

NONFOOD STRATEGIES

Wal-Mart's PBM Entry May Clear Retail Path

By WENDY TOTH

BENTONVILLE, Ark. — Wal-Mart Stores has found a way to enter the pharmacy benefit management sector without officially becoming a pharmacy benefit manager. Its move sets the stage for supermarket pharmacies hoping to gain a portion of the PBM business themselves, according to industry sources.

However, retailers — even Wal-Mart — would need to follow in the footsteps of CVS/pharmacy, Woonsocket, R.I., and acquire a major PBM like Caremark, Nashville, Tenn. (the combined entity is now called CVS Caremark Corp.) to institute a large-scale change in the health benefits industry, according to retailers and analysts.

While specifics about the program have not been spelled out, Wal-Mart's effort signals two scenarios: regional or national, according to John Fegan, senior vice president of

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THE WHOLE TOOTH

Oral care can be taken beyond cavity prevention and merchandised as a total health care regimen

By DAN ALAIMO

Consumers are becoming more aware of oral hygiene's role in health and wellness, and rewarding retailers with product selections that help them accomplish this.

As scientific evidence mounts that oral care can

help prevent diseases — it can be particularly helpful for diabetes and other conditions — advanced toothpastes, mouthwashes, toothbrushes, flosses and related products are seeing increased sales, along with the tried-and-

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true basics. Natural products and whitening systems also draw customers back for repeat visits to the oral care aisle.

Meanwhile, savvy retailers can tie oral care in with overall store wellness initiatives and pharmacy educational efforts, said industry sources.

The simplest approach, supported by manufacturer initiatives and common merchandising adjacencies, is to promote the idea of an oral care regimen. By purchasing and using all these related products together, consumers can realize the maximum benefit from a comprehensive approach to their oral hygiene practices, and retailers can ring up greater sales.

"In the oral care category, everyone is pushing the total regimen approach, and trying to move into more health and wellness marketing," said Terry Cerwick, senior category man-

ager, non-edibles, Bi-Lo, Greenville, S.C.

"There's no single solution in oral care. You need to do a regimen of things to keep your total body healthy that ties in care of the mouth to the total body. Retailers who want to win in that category need to cater to that," he said.

Cerwick sees customers starting with mouth rinses and washes, and then looking at the other product segments. "The whole breath category has changed quite a bit. Consumers are looking at new and better technology so they can have fresher breath longer," he said.

Curiously, while customers are buying the latest power toothbrushes, they also purchase and use the traditional type. Whether for travel, variety or the ability to fall back on what has worked for so long, Cerwick is not sure why this is happening, but it does result in additional sales.

"Brushing is now a pro-

cess, not just a single step," said Sue Vodika, HBC buyer and category manager, Bashas', Chandler, Ariz. "There's pre-wash, brush, floss, rinse and then sometimes whiten with strips."

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HBC buyer and category manager, Bashas'

How teeth appear has become more important than ever, "with all the advertising on what your smile says about you," she said.

However, some consumers aren't accepting the higher price points on the advanced products, said a nonfood executive with a Southwestern wholesaler. "We're finding that all of the higher pricing they are trying to push is being strongly resisted by our customer base," he said.

"All of the retailers are clamoring for value in everything in oral care. We are blitzing through on private-label product and lower-end kinds of toothpastes and mouthwashes. For us, it's all about the value end of the category," the wholesaler said.

SALES UP SLIGHTLY

While many nonfood sales numbers continue to trend down, the total oral hygiene category saw a slight 1% increase last year for the 52 weeks ending Dec. 29, 2007, according to food stores tracked by the Strategic Planner of the Nielsen Co., Schaumburg, Ill. Nielsen registered it as a \$1.5 billion supermarket category, while the Packaged Facts division of Market Research Group, Rockville, Md., reported it is worth \$7.5 billion for all U.S. retail and will grow to \$8.9 billion by 2012.

Among the segments contributing to the Nielsen growth number were oral antiseptics and rinses, going up 3.9%; floss, up 4.2%; dental accessories, up

8.3%; and toothpaste nearly steady with a 0.2% increase. Declining segments included breath fresheners, down 9.5%; toothbrushes, down 2.9%; and denture products, down 2.9%.

because of new whitening products, which resulted in losses for whitening kits. The report also noted that three-quarters of women buy oral care products for other family members, while interest in fresh breath and white teeth is highest among those 18 to 24 years old.

ORAL WELLNESS

The oral category has changed in that it is now seen as connected to general health and wellness, as opposed to just being an isolated category, said Jim Wisner, president, Wisner Marketing Group, Libertyville, Ill. "The mouth can be a breeding ground for various things that can later develop into other health-related issues," he said.

For example, there is significantly increased risk of gum disease among diabetic patients, who represent 12% of the population, Wisner noted. Retailers can reach this demographic — and improve the quality of customers' lives — through pharmacies and in-store health clinics, he said.

"Retailers that take the time to inform their customers and make those connections are providing very real and legitimate reasons to those shoppers to buy more product," he said.

"In the future, there is going to be a much greater understanding and connection to things that are physically related to health going beyond just cleaning your teeth and using an antiseptic mouthwash or mouth rinse."

Portability in new products, such as breath strips and other items that can be used in the middle of a busy day, can contribute to sales, while creating new merchandising possibilities, said Diane Garber, president, In Sight Communications, Buffalo Grove, Ill. These items, as well as trial-sized packages of other oral care products, could be positioned at the checkouts to take advantage of impulse purchases, she said. "It's a way to build sales and introduce the product," she said.

Natural Adjacency

While still a small part of the oral care category, natural products are starting to take their place alongside their mainstream counterparts.

For example, at Bi-Lo, Greenville, S.C., has put Tom's of Maine products in its oral care set, as well as in the natural and organics area. "It actually sells better in the oral care section," said Tom Cerwick, senior category manager, non-edibles. "It's a trade-up, and the consumer feels that it's a little bit more ecological."

These products also are as efficacious as the regular items, "but it has a little bit different feel to it than a regular toothpaste," he said.

"The natural trend is a small but important segment of the oral care market," said Carrie Mellage, director, consumer products, Kline & Co., Little Falls, N.J. "The brands involved in this area — like Tom's of Maine — often display the highest growth."

Because of questions about their effectiveness compared to the constantly improving national-brand products, natural will not be a big part of the oral care category, said Diane Garber, president, In Sight Communications, Buffalo Grove, Ill. "I don't think it is going to shake the earth, but it is going to have a market," she said.

While natural products may or may not perform up to consumers' standards, "clearly it's an area of growth," said Jim Wisner, president, Wisner Marketing Group, Libertyville, Ill. People are moving away from perceived artificiality, and anything that might represent a risk to health or the environment, he said.

— D.A.