

FROM ZERO TO HERO

RITE AID: THE POWER OF BEING A SOURCE SUPPLIER DOUG PICK

As a seasoned consumer packaged goods leader in retail distribution, I enjoy partnering with the buyers of the nation's largest retailers. Like most businesses, the game of retail distribution is complicated, competitive and constantly changing. In order to succeed, one must understand the wants, needs and nuances of each account.

For more than 60 years, Rite Aid has been a trusted drugstore chain. With more than 2,200 locations, Rite Aid is a recognized player in the national retail landscape. The chain has had its share of ups and downs yet continues to advance forward.

HEAROS won the account in 2003 and for the next ten years, maintained a consistent relationship with the company. Then our key competitor successfully bought our shelf space. We were able to salvage a few store brand items at a low profit margin in order to keep our foot in the door, and in the conversation, with the buyer.

In order to grow our business profitably with the account, I'd need to devise a strategy that provided the rationale to eliminate our competitor's branded products without us being required to pay high six figures to earn all of the shelf space. It was a "winner takes all" game.

The key to our strategy relied on designing a custom Rite Aid store brand assortment. Unknown to our competitor, we had:

- Built our own state of the art manufacturing facility and could offer the highest quality products at compelling costs
 - Invested in developing Rite Aid brand packaging that was refreshing and had a premium look
 - Prepared a detailed financial projection that, based on assumptions, estimated the potential profit increase the retailer could enjoy for the long term when they transitioned to their own store brand.

In a blindsided victory against the incumbent, we won all of Rite Aid's business in November 2018. While it's quick to type the details, the pursuit required 3 years of consistent perseverance, exhaustive preparation and several visits to their headquarters in Pennsylvania (which is kind of tough from Southern California!).

The legacy of the work done then is still paying dividends today for Rite Aid and its customers.

Takeaways

While extremely difficult and costly, having the manufacturing facility enabled my company to play the game however each situation required. Specifically, we could be fluid and go after earning market share with different strategies. With Rite Aid, the opportunity called for us to prove that a 100% store brand strategy was the optimal way for the chain to serve their customer. With others that may be entrenched in a store brand strategy, we could recommend a 50/50 split between HEAROS branded and store brand or 100% brand strategy.

The takeaways were:

- The situation is the boss
- Look at challenges from varied angles to identify the opportunities
- Think outside of the box and be nimble
- Maintain a foot in the door, regardless of how small, to stay in the conversation
- Customers appreciate your caring for their business and increased profitability
- Be prepared, persevere and never give up...the pot of gold is at the end of the rainbow

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