

# Pathmark brings rich pharmacy history to A&P merger



Pathmark's merger with A&P is expected to yield the combined chain more than \$700 million in pharmacy sales.

By FAYE BROOKMAN

To form a stronger retail operation to compete with swelling competition in the New York, New Jersey and greater Philadelphia markets, Pathmark Stores agreed earlier this year to be acquired by The Great Atlantic & Pacific Tea Co. While both names have long and re-

spected histories in their trade areas, Pathmark and A&P have been hit by encroaching competition over the last 10 years including superstores operated by Wal-Mart as well as such naturally-positioned retailers as Whole Foods Market.

Pathmark, in particular, also has faced stepped-up competition at its pharmacy and health aids departments as more national drug chains have found its operating markets of New York, New Jersey, Philadelphia, Connecticut and Delaware fertile expansion grounds.

Despite the new retailers vying for its shoppers, the chain has held the leading market share under a single banner name in the New York-New Jersey and Philadelphia metro markets. Laboring under losses, however, the chain needed new owners to maximize the power of the Pathmark logo.

The deal totals about \$1.3 billion in cash, stock and debt and will create a 550-store, \$11 billion supermarket chain with a healthy emphasis on pharmacy

and OTC. The Tengelmann Group will remain A&P's largest shareholder. Pathmark's largest investor, Yucaipa Cos., will receive a stake in the combined companies. Christian Haub, executive chairman of A&P, will remain as executive chairman, with A&P's Eric Claus maintaining the role of president and chief executive officer overseeing the merged chains.

The marriage had been in the works for well over a year and is expected to help both retailers benefit from needed efficiencies of integration. In fact, A&P hopes to realize synergies totaling \$150 million within two years thanks to chopping overhead costs, better use of warehouse facilities and, of course, greater marketing power. Among the streamlining will be the move from Pathmark's Carteret, N.J., office to A&P's in Montvale, N.J.

There's no denying the Pathmark name has people-pulling power in its trade area, especially for drug store fare, and A&P executives stated they intend to retain the nameplate.

In 1963, Pathmark started dabbling with both freestanding drug stores next to its food stores as well as opening pharmacy counters within its stores. A 64,000-square-foot prototype called

Pathmark 2000, featuring a huge assortment of beauty aids, debuted in 1992, further strengthening the chain's pharmacy focus. Not surprisingly, the chain has a strong pharmacy heritage and many stores have the counter near the front of the store (where it can be gated off in 24-hour locations) as well as ample waiting rooms complete with health monitoring machines.

Earlier this year Pathmark instituted a pharmacy co-pay program called Pharmacy Advantage Club. Looking to link good eating habits and health, Pathmark introduced "Healthy Steps, a new program tapping the expertise of a registered dietician.

Pathmark operates 129 pharmacies  
CONTINUED ON PAGE 134

<b>Pathmark</b>	<b>Headquarters:</b> Carteret, N.J.
	<b>2006 sales:</b> \$4.0 billion
	<b>% change vs. 2005:</b> flat
	<b>No. of stores:</b> 141
	<b>No. of stores with Rx:</b> 129
	<b>Avg. store size:</b> 53,000 sq. ft.
	<b>Rx sales (est.):</b> \$400 million
	<b>% of sales from Rx:</b> 10%
<b>Sales per store:</b> \$28 million	
<small>Fiscal year ended January 2007 Source: Drug Store News</small>	

# Online tools facilitate pharmacist education

By AMANDA BALTAZAR

Education and technology go hand in hand for Sav-Mor, and both are at the forefront of this 85-store chain's initiatives.

Sav-Mor is a franchised operation whose president and chief executive officer, Richard Grossman, also gets his hands dirty managing his own two stores in Michigan.

In order to keep his eye on his stores and the company at large, Sav-Mor formed a "tight alliance" with www.learnsomething.com, a Web site

that provides customized, multimedia training and learning solutions, Grossman told *Drug Store News*. "Our pharmacists and technicians can go online and learn, about methamphetamine, for example," explained Grossman. "We put something together with learnsomething.com and those who did it got a certificate. It's a good way to track [education] ... especially things that are required."

Sav-Mor also has launched a series of webinars, which it uses to roll out new programs to member pharmacies and to disseminate important news and updates to operators and pharmacists.

"We use them internally to get the message out or for quick training," Grossman said. "We can walk people through things on the screen and don't have to move people around. It's the next best thing to having people in front of you, and we find it's much more effective than sending out a memo and hoping people read it and understand it."

Pharmacy staff prefers the webinars too, he said, "because they easily can ask questions. There's a certain psychological aspect, too, because it's

like a meeting at a scheduled time."

Sav-Mor also is having success with interactive voice response technology, which it implemented across the chain over the last couple of years.

"It's been terrific and has really freed up time for our pharmacists," Grossman said.

"Now some [pharmacists] come in early to fill prescriptions that have come in overnight, so it's definitely increased our efficiency on a pharmacy level. It frees up the pharmacists, too. We are overwhelmed these days with the amount of time we spend on the phone with pharmacy benefit managers. We've always had a niche and spent more time with our patients [than most other chains], especially with Medicare Part D patients because that's where a lot of questions arise."

Helping to improve profitability

across the chain—as well as to make medicines more affordable for its customers—has been the continued push toward higher rates of generic substitution.

Sav-Mor recently broke the 60 percent barrier with generic drugs,



Sav-Mor's use of webinars has freed up time for its pharmacists, allowing them to spend more time counseling patients.

Grossman said, thanks to pharmacists encouraging customers to use them. "We spend a lot of one-on-one time with patients, looking at where

CONTINUED ON PAGE 128

<b>Sav-Mor</b>	<b>Headquarters:</b> Novi, Mich.
	<b>2006 sales:</b> \$390 million
	<b>% change vs. 2005:</b> flat
	<b>No. of stores:</b> 85
	<b>No. of stores with Rx:</b> 85
	<b>Avg. store size:</b> 8,000 sq. ft.
	<b>Rx sales:</b> \$323 million
	<b>% of sales from Rx:</b> 82%
<b>Sales per store:</b> \$4.75 million	
<small>Source: Drug Store News, company reports</small>	

## Sam's

CONTINUED FROM PAGE 112  
care yet, but last fall the company distributed its first-ever "fall entertaining and business guide" in advance of its annual holiday catalog. More recently, it introduced a 48-page spring entertaining and

outdoor living guide.

About the time the Bentonville club opened and new marketing initiatives were launched, Sam's was laying the groundwork for changes to the decision-making structure of its merchandising organization. Sam's Club spent late 2006 reviewing

member and consumer data and in January announced its merchandising group would be aligned to focus on eight member behavior segments.

Under the new structure, pharmacy, optical and over-the-counter products and health and beauty care products are part of the health and

wellness segment led by senior vice president Charles Redfield and merchandise director Todd Matherly. Redfield previously served as senior vice president/general merchandise manager of fresh and perishables.

Despite some changes that create a more compelling phar-

macy experience and make new and remodeled clubs more appealing to moms, the focus on small business remains in virtually every product category as many items are individually labeled for resale or packaged for institutional use. It's just that Sam's is calling less attention to its business roots as new branding elements introduced at the Bentonville prototype eliminated the use of tag lines, "it's a big deal," and "we're in business for small business," because they were deemed exclusionary.

Despite these changes, Sam's record of consistent growth and plans for another 20 to 30 clubs this year, there is a growing school of thought that the greatest growth potential for Wal-Mart's smallest division won't be realized until it emerges as a stand-alone company.

A spin-off transaction is seen by some analysts as a distinct possibility because it would enable Wal-Mart to unlock the value of a large and profitable piece of its business that is no longer a core component of the thesis for owning shares of Wal-Mart.

Sam's last year accounted for just 12 percent of Wal-Mart's total sales of roughly \$345 billion.

## Sav-Mor

CONTINUED FROM PAGE 124

This makes us valuable to the PBM, the employers who use them and the patients, because we can keep Medicare Part D patients out of the donut hole."

One area that Sav-Mor has been slow to explore has been retail clinics. "Most of our stores are well-integrated into the local community and we're worried it would affect the business of local physicians," Grossman explained. "They could then hit our business adversely, so we are just waiting to see if the comfort levels [with clinics] change."

And it's not as if Sav-Mor is short of business. Customers are faithful to these stores, partly because of the consistency they see in the staff, Grossman stated. "We are able to market ourselves as having a personal pharmacist who really understands people and their families."