

Nation's biggest pharmacies sidle right up to each other

CVS and Walgreens establish beachheads -- sometimes next-door -- in a race to win the drugstore war.

By **SUSAN FEYDER** Star Tribune | OCTOBER 29, 2012 — 12:08AM

For a year, pharmacy giants Walgreens and CVS have shared a block on York Avenue S. in Edina, separated by nothing more than a narrow grass median. Their stores are so close that the people working at the drive-through windows can wave to each other.

Emerging from Walgreens with a small prescription bag recently, longtime Edina resident John Brown said he was shocked when he learned a CVS was going in next-door.

"I remember thinking, 'That's all we need -- similar stores,'" said Brown, a retired physician. "I understand the idea of economic competition, but I think there are underserved markets where CVS could go."

It's a pattern people are noticing across the metro area as the nation's two biggest pharmacy chains ramp up their drugstore wars. CVS arrived in the Twin Cities eight years ago, but when a Burnsville location opened last week, it was already up to about 55 in Minnesota -- mostly in the metro area and many within sight of a Walgreens.

Walgreens has added about 60 stores in Minnesota since CVS arrived, including stores from the Snyder's chain it bought in 2010. It now has more than 150 stores in the state, about 110 in the metro area. Independent pharmacies, caught in the crossfire of the two big competitors, have seen their numbers dwindle.

The big chains' drive to gobble up market share, especially among growing ranks of seniors, who buy the most prescription drugs, continues to fuel the competition, observers say. Here and across the country, the rivals are rarely more than a couple of miles apart. In the wake of the recession, it sometimes seems that new drugstores are the only things popping up around town.

Some customers say they appreciate having options close by.

Outside the Edina CVS, Barton Cottle said he likes the new store, which he thinks is less cluttered and has faster service at its drive-through window than its competitor next-door. "Walgreens spiffed up their pharmacy counter about the time CVS was coming in, but I still like [CVS] better," Cottle said. "The competition is fine."

Overlapping services

Cities sometimes hear from residents who wonder why essentially identical merchants are allowed to operate so close together. Officials say they can't legally prevent it, as long as the businesses meet zoning and other regulations.

"If cities had their way, they'd love to mix up the offerings and have the right tenant mix. If somebody offers one set of services and goods, you'd hope for a different set on the next corner," said Richard Grones, whose Edina-based Cambridge Commercial Realty specializes in the retail market.

But Grones said cities can't stop the overlap without looking like they're favoring one business over another.

"We don't want to regulate competition in the marketplace," said Jason Aarsvold, director of community development in Brooklyn Park, where two Walgreens and two CVS outlets occupy a stretch of less than 5 miles that extends into Brooklyn Center.

Minneapolis retail consultant Jim McComb said the willingness of Walgreens and CVS to operate in each other's back yards reminds him of the first shopping malls, where anchor department stores faced off in close quarters. He remembers when Southdale opened in Edina in 1956 and some people wondered why Dayton's and Donaldson's both wanted to be there.

"This is the same logic as the regional mall," McComb said. "You bring all the customers to one location and fight over them."

In many of the locations where CVS and Walgreens are fighting over the same customers, the conditions are just right.



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At this Edina location, CVS and Walgreens have stores that sit next to each other, separated by little more than a median.

"It's sometimes difficult for people to understand, but I can see why they both want to be there," said Cary Teague, Edina's planning director. The area is filled with multi-unit housing, much of it geared to older residents, as well as clinics and Fairview Southdale Hospital.

CVS spokesman Mike DeAngelis agreed that it's not surprising that his company and Walgreens often wind up so close to each other, because both are looking for the same things: population density, visibility, easy access. The presence of senior housing is key, he said.

CVS' market research shows the 65-and-older crowd takes two to three times as much prescription medicine as the overall population.

Two better than none

In Burnsville, where CVS opened a week ago at Burnsville Parkway and Nicollet Avenue, Walgreens has been rumored to be eyeing a site on the opposite corner. Howard Bergerud, whose Minneapolis-based Semper Holdings has developed numerous Walgreens stores in Minnesota, said last week that Walgreens looked at the site but decided not to pursue it. The Deerfield, Ill.-based pharmacy chain already has three stores in Burnsville.

Skip Nienhaus, Burnsville's economic development coordinator, said the city has not been approached by Walgreens but would not discourage a store on the corner. "Our goal is to have highly profitable companies that can hire lots of people," he said.

McComb said drugstores draw huge numbers of people to shopping districts, something that could benefit neighboring merchants. While the competition might result in overlap, he said, "it's far better to have two drugstores at a corner than none."

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