

Continuous Improvement

**An Interview with John Standley,
President and Chief Executive Officer, Rite Aid**

EDITORS' NOTE John Standley returned to Rite Aid Corporation as President and Chief Operating Officer in September 2008, after serving as CEO of Pathmark Stores from 2005 to 2007. He first joined Rite Aid in December 1999, serving as Chief Financial Officer, Chief Administrative Officer, and Senior Executive Vice President during his tenure. Following the company's succession plan, he assumed the role of CEO in June 2010. Standley was named a director of the company in June 2009.



John Standley

COMPANY BRIEF As one of the United States' leading drugstore chains, Rite Aid (www.riteaid.com) has approximately 4,700 stores in 31 states and the District of Columbia and fiscal 2011 annual revenues of \$25.2 billion.

To what do you attribute the consistency of Rite Aid's success and how did you implement your plans to ensure that type of result?

Our business is made up of about 90,000 people all working together to take great care of customers. Our results reflect the fact that our team has done a really good job of focusing on ways to improve the experience in our stores. We have made a lot of progress over the past few years, which is fueling the improvement in our results.

How did you communicate the messaging on service delivery from the top down and did the employees get onboard quickly?

They did. It's a continuous improvement process. There are a number of things involved in communication, but first is our structure. We have a lot of supervision in the field to support our stores. We have district managers for the front of the store and the pharmacy, and we have regional support that rolls up to the corporate support. So we put a lot of expertise in the field to support store teams, which is the most important link in the entire process.

By providing this knowledgeable support and assistance, it helps move things along.

How challenging is it to differentiate in the market?

At day's end, it comes back to the people. Our business is competitive and we're all similarly priced before you factor in our customer loyalty program, wellness+. What differentiates us has to do with the in-store experience, having items customers want including a compelling promotional offering, an impactful customer loyalty program,

and friendly, helpful associates who provide an enjoyable customer experience to those who shop our stores.

Do you foresee changes in the store portfolio?

We like the store base and the network we have. We're in a lot of great markets and we're focusing our capital on improving that network. We're also renovating many of our stores into the wellness format.

How critical is it to be a thought leader in terms of providing the tools to educate consumers?

It's critical since the rising cost of health care is going to continue to shift to individuals. As that happens, you will see changing consumer behavior as people become more engaged in their health care – we want to be involved with our customers in that process. A key to our overall strategy is to become the destination for health and wellness for our consumers and that requires we have the people to provide that education, whether it's the pharmacist or the wellness ambassador, which is a new position we've established in our wellness stores.

Is there enough of a focus around prevention today? Should more be done in that area?

Absolutely. As people start to understand how much they can be affected by various health issues, they're going to get more actively engaged in trying to prevent illness. An aging population base is also causing the rise in health care costs; the vast majority of health care dollars go towards people who are getting older and are more susceptible to different disease states or injury. Helping empower people to take charge of their health is an important part of our mission.

Do you anticipate additional extensions for the brand?

Yes. The pharmacy business is always under earnings pressures from reimbursement rates, so we are also looking at ways to create more consumer demand and value within the physical location we have. The retail pharmacy business has become more consumable driven so you're seeing a lot of food getting into the stores. But rather than try to replace the local supermarket, our opportunity may be more in healthy living categories. So we have added more organic and healthy foods in our wellness stores, as well as books and magazines to help people manage their health. We also have an opportunity to expand within the nutrition and weight loss categories.

Beauty has been one of our strongest-growing categories for the past year and there is still tremendous demand. This aligns with healthy living and feeling good about yourself, so it fits nicely into our space.

His/her personal care merchandise is another area the consumer enjoys shopping for, particularly in our recently renovated wellness stores.

How important is community engagement to Rite Aid and what are some of the areas you're focused on?

People look at a pharmacy as an extension of health care and their pharmacist as their trusted health care advisor. Part of fulfilling that role is also giving back to the communities we serve, which is one of our company's core values. One way we showcase our local community commitment is through the outreach efforts of the Rite Aid Foundation, which is dedicated to helping people lead happier, healthier lives. In the nine years since we have been awarding grants, we have raised and distributed more than \$13 million.

We also ask our wellness ambassadors to get more engaged in the local community. We'll send pharmacists to nursing homes to provide flu clinics or to educate people about prescription care or provide medication therapy management services. We're a long-time sponsor of Children's Miracle Network Hospitals and our store teams do a phenomenal job every year helping raise money to support their local children's hospitals. That has become a core part of our culture and we raise \$4 to \$5 million per year. We also do a lot of work with the American Diabetes Association and the American Heart Association.

How challenging is it to contend with the pressures of Wall Street?

If we do the right things, take care of our associates, run good stores, and take great care of our customers and patients, everything else will fall into place. If we try to manage our business to hit an earnings target, it won't get us to where we need to go.

What are your priorities for the next two to three years?

We have to continue to grow, improve retail execution, and deliver superior customer service. It's the obligation of Rite Aid management to provide the tools that our store associates need to be successful. We have great teams in our stores and we need to continue to support them.

We're also focused on positioning our business to help people as best we can as we navigate through the health care changes that will happen in this country over the next few years. ●