medical problems and identification of appropriate provider options for care, with records of each interaction available for sharing with a primary care provider. These types of services, Thompson said, are the way of the future.

“Given the rapidly changing U.S. healthcare landscape, we are convinced that consumer-driven health care is going to play an even more important role in people’s lives moving forward,” Thompson said. “In a consumer-driven healthcare environment, people are going to need more choices, so figuring out a way to use technology to enhance the delivery of your services makes sense because it provides convenient and efficient access at a lower cost. That is why it seems sensible try to make it work.”

“Our idea around immunization is not just about flu shots,” Thompson told DSN. “Our immunization program is designed to be year-round.”

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The success of Rite Aid’s Wellness store is in the experience. It’s welcoming. It’s engaging. And across various touchpoints throughout the store, it helps guide Rite Aid customers toward however it is they define “well.” That’s as much a function of design of the stores as it is the people and the products in those stores.

“We’re not trying to tell people what wellness is,” Tony Montini, Rite Aid EVP Merchandising, told DSN in discussing the intricate design of Rite Aid’s Wellness stores. “We’re trying to expose them to what wellness can be and then empower them to make the decisions to determine what wellness is for them.”

The latest rendition of the Wellness store — which the company unveiled in October in Lemoyne, Pa., literally just down the road from its Camp Hill headquarters — seizes on that idea of wellness empowerment. Helping to guide the experience are specially trained Wellness Ambassadors — as of this fall, Rite Aid had trained 815 associates for the new position — who proactively engage customers, helping them find products in the store or linking them back to the pharmacist for questions and discussions on health and wellness and product recommendations.

“Our Wellness Ambassadors really, really take their position seriously,” Montini said. “They want to be involved. They want to help our customers, and they want to transition the front to the back,” he said. “If they don’t have that passion — then they really are just a greeter. And that’s not the intention of this position.”

Another key element of the Rite Aid Wellness experience is ever-changing innovation — not product innovation necessarily, Montini explained, but merchandising innovation.

“New items are the life blood of our business. But innovation in product is non-differentiating,” Montini said. “Everybody gets the same product. … It’s what we do with that product in the store on the shelf that differentiates us. Right now the biggest thing is interaction and information. How do we help educate our customers in the store? And, how do we get them to better understand what that product is?”

Innovation is about being fearless. It’s about taking risks. But it’s also about being smart, especially with the comprehensive data at the fingertips of Rite Aid category managers courtesy of Rite Aid’s loyalty card program, wellness+. Now well into its third year, the program is not only driving sales and growing the customers’ market basket, it’s also delivering critical information about its customers’ shopping habits that is informing multiple aspects of Rite Aid’s business.

“Data is power. The more you know about your business, the more you can adjust toward what you need to do to change,” Montini said. “Change has to be constant, and you have to

“ Innovation in product is nondifferentiating. Everybody gets the same product. It’s what we do with that product in the store on the shelf that differentiates us.”

Tony Montini, Rite Aid EVP Merchandising
embrace change."

Rite Aid helps foster that at-the-shelf innovation through a combination of speedy decision-making and a mindset that the “store format” isn’t really a format at all but an ever-changing retail laboratory — a place to constantly test new ideas. In Montini’s book, the pace of innovation has to happen fast; his personal mantra, “Speed wins,” has become the marching orders for Rite Aid’s merchandising team.

Given the pace of Rite Aid’s remodeling efforts, at any one time, company officials are able to select a small group of stores where it can test a new concept. Montini shared with DSN a recent example of a meeting with a supplier that wanted to pitch a new merchandising concept. “I told the supplier, ‘Partner with us. We’re going to do 15 stores next week. We can test it in 15 stores,’” Montini said. That’s a quicker turnaround between decision-making and execution than most, he noted. “Who moves as fast as we do? Nobody, because we will make a decision and we will test it immediately. And if it works, we’ll roll it out. If it doesn’t work, we’ll stop it.”

However, a successful test market can present a whole new set of challenges, Montini acknowledged — challenges, incidentally, that he’s all too happy to have. “Our challenge is, how do we go back and put that successful concept into the stores we’ve already done?” he said. “That’s the challenge to me. It’s constantly trying to find what’s new, what’s different, and what’s going to help our consumer. But that’s also the fun part,” he explained.

In Rite Aid’s next-generation Wellness store in Lemoyne, there are several examples of merchandising innovation at play, including:

- A new interactive Vision Center kiosk that allows customers to try new frames in the store and order prescription glasses and contact lenses for home delivery;
- Unilever’s new men’s grooming set with an interactive Axe display where customers can use an iPad to sample new looks;
- Hands-on product displays in personal care appliance — such as blow dryers and curling irons, diagnostic meters and even in home care — so customers can see and feel products before purchasing;
- GlaxoSmithKline’s new smoking-cessation endcap; and
- A vastly enhanced GNC department that feels more like an actual GNC store versus just stepping into the vitamin aisle.

Montini also noted the company’s partnership with Procter & Gamble, which created Rite Aid’s first “him/her” grooming display concept.

Engaging its supplier partners to think creatively of ways to differentiate the experience at Rite Aid and help support its Wellness Empowerment mission remains a major priority for the merchandising team. So much so, in fact, that “Inspiring Innovation” was the theme of the company’s Annual Supplier Conference in September. “Our commitment to innovation demands that we continually refine and develop our Wellness store concept,” Montini shared with suppliers. “The format is dynamic and responsive rather than static — each iteration of our Wellness store will build and improve on the last. This commitment to dynamic design

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means that the Wellness stores we convert at the beginning of the year will be substantially different from the stores we convert at the end of the year.”

Rite Aid also shared with suppliers that future renditions of the Wellness store model could include vision care centers and upscale wine selections in select locations, where appropriate.

Rite Aid is even looking into ways to further enhance interactions within the beauty sections of certain stores. It’s another example of not defining “well” — in this case, beauty — but providing resources that the beauty customer can tap for additional information or guidance. Merchandising beauty in the old days was just that; it was to help the beauty customer look good, Montini said. “Beauty blends into health much differently than it did 10 or 15 years ago.”

One key new aspect of its newest Wellness store in Lemoyne is the nail bar display, which pulls nail polish off the shelf and creates a stage for the category.

Today it’s all about preventative care, and it’s all health-relevant. “Regimentation and understanding what you can do to stay healthy and to keep from having problems down the road is a big deal today,” Montini said. “It’s information. That’s health.”

Rite Aid also is dedicating resources against fresh foods. The company in 2010 partnered with Supervalu’s Save-A-Lot on 10 grocery/drug store hybrid stores in the Greenville, S.C., market.

And more innovation across fresh foods can be expected soon with the recent hire of 25-year Giant Food vet Bob Serafin, Rite Aid’s new senior director of grocery, who will work with Rite Aid’s VP of Consumables Bill Renz to further strengthen Rite Aid’s bench strength and offerings in this important category. Serafin has focused on making Rite Aid a strong “fill-in” food source since joining the team in April. “I see grocery as a growth vehicle for us, especially with healthier fare,” Montini said. “We’ve recently put a line in called Wholesome Goodness. It’s exclusive to us right now. And we’re going to continue to look for opportunities where we can expand upon offerings that offer additional choices for our customers.”

**A new interactive vision center kiosk allows customers to try new frames in store and order prescription glasses and contact lenses.**

**Hands-on product displays in categories like personal care appliances help show Rite Aid’s innovation in the way it merchandises the products on its shelves. It also helps sell more curling irons and hair dryers.**

**An interactive Axe display in the new Unilever men’s grooming set enables customers to use the iPad to try new looks.**

**GlaxoSmithKline’s new smoking cessation, in the spirit of Rite Aid’s “wellness empowerment” mission, guides customers through the different options for quitting.**

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The entirety of Rite Aid’s marketing message can really be broken down to just two simple, yet powerful words: wellness empowerment.

It is those two words that have helped inform Rite Aid’s entire wellness platform, from the introduction of its wellness+ loyalty card program in 2010 to the rollout of its new Wellness stores, beginning in 2011. It is those two words that have helped reinvigorate Rite Aid’s business — from how the store is formatted and how it looks, to the energy that pops among Rite Aid’s Wellness Ambassadors.

“Wellness empowerment is providing the information, products, resources and/or tools that are going to help customers make smarter decisions,” John Learish, SVP Marketing, said. “It’s bringing the pharmacist out from behind the counter and helping our customers make informed decisions about the front-end products. It’s providing proactive health screenings. It’s giving customers tools to easily manage their prescription regimens.” It’s the interactive and engaging services that help Rite Aid patients make better, informed health decisions, Learish said.

When developing Rite Aid’s loyalty program, the program needed to deliver on one aspect really well: the ability to bring expertise from the pharmacist and value from the manufacturer and actually place it in the consumer’s hands at the shelf — readily available information that the consumer could access in an effort to make the best wellness decision for them. That is how Rite Aid defines wellness empowerment.

“When you look at the loyalty programs that are out there today, they’re discount programs,” Learish said. “We said, in order for this to really support our brand positioning, this had to be more than a discount card. This had to be a brand card as well. So, as we carefully conceived the benefit design of the program, we also spent a lot of time testing, doing conjoint analysis on different combinations of benefits.”

The truth is Rite Aid’s wellness+ loyalty card broke some new ground in the drug channel. It was the first card to fold experiential health services into a loyalty program, and after only two and one-half years on the market, the program boasts 25 million active members.

For example, one of the first benefits for customers who signed up for Rite Aid’s wellness+ loyalty program was 24/7 telephone access to a pharmacist. That was soon expanded to include chat functionality accessible online or from a smartphone.

And, at a relatively low-point threshold, Rite Aid well-

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NESS+ members were able to take advantage of a free health screening. “We partnered with Quest Diagnostics and were able to give customers a free blood-glucose and cholesterol screening when they got to 500 points,” Learish said. “What we wanted to do was to make sure we provided real value and the services that customers wanted.”

And wellness+ members are heavily rewarded for their pharmacy business — one point is earned for every dollar on the front end and 25 points for every prescription filled (in states where allowed by law). “All of our communication from the beginning has been prescriptions are the fastest way to get to a 20% discount,” Learish said. “When you look at the value equation that we offer, it is by far the richest program in the industry.”

It’s a program that encourages cross-shopping between the front end and pharmacy. The age-old industry problem, or what was perceived to be a problem, was the customer would fill their prescriptions and not shop the front end. “Really, what we found is quite the opposite,” Learish said. “We have many customers who shop our front end but not our pharmacy. What we learned from the [loyalty] data was they were buying things on the front end that would indicate they do fill prescriptions,” he added. So, from the beginning, the loyalty program was designed to entice a front-end shopper to fill prescriptions at Rite Aid and vice versa.

And it was the first retail pharmacy loyalty card to segment its customers across a “good, better, best” spectrum with a tiered status — plus, bronze, silver and gold. Rite Aid’s better and best customers are visiting the store more often — approximately half of those customers with silver or gold status walk through Rite Aid’s doors at least once every week. And they’re spending significantly more.

The point threshold for a bronze member is 250 points, and wellness+ members who reach this threshold realize a 10% savings on all store-brand purchases for a year. Silver members, a threshold reached with the accumulation of 500 points, realize a 10% savings on most anything in the store for one year and can take advantage of a wellness reward of their choice, such as a gym membership, a health/fitness magazine subscription or a health screening. Gold members with more than 1,000 points are afforded 20% off all purchases for one year.

“The payout at the gold level versus what we’re investing has proven to be worthwhile,” Learish said. “When you look at a wellness+ member versus a nonmember, regardless of what tier they’re in, every single metric is dramatically higher, whether you’re looking at front-end basket, units per basket, prescriptions per basket or margin. And, as wellness+ members climb the tiers, those metrics grow increasingly higher,” Learish added.

Those tiered members also contribute to greater consumer learnings from the shopping data aggregated by the program. “Supplier partners are working with us to really develop targeted communication programs,” Learish said. “They can identify target segments. They can set up test marketing campaigns through us to be able to send relevant communications, and they can stagger the offer based on the value of that customer. They’re able to really get a lot smarter about the way they’re incentivizing customers.”

And Rite Aid’s doing the same thing, of course, creating a new level of experience for the wellness+ member: personalization. “Our emails are dynamically populated. We are taking transaction data and populating the most relevant offers against different customer segments,” Learish said. “What the data gives you more than anything is the ability to be relevant to your customers.”

As discussed during the company’s September earnings call, Rite Aid’s wellness+ loyalty program boasts 25 million active members — members who have used their card at least twice in the past six months — representing an 8% increase as compared with a year ago. Additionally, wellness+ members accounted for 74% of Rite Aid’s front-end sales for the chain’s most recently reported second quarter and 68% of prescriptions filled.

And like Rite Aid’s Wellness store formats, the company is continually evolving its offer. In January, it introduced Load2Card, a new coupon management program that allows all wellness+ members to save, manage and redeem Rite Aid and manufacturer coupons available throughout the internet via their wellness+ card. And in September, Rite Aid introduced a new feature that loads its +UP rewards directly to the cards of wellness+ members who earn them.

That continual evolution of the card is important, Learish added, because, on average, customers have as many as 14 loyalty cards in their wallet at any given time. Rite Aid wants to make the short list with its customers — it wants to be the one card they use in the drug channel.

How does it intend to get there? Two words: wellness empowerment.
Everywhere one looks in the Wellness store in Lemoyne, Pa., Rite Aid’s emphasis on the health and wellness of its customers is on prominent display.

The store’s checkout aisle is adapted to improve efficiency for cashiers and customers.

One of the store’s most touted features is the Vision Center, an interactive kiosk that allows customers to order prescription lenses online.

Rite Aid’s Wellness Ambassadors are empowered to work in the community to organize health-related events, such as flu shot programs.

Photo has been reconfigured to make the most efficient use of space in the store and create more space for wellness.

The natural, calm look of the mural and the elimination of merchandise from around the counter creates an open, welcoming feel in the pharmacy, which is the centerpiece of the store.

A waiting area provides a comfortable area for customers to wait for their prescriptions and easy access to private consultation rooms.
The Lemoyne store includes lower shelves with softer lighting, clearer signage and colored ceiling rings to help customers more easily navigate the store.

Instead of piling products on top of each other, signage on the shelves makes it easy for customers to find what they are looking for quickly and easily, reducing the need to hunt around.

The store’s Diabetes Diagnostic Center displays blood-glucose monitors outside of their packaging so shoppers can get a better look — and feel — for the products.

A sign at the checkstand reminds customers of the many services offered in the pharmacy, ensuring that pharmacy is always on the main stage.

Rite Aid is making a big push for wellness+ throughout the store.
Home care is another department in which Rite Aid is taking product out of the box so customers can touch and feel the merchandise.

From early on, the Wellness stores have featured an expanded section of organic and gluten-free foods.

A shelf talker allows customers to get a close look at Oral-B’s latest toothbrush.

Rite Aid continues to expand its fresh food offerings — one new feature is this grab-and-go cooler.

One component of feeling well is looking good. Customers can sample and choose from the latest and most stylish nail polishes and makeup at this display.

The men’s grooming section, also featured in the earliest Wellness stores, has been updated, with an expanded Axe display and an iPad customers can use to sample new looks.