

## Bridging the health, convenience gap

By JIM FREDERICK

(Apr. 19) Can a retailer be both a fully stocked drug store and a professionally staffed community healthcare resource? North Carolina regional drug powerhouse Kerr Drug answers with a resounding "yes."



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Kerr continues to push innovation as both a neighborhood healthcare provider and a convenient source of everyday necessities in such categories as food, beauty, personal care, household items and, in a handful of stores, fresh baked goods and coffee. To that end, the company pursues a multipronged approach to drug store retailing. It offers both accessible, affordable clinical-care services, and even private patient examination rooms staffed by nurses and part-time physicians in a few locations, along with full-service drug stores with big front ends.

Late last year, Kerr opened its third Community Healthcare Center at the original Kerr Drug store, opened by founder Banks Kerr at University Mall in Chapel Hill, N.C., in 1950. The store has long served as a testing site for community health services and products for the chain, and the newest "hybrid" version of the store is a deft blend of clinical care, health screenings, immunizations and other community health services, alongside a fully stocked drug store.

"Chapel Hill has always been our lab," said director of marketing Diane Eliezer. The key reason: the store's close proximity to the UNC school of pharmacy and its students and faculty.

With the sale last May of its 11 stores in the Charleston, S.C., market to CVS Caremark, Kerr's store base condensed to 90 stores. Company chairman, president and CEO Tony Civello called the retrenchment "the last step in a deliberate move to strengthen our core through consolidation of our store base, elimination of underperforming assets, diminution of debt and focus of resources on profitable areas of growth in the emerging healthcare provider environment."

Civello acknowledged the chain's exit from the region was "necessarily hard." But Kerr's redoubled focus on its home state of North Carolina, he said, "would ensure our continued strong growth in our markets. Kerr Drug has been repeatedly recognized and honored nationwide and within the industry as an innovator in community pharmacy and the delivery of clinical care," Civello said. "We will continue to focus on those strengths."

Among more recent front-end initiatives: the launch in 2009 of Naturally Kerr, a store-within-a-store format that offers natural and organic foods and homeopathic remedies. The stores devote roughly one-fourth of their selling floor to such categories as organic pastas, coffees and teas, salad dressings and snacks, along with gluten-free products and homeopathic remedies. "This is a serious investment in...natural, organic choices as a healthy lifestyle," said Raleigh store manager Anthony Latini.

To make space for the concept, Kerr eliminated such traditional convenience items as automotive, light bulbs, small appliances and hardware. In their place are some 3,000 products normally found in health food stores and organic foods outlets. "It's brought in people who have never been in a Kerr store," Eliezer said.

On the marketing front, Kerr launched a new, multifaceted loyalty program March 1. Called Kerr Rewards, the new program gives customers five different ways to shop the chain and accumulate rewards. The program combines innovative digital marketing strategies with technology to expand customer touch points, and includes such social media outlets as Twitter and Facebook, as well as e-mail, Web and point-of-sale access.

"Some of these methods are brand new, and others have previously existed but are being integrated with Kerr Rewards," Eliezer explained. "So whether a customer is Internet-savvy and hooked into their mobile and social networks, or a regular store-coupon shopper, there's a way to participate in Kerr Rewards."

### KERR DRUG

**Headquarters:** Raleigh, N.C.

**2009 sales:** \$600 million\*

**% change vs. 2008:** NA

**No. of stores:** 90\*

**No. of stores with Rx:** 90\*

**Avg. store size:** 8,400 sq. ft.

**Rx sales:** \$390 million

**% of sales from Rx:** 65%

**Sales per store:** \$6.5 million

\* Following the sale of Charleston, S.C., stores to CVS Caremark

**Source:** *Drug Store News*

The newest Kerr Rewards option, launched in April for consumers in North Carolina's Research Triangle region, is Kerr Mobile Rewards. Through a partnership with Motorola and the use of 2-D bar-code technology, customers in Kerr's home market area can receive exclusive weekly discounts by scanning their phone at point of sale. "Accessibility to product information, services and discounts is critical to maintaining customer loyalty," said Bill

Baxley, SVP merchandising and marketing. "It's a critical piece because it will let us speak directly to shoppers with targeted digital coupons and offerings to help us foster a stronger relationship with our customers."

Meanwhile, Kerr continues to score points as a community health resource. Recently, thousands of patient interventions by Kerr Drug pharmacists earned the chain recognition from Outcomes Pharmaceutical Health Care as the nation's top provider of pharmacy-based medication therapy management. It's the second year in a row Kerr has won the honor. Outcomes noted that Kerr pharmacists served nearly 10,000 MTM-eligible patients in 2008, saving more than \$2 million in estimated costs.