

Rexall - Then and Now

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In the Beginning

The name Rexall is well known in North America and particularly in Canada where it is a recent, large and well publicized pharmacy chain. Its fame to older Canadians, however, stems from a chain by the same name that was very active and well known in the first half of the century.

We are fortunate that a book on the history of Rexall is available. The *Rexall Story: A History of Genius and Neglect* by Mickey Smith was published in 2004. It covers the birth, growth and demise of the Rexall chain along with a description of many merchandising innovations that made it successful. This paper is based largely on the content of the book.¹

In 1902, Louis K. Liggett persuaded 40 leading pharmacists across the United States to invest in a company that would manufacture and distribute products to franchise stores. In 1903, the United Drug Company began operations in Boston. The underlying concept was that the independent pharmacy provided care to customers on a very individual basis. Many people came to the pharmacy with a health problem and expected the pharmacist to help them. This was a strong relationship of trust that Liggett attempted to harness by pooling the strength of the pharmacists and forming a national organization for the distribution of health products. The Rexall name was the focus for all advertising and community efforts.

As the promotion of products grew both the stores and products were known by the name Rexall, derived from “king of all”. To offset price cutting and to ensure high quality products the chain purchased many suppliers to sell exclusively to Rexall and Liggett stores at direct factory prices. By 1929 there were 21 manufacturing plants throughout the US supplying almost 5,000 items. During the war many of these plants produced medical products for the armed forces. However, by 1950, there were only 9 manufacturing plants for the 10,000 Rexall agencies in the US and 1,400 in Canada. Canada had 3 distribution centres and also had one or more manufacturing plants, mainly for toiletries. The policy for products was that they were of the highest quality and were available only to Rexall agencies continued into the 1970's.

The first product that was distributed was a dyspepsia remedy. Some products that were introduced in 1923 and were marketed for over 30 years were: Baby Cough Syrup; Beef, Wine and Iron Tonic; Carboic Salve; Charcoal Tablets; Cherry Bark Flavored Cough Syrup; Cod Liver Oil Emulsion; Cold Tablets; Corn Solvent; Foot Powder; Pile Treatment; Sarsaparilla Tonic; and Vegetable Compound. Throughout the period that the company operated there was a continuous

¹M. Smith, *The Rexall Story: A History of Genius and Neglect*. Ha'p'orth Press, New York, 2004.

flow of products into the listing along with some deletions. This marked the introduction and widespread use of store brands or private label. Agencies were encouraged to sell “own goods” which were available only to the one Rexall store in each town. Later, to increase the number of agencies a chain of Nyal stores were also created and allowed to compete. The company provide sales training and information on the products to enable the stores to be more profitable. There was a high level of trust and motivation in this relationship.

One of the major strengths of Rexall was the national advertising program and the support for their agencies. The marketing program of the company was comprehensive with national advertising linked to popular radio shows that often mentioned the Rexall products. The advertising was for the Rexall services provided and the quality of products in general rather than advertising for specific products. Advertising was institutional rather than for prices. The only major pricing advertising was for the One Cent Sale that was held twice a year. This was a major promotion and is often the only firm memory many people have of the Rexall stores. One of our CAHP members had a Rexall franchise from 1960 to 1975 and recalled that it was very well accepted by the public although there was less enthusiasm about the One Cent Sale in the last few years, probably due to the growth of competitive outlets.

Training programs in merchandising and sales were conducted by Rexall for their “pardners”. Liggett made a point of traveling around the country. His customers liked him and trusted him to look after their interests. In dealing with pharmacists he tried to understand their problems and to work with them to devise a better system. It was this close working relationship that made the chain extremely successful as the stores were independently owned and had to be convinced that the Rexall direction was the right one. Rexall circulated a Rexall Magazine and newsletter to keep pharmacists up to date and to educate them on sales management.

Competitive Advantage

At the time of the formation of Rexall price cutting was rampant. The genius of the Rexall program was that the company controlled the products, they were only available to Rexall stores and promoted them as being of excellent quality. With only one store in each town there was no need for price cutting or price advertising for Rexall products and they were promoted on their merit rather than being a lower priced alternative to national brand products.

Liggett formulated his policy based on the following principles:

1. The company should manufacture controlled-brand goods only for its stockholder agents.
2. There would be no more than one controlling member in any one city or town in the United States.
3. The company would manufacture its own products under its own trade names.
4. These products would be sold to the agent/stockholder at a price sufficient to net the company a reasonable profit.
5. Control of the products would remain in the hands of the druggists themselves.²

²Mickey Smith, The Rexall Story. The Haworth Press, New York, 2004, p.5

Early in the company's history Louis Liggett began the Liggett chain, wholly owned by United Drug and which was in competition with the Rexall agencies. This chain began with 120 pharmacies and grew to about 400 through the 1940s and 50s with about 50 in Canada. It is interesting that this is a similar situation to the modern Rexall chain also has both agency stores (Medicine Shoppe) and directly owned stores (Rexall) competing. Both carry Rexall private label items.

Liggett was very dynamic and sought to expand the pharmacy sales with a number of initiatives. One was to increase the sale of candy. Confection was always an important part of retail pharmacy and this continued to be emphasized through the purchase of a leading chocolate company, Guth Chocolate Company. Tobacco products were also promoted through the establishment of the National Cigar Stands company. Later, United Cigar Stores was purchased by Rexall.

Growth through Acquisitions

In 1912 Liggett went to Britain and developed a similar company with 126 shareholders. After the war, in 1920, he purchased 627 Boots pharmacies and a manufacturing facility in Nottingham. Suppliers continued to be purchased as in the case of Sterling Drug in 1928, the supplier of Aspirin and then an intention of merging with Bristol-Meyers. They did add Phillip's Milk of Magnesia and in 1926 Ipana Tooth Paste and Sal Hepatica.. Other acquisition were Life Savers, 3-in-1 Oil and Fletcher's Castoria. The 1930's were difficult years with Liggett company going bankrupt and the need for resources led to the sale of some acquisitions including Sterling Drug and Boots.

Following the Second World War Rexall had new management and began a program of acquisitions and selling many of its exclusive lines to other chains such a Walgreen. This shift in emphasis resulted in falling sales to the agency stores and a decline in the number of stores. In the 1960s and 1970s drug chains became much stronger and used their locations in high density population areas to gain sales. By the 1970s Rexall was in decline and sold to private investors for \$16 million who divested itself of the stores, pared its manufacturing, and changed it to a distributor of vitamins, health foods and toothbrushes. Former franchisees were permitted to keep using the Rexall name.³

³Stephen Barrett, The Rexall Tradition. Rexall Information Index, MLM Watch Home Page. Posted July 19, 1999.

Rexall in Canada

The use of the Rexall trademark in Canada is not clear. As Rexall was growing in the US from 1903 to 1909, the Rexall Trademark was already in use in Canada. It was legally secured by the United Drug Company of Canada in 1909.

Rexall in Canada closely paralleled the developments in the U.S. There were a large number of (1400) agency stores across Canada and about 50 wholly owned Liggett stores during the period 1934-46, and for a long time beyond that. The Rexall agency was quite profitable and pharmacists having one were generally pleased with their relationship with Rexall. In the late 1960's the famous One Cent sales were losing their appeal due to the competition from other outlets. There were also some Canadian manufacturing facilities although details are lacking, one pharmacist during the 1960's was taken on a tour of a manufacturing plant in Toronto making toiletries. Dr. A. W. Matthews, the first Canadian to get a Ph.D. in Pharmacy (from the University of Florida) was hired by Rexall in 1944-46. His responsibilities are not known but he said that he was misled about the position and left to become the Dean of Pharmacy at UBC.

When the agencies were cancelled in 1980 the pharmacies were allowed to retain their Rexall names and signs, some of which are still in use. Rexall Canada has attempted to purchase some of the signs and to incorporate the pharmacies into their organization.

In the early 1980s the distribution agreement with Rexall pharmacies in the US ended and in 1985 the control of the Rexall name and distribution rights were acquired by Sundown Vitamins. In 1993 Sundown Vitamins changed its name to Rexall Sundown Inc. (RSI). The Katz group did not acquire the US trademark and has no relationship with Rexall-Sundown or the existing Rexall stores.

The status of the Rexall stores in Canada is unclear over the period 1977 to 1996 when 36 Rexall stores were purchased by Katz Group from Algonquin Mercantile company in Ontario. The stores were in Ontario, Alberta and BC.

The acquisition of the 100 year old brand name Rexall in 1996 reflected the continuing value of the name which reflects the core values of trust and caring. It has been used both for store names and product names. This has been very successful according to Larry Latowsky, group president of Katz Group who in 2004 gave an interview to Alberta Venture magazine in which he claimed that 70% of people polled were aware of the Rexall brand name, the same recognition as national brands such as Coke or Pepsi. All promotions are tied to the brand which is sold in a variety of Katz outlets. In addition to brands the firm also promotes the health platform of its stores, the PharmAssist program, which provides counselling and medication advice to customers. This is a continuation of the successful Rexall programs in the US.

A major contribution to the growth of Rexall in Canada was the affiliation with Drug Trading, a

100 year old pharmacist owned wholesaler and marketing organization. Drug Trading had sold off its wholesale operation to Medis in 1997. They retained their marketing arm consisting of a number of Banner groups (IDA, Guardian, Pharma Plus) as well as Pro-Pharm the leading edge pharmaceutical computer technology company and their DC Labs which made standard pharmaceutical products. These assets came under the control of the Katz group in 2001. The Pro Pharm software platform was particularly helpful as it gave a uniform system (Nexxys) for most of the stores⁴.

The Rexall Concept stores were initiated in 2004 with a large 11,000 square foot store in Edmonton. There are now over 100 concept stores in Canada. They are based on the growing demand for pharmacist advice and consultation in areas beyond traditional prescription interaction. A consultation room is available, the pharmacy workstations are efficient and comfortable and the counselling counter is low and encourages communication. The rest of the store is modern with wider aisles, the ceiling is high, and product categories have been expanded, especially in health and nutrition products. Drive through access is also incorporated into many of the new pharmacies.⁵

The beginning of the Katz group was the acquisition of the Canadian rights to The Medicine Shoppe, a 1000 store group in the U.S. To these start up stores were added the 35 Pharmx Rexall stores purchased in 1996, 146 Pharma Plus stores in 1997, followed by Herbies for Drug and Food, Payless and the mail order pharmacy MEDITrust Pharmacy. The Katz group grew to over 1800 stores in a little over a decade with the additional acquisition of the US based Snyders Drug Stores and Drug Emporium.⁶

⁴E. Merani, former Chairman of the Board of DT. Personal communication, June 2008.

⁵Rexall celebrates 100th new concept store milestone in Windsor. News release, Katz group, 18 March 2008

⁶ Katz Group advertisement in the Drug Trading centennial book, Drug Trading Company, a Century of Independent Pharmacy. Drug Trading Company, Toronto 2003 pp107,109.

The Katz group in Canada with over 1100 pharmacies in Canada now comprises the following banners:⁷

- Rexall Drug Stores
- Rexall Parma Plus (The cobranding of Pharmaplus began in 2005 for Ont and Manitoba)
 These 2 categories represent about 250 stores.
- Medicine Shoppe Canada
- Guardian
- I.D.A.
- Herbies for Drug and Food
- MediTrust - Canada's national mail order pharmacy.

It is interesting that the initial values of Rexall have some enduring value and after a quarter of a century still have meaning and a quality profile for the Canadian people. The current Rexall advertising link the values of the historic Rexall organization.

⁷Personal Communication with Michael Bobroff of Katz Group, March 2008

