



Does Walgreen Have the Right Rx for Duane Reade?

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Walgreen's recent acquisition of Duane Reade, New York City's mainstay corner drugstore chain, gives Deerfield, Ill.-based Walgreen Co. a more significant presence in the country's biggest metro market, but Walgreen execs don't plan to do away with the Duane Reade brand in the near future. Instead, the parent company hopes to learn some lessons from its new subsidiary.

In February, Walgreen announced its \$1.1 billion purchase of Duane Reade Inc., which operates 257 stores in the New York metro area. In announcing the purchase, which is slated to close in August, Walgreen said that it would maintain the Duane Reade brand in New York and commit \$60 million in capital expenditures to continue Duane Reade's recent store and brand renovations, which include a new brand design and new private label products, as well as in-store renovations. "[Duane Reade has] been going through a transformation on their own and Duane Reade will continue to transform in the near term," says Tiffani Washington, a Walgreen spokeswoman.

Walgreen, with more than \$63 billion in sales and more than 7,100 stores operating around the country—but only about 70 in the New York metro area—looks to learn from Duane Reade's 50-year history about what it means to serve customers in a highly urban population. "Duane Reade has a very strong expertise in serving customers and is in the ultimate urban market. That strength will be valuable to us as we go through the process of enhancing the customer service in other dense urban markets," Washington told *Marketing News Exclusives*.

Ultimately, maintaining two separate brands within the same market will be costly and difficult, experts say. Yet initiating a brand makeover to the Walgreen's name too soon may cause New York natives to grumble. "The line between love and hate is very narrow [in New York]. Duane Reade is part of the community. Walgreen has to be real smart about respecting the relationship New Yorkers have with Duane Reade, and there's equity there," says David Srere, co-president and -CEO and chief strategy officer of brand strategy consultancy Siegel+Gale in New York. "Their best bet is to leave them alone. Don't come in as big, bad Walgreens. ... There's the danger of Walmart-ification."

David Aaker, chairman of San Francisco-based strategic brand consultancy Prophet, agrees that this is the right move in the short term, adding that any changeover to a single brand should happen gradually, perhaps in one to five years. "With respect to the long term, there are a lot of efficiencies internally and externally for them to want to have the same brand," he says.

However, how Walgreen uses its transition time could dictate how well the single brand ultimately will be accepted by consumers. "It's best to wait until you have a story to tell. A name change is a good opportunity to communicate a new program [or] new benefits. A lot of people do it too soon or do it too abruptly," Aaker says. He points to the example of when Macy's purchased the Chicago-based Marshall Field & Co. and rebranded it without communicating new benefits to consumers, which led to a steep drop in sales.

Aaker says he wouldn't expect the same level of resistance for a drugstore, however. "There's not a lot of emotion around a drugstore. They are kind of a utilitarian, functional entity, and one of the reasons for an acquisition is for operational efficiencies ... and you don't gain that until you have the same name."

David Aaker's insights on branding appear regularly in Marketing News. To access his work, visit <http://www.marketingpower.com/AboutAMA/pages/davidaakercontributor.aspx>