

# Pittsburgh Post-Gazette®

## Drug stores target region as population gets grayer

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Lake Fong/Post-Gazette

The Walgreens store in McCandless features a Cafe W coffee station.

The prescription policy change that expanded the options for 450,000 UPMC Health Plan users on Jan. 1 was a banner moment for drugstore operators in the region. More than a few stores put up signs to announce they now could serve those customers.

UPMC previously had an exclusive deal with Giant Eagle, a grocer with one of the biggest pharmacy operations in the area. "What we heard was our members wanted more choices," said Chronis Manolis, vice president of pharmacy for the health plan.

It was just more fuel for the competitive fire spurring on the pharmacy operators who want the chance to gain share in this, one of the more appealing drugstore markets in the country by virtue of its growing silver-haired population. "I think the chains are looking at this area and saying this is going to be a solid area for the next 20 years," said Mr. Manolis.

That diagnosis helps explain the outbreak of Walgreens stores that seem to be erupting from every prime piece of landscape across the region. The company, which opened its first store here in 2004, now has 16 and expects to have about double that number by next year.

"They're everywhere," said McCandless resident Diana Kauffman recently as she exited the Deerfield, Ill., chain's new location near Pine Creek Plaza.

Not to be out-manuevered, Camp Hill-based Rite Aid, which claims to be the market leader, is boosting its presence with the absorption of numerous Eckerd stores, even as it builds new locations. The company, which closed on the Eckerd acquisition this summer, is rapidly putting up Rite Aid signs on acquired stores and moving things around inside.

Meanwhile, O'Hara-based Giant Eagle has been reminding customers of its \$4 program for certain generics and the gas rewards the grocer offers while using billboards and radio ads to reinforce the message that, as competitors come and go, it has been here for a long time.

"The combination of the expiration of this [UPMC] contract and the entrance of new pharmacy retailers has greatly increased the competitive nature of the business," said Giant Eagle spokesman Dan Donovan.

Prying a consumer away from a pharmacy that has been there in moments of need -- or that already has his prescriptions in its computers -- may be one of the industry's bigger challenges. Sometimes market changes such as the UPMC contract and the new Medicare prescription benefit shake the status quo but just as often retailers have to try to stir things up themselves.

Rite Aid has been advertising \$20 gift cards for those who transfer prescriptions while grand opening specials such as \$2 off a \$10 purchase convinced Mrs. Kauffman to check out the new Walgreens. Laura Conte, of Franklin Park, was happy to pick up a free cappuccino at the Cafe W coffee displays that retailer is testing in a few markets.

"Any way to lure them to our front door so we can wow them," said Paul Zagami, district manager for Walgreens' newly created Pittsburgh north district. In May, the company decided it had enough stores to split the region stretching from northeast Ohio down into West Virginia.

So far, he said, Walgreens just has a small piece of the market. Initially, more than a few people here confused the drugstore's name with that of discount giant Wal-Mart, which also happens to fill prescriptions. On the other hand, it helped that Pittsburgh "snowbirds" who move to Florida for the winter recognize the chain when they return home.

The coffee experiment marks another attempt to get people through the doors as did a recent free printer cartridge refill promotion that brought in about 6,000 ink jet cartridges in one day. By December, several area Walgreens stores are scheduled to add health

clinics operated by Conshohocken-based Take Care Health Systems, a company the chain now owns.

Many of the same ideas pop up in competing locations. Other chains have clinics, and both CVS and Rite Aid recently put out schedules for offering flu vaccines. Target unveiled new free flavorings that can turn the kids' medicines into chocolate. "I think it's good for the consumer," said Mr. Manolis.

In the past, he said, when a larger percentage of prescription customers were paying cash, price was one of the main competitive tools.

Now, he estimated, more than 90 percent of retail pharmacy business is from consumers with insurance cards in hand, which should mean stores need to concentrate on service and convenience.

The convenience piece has driven Walgreens to relocate a YMCA in the North Hills, to buy out a beloved bar in Homestead and generally go all out for high traffic sites that can compete with its more established rivals.

Service that brings people back to a particular pharmacy could take the form of new health clinics or it could just mean the helpful staff behind the counter calling around to find a hard-to-find medicine. "It's a great time for retail pharmacies to try to build their relationships with their patients," said Mr. Manolis.

Earlier this year, marketing information firm J.D. Power and Associates released its first national look at customer satisfaction in retail pharmacies. The Medicine Shoppe, a group of franchised pharmacies, topped the retail chain segment while Target had the highest score among mass merchants.

An independent retailer won the gratitude of Mrs. Kauffman earlier this year when the pharmacist came in one evening after hours to fill a prescription for a family member who had just gotten out of the hospital. Adzema pharmacy on Perry Highway in Ross ranks top on her list now. "To me, that demands customer loyalty."

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