



(l to r) Cia Tucci, vice president of merchandising, store brands and quality assurance; Celeste Lester, senior director, quality assurance; and Nataraj Iyer, senior director, brand management

Attuned^{to} its customers

CVS/pharmacy relies on customer insights to create innovative store brand products that meet current wants and needs.

By Michal Christine Escobar

In 1963, “Lawrence of Arabia” won the Academy Award for Best Picture, Martin Luther King Jr. gave his now-famous “I Have a Dream” speech in Washington, D.C., and John F. Kennedy was shot and killed in Dallas. During this year of incredible highs and lows, CVS/pharmacy also opened its very first store in Lowell, Mass.

It was run by brothers Stanley and Sidney Goldstein and partner Ralph Hoagland and was billed as “your headquarters for health and beauty aids.”

The Goldsteins and Hoagland were obviously excellent businessmen because by 1964, that one

store had grown to 17 stores. Then in 1969, they sold CVS/pharmacy to the Melville Corp., and the drug chain began to grow even more rapidly. Its growth was spurred by a number of acquisitions, including Clinton Drug and Discount Stores and the Mack Drug chain in the 1970s, Peoples Drug and Revco in the 1990s, Eckerd, Sav-on/Osco and Longs Drugs in the 2000s, and, most recently, Navarro Discount Pharmacy

in 2014. Headquartered in Woonsocket, R.I., the drugstore chain currently operates 7,800 stores across the United States as part of CVS Health and reported approximately \$67.8 billion in revenue in 2014.





Cia Tucci, Nataraj Iyer and Celeste Lester show off some favorite CVS/pharmacy products.

A store brand supporter

Impressive as CVS/pharmacy's growth has been during its 52-year history, its commitment to its store brands has been just as impressive. As early as three years after opening its first store, CVS/pharmacy launched its store brand program, the company said. One of the very first private brand products it offered to customers was a mineral oil designed to compete with a national brand. At the time, it was considered to be a very bold move for a retailer.

As the years progressed, CVS continued to add to its store brand portfolio with good success. Larry Merlo, president and CEO of CVS Health, said during the company's fiscal 2015 second-quarter earnings conference call that CVS/pharmacy's store brand penetration was 20.9 percent of front store sales and that the retailer is steadily working its way closer to its goal of 25 percent.

Some of that store brand success can be attributed to its CVS/pharmacy brand. It is the retailer's No. 1 brand in its stores.

But CVS/pharmacy isn't the only store brand the retailer offers to its customers. The retailer has multiple brands that cover categories ranging from health and wellness, beauty and personal care to consumables and grocery needs. And these brands have been carefully developed and refined over the years.



"Initially, store brands were seen as a value offering to the national brands," states Cia Tucci, the retailer's vice president of merchandising, store brands and quality assurance. "Today, our customers expect more. They expect the same level of efficacy as found in national brands at a fair price."

"We have grown our brands across the store by listening to our customers and developing innovative products that are high-quality, affordable and efficacious," she adds. "We know that this resonates, as more and more customers are choosing our brands every day."

For CVS/pharmacy, innovation is not just important; it is "critical to the growth of our store brands," Tucci states. To be successful in its innovation efforts, the store brand team stays on top of industry trends, works closely with its vendor partners and develops customer insights. For example, the retailer introduced several brands that provide customers with a selection of products typically found in prestige or specialty outlets.

One example of such a brand is radiance Platinum, CVS/pharmacy's line of premium private label supplements and vitamins. The products are 100 percent preservative-free and include options that are certified non-GMO, gluten-free, organic and vegan, Tucci says. Another example is Skin + Pharmacy, a line of dermatologist-tested skincare products with active ingredients such as hyaluronic acid, retinol and glycolic acid to help treat specific skin concerns ranging from acne to aging.

In particular, CVS/pharmacy has become a leader in the beauty category. In August 2011, it partnered with Salma Hayek to introduce an exclusive beauty collection called Nuance Salma Hayek. This brand was the first complete beauty line to be developed by an actress in partnership with a national retailer.

Then in August 2014, CVS/pharmacy announced another exclusive beauty collection called Makeup Academy. The collection is designed specifically for its customers, 80 percent of whom are women. For example, the retailer designed more than 100 lip products knowing that lip products are the No. 1 impulse purchase by CVS/pharmacy customers. Additionally, knowing that false eyelashes had been the fastest-growing category for three years prior to the beauty collection's introduction, the retailer chose to introduce a wide assortment of false lashes for beginners and professionals alike.

And in July, CVS/pharmacy announced the launch of three new exclusive beauty lines: Jouviance from Canada, a dermatologist-tested biotechnology skincare brand; Wilma Schumann, a European-inspired targeted treatment-based brand; and the NSF-certified Promise Organic collection.

"We have been [at] the forefront of developing and launching exclusive beauty brands to meet the needs of the customer," Tucci says. "In fact, the exclusive store brand category is one of our fastest-growing beauty segments at CVS/pharmacy ... and is planned to double [in growth] this year."

CVS/pharmacy has also been working hard to innovate in the first aid space. It recently introduced products that typically are found only in hospitals. For example, the Hospital Series Wound Care line provides customers with surgical-grade bandages. These bandages reduce pain and tissue damage associated with wound management, Tucci says. The



retailer also launched a new first aid line that uses medical-grade Manuka Honey. Researchers have found that Manuka Honey is a natural wound-healing alternative.

Focused on quality control

While CVS/pharmacy is constantly working to bring innovative new products to market, the biggest challenge the retailer faces is the speed at which they bring innovation to market.

"Developing and launching new products takes time," Tucci notes. "We are constantly looking at ways to bring items to market faster."

CVS/pharmacy partners with its suppliers to develop shortened timelines. Specifically, the team starts conversations earlier on the topic of unmet customer needs, she explains.

"These conversations help lay out the work much earlier and ensure we stay focused on the objective," Tucci says.

CVS/pharmacy also works diligently with its suppliers to communicate its store brand philosophy so as to consistently offer high-quality products to customers.

"Our internal teams communicate with our suppliers every day about the importance of our commitment to quality, meeting our high standards and delighting our customers," says

Celeste Lester, senior director, quality assurance, CVS/pharmacy. "This does not stop with just our immediate suppliers, but it flows down the entire supply chain, including contract manufacturers, third-party labs, auditors, etc. We strongly believe in ongoing supplier training and communication, and host global training programs annually that [are] reinforced with online training."

When it comes to quality assurance, CVS/pharmacy takes a proactive stance that is unique in several ways, Lester says. For example, the quality assurance team is internally staffed with experienced quality professionals and not reliant on third parties. Product testing,



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factory auditing, regulatory compliance, post-marketing surveillance and product safety all fall under CVS/pharmacy's quality assurance umbrella.

"This integrated structure allows us to quickly identify and resolve situations before they become quality problems," Lester adds.

The company's quality assurance program includes a comprehensive prequalification process for all private brand products; the process includes product reviews by both the quality assurance team and the product development team. For dietary supplements, CVS/pharmacy takes additional prequalification

steps, including ongoing auditing and label claim substantiation. Once an item makes into the supply chain, CVS/pharmacy conducts lifecycle auditing and testing to ensure the product is continuing to meet the necessary requirements and specifications, Lester says.

Award-winning packaging

In addition to developing innovative products, the private brand team at CVS/pharmacy is dedicated to creating inspiring packaging that attracts customers. In particular, it looks for packaging designs that will showcase the quality and end benefit of the product, states Nataraj Iyer, senior director, brand management for the retailer.

"Our store brands are far more than just generics or alternatives to national brands," he adds. "We want our packaging to reflect the care and



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commitment we take in bringing innovative and quality products to the marketplace.”

The store brand team recently challenged itself to make the packaging for its new CVS/pharmacy Nutritional Shakes “as tasty as the product,” Iyer says.

“The final design features bold ingredients that communicate the flavor to the customer while still offering a clean design that speaks to the benefits of the product,” he adds. “We really believe that health-related products should

communicate the positive purpose they serve instead of looking drab.”

The packaging design team at CVS is certainly on to something, as this year the retailer won three awards in our Store Brands Packaging Awards competition. It won Silver in the shelf-stable foods category for the above-mentioned CVS/pharmacy Nutritional Shakes, Gold in the non-foods category for its Beauty 360 Bamboo Makeup Brushes and Silver in the non-foods category for its CVS/pharmacy Nicotine Gum. (Full editorial coverage of the awards can be found in the September issue of *Store Brands* magazine, www.storebrands.info.)

“We are honored [to receive these awards],” Iyer says. “We put a lot of thought into each of our brands and packages. These awards reinforce that we are creating a positive experience for our customers and changing the perception of store brands.”



Where health comes first

CVS/pharmacy is trying to change not only the perception of store brands, but also the perception of what the company stands for as a whole. In particular, the retailer wants consumers to think of

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it first when they think of health and wellness. To encourage consumers to think that way, it implemented a series of changes in the past two years. For example, in 2014, the retailer ended the sale of cigarettes and tobacco products at its stores nationwide because selling tobacco products was inconsistent with its purpose to help people on their path to better health.

CVS/pharmacy also launched Gold Emblem abound in June 2014. Designed to give its customers healthful snack and grocery options, the entire line is free from artificial preservatives, artificial flavors and trans fats, the company said in a press release. Additionally, Gold Emblem abound includes products that are gluten-free, sodium-free, cholesterol-free and contain sources of protein, fiber, omega-3s, probiotic cultures and potassium. The line also includes champion superfood ingredients such as chia and baobab, enabling consumers to purchase snacks with additional health benefits at an affordable price.

The line originally launched in stores with 40 items. One year later, it has grown to 100 items, and CVS/pharmacy plans to continue expanding the line into new segments later this year, Tucci adds.

“What’s really exciting about Gold Emblem abound is that it’s a significant reflection of our company’s commitment to health,” Tucci says. “We are seeking ways to bring health

into our portfolio outside of the obvious over-the-counter space, and it made sense to take this leap into our snacks and grocery categories.”

Also in 2014, the retailer’s parent company changed its name from CVS Caremark to CVS Health. It said its reason for doing so was to reflect its broader health care commitment and its expertise in driving innovation to shape the future of health. And that name change has had a significant impact on consumer perception of the retailer.

“We found that our parent company’s name ‘CVS Health’ resonated strongly with customers because of their trust in our commitment to quality and health,” Iyer explains.

With this in mind, CVS/pharmacy said it made the decision to launch CVS Health as its new health and over-the-counter store brand. The CVS Health line includes almost 3,000 items across 19 health and wellness categories, Iyer notes. Products currently branded under CVS/pharmacy will be replaced with the CVS Health brand over the next 18 months, and the transition between brands is expected to be completed throughout 2016.

Marketing private brands

To help increase consumer awareness of its private brands, CVS/pharmacy puts an emphasis on in-store marketing.

“We try to communicate news





brand products, as well as select exclusive product lines. Each week, ExtraCare program members could scan their cards at the ExtraCare Coupon Center to receive a 30-percent-off coupon that applied to their entire purchase.

about our store brands to customers when and where they are open to receiving the message,” Iyer says. “A big part of our marketing is in the store, with packaging and signage that can communicate the benefits of the product.”

Since the shelf is still where most shoppers make the decision to purchase a product, the retailer is committed to producing packaging that makes an impact. This commitment can be seen in Gold Emblem abound, which features a unique green packaging color that gives the brand a “noticeable presence in the store,” Iyer states.

The retailer also uses its circulars, digital assets and relevant social media outlets — as well as its ExtraCare program, which provides personalized offers to members — to promote store brands, Iyer adds.

In April, CVS/pharmacy announced a month-long “Fill Your Bag” promotional event meant to help shoppers save on their favorite store

“Our April ‘Fill Your Bag’ event was intended to provide an exceptional value to our customers,” Iyer says. “We wanted to show the breadth [of] our quality. . . . We were thrilled with how well both our existing and new customers responded to this program.”

Focused for the future

As CVS/pharmacy continues to create new store brand products and refine existing ones, meeting customer needs will remain the core philosophy of its private brands team, Tucci says. In particular, the retailer will continue to do its best to offer products that exceed its customers’ expectations.

“We have a great team that has built a strong portfolio of brands, which we will continue to grow over the next several years,” Tucci states. “We are excited by the challenges and opportunities in the years to come.” **SB**

