

## MARKETPLACE



The Commercial Appeal/Zuma Press

Walgreen hopes offering alcohol will boost sales. Above, a Walgreen store in Memphis, Tenn., in January.

## Walgreen Set to Serve Up Wine, Beer Once Again

By VERONICA DAGHER

Drug-store chain Walgreen Co. is reversing a roughly 15-year-old alcohol sales ban by returning beer and wine to its shelves.

The Deerfield, Ill., retailer is hoping offering alcohol will boost its sales and market share, making it a one-stop shop without affecting its community-friendly image.

Up until the mid-1990s, most Walgreen stores had full liquor sections, making the chain one of the nation's largest liquor retailers with liquor and other beverages comprising about 10% of total sales. It quit when the stores' liquor sections became cumbersome to staff and time-consuming for store managers to maintain, said Walgreen spokesman Robert Elfinger.

Walgreen, the nation's largest retail drugstore by store count, has reintroduced a limited beer and wine selection in about 3,100 of its roughly 7,500 stores. The drugstore has plans to stock alcohol in about 5,000 stores by the end of 2010. The company will apply for licensing in states where it doesn't yet sell alcohol, including Alabama and Georgia.

Rival drugstores CVS Care-

mark Corp. and Rite Aid Corp. sell beer and wine in several of their stores, as do some grocery-store chains. CVS, for example, sells wine, beer and spirits in more than 4,300 of its roughly 7,000 stores. Rite Aid sells alcohol in 28 of the roughly 31 states where it has outlets.

Mr. Elfinger said that in addition to stocking national wine and beer brands, Walgreen is "always reaching out" to local vendors to stock locally pro-

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duced wine and beers. In Washington state, for example, more than 30% of the wines in Walgreen stores will be from local vineyards. The company said it has faced opposition to the move in some local communities concerned about a possible increase in crime, leading in part to the decision to limit the types of alcohol the chain carries. It said it isn't planning on selling fortified wines, hard liquor or "for-

ties"—40-ounce beers.

While still a small part of the company's overall business, taking up about 2% of shelf space, beer and wine sales are generally looked upon favorably by Wall Street analysts. Bill Dreher, retail analyst at Deutsche Bank, predicts an increase in customer receipts and a roughly 2% same-store sales lift when beer and wine is included in between 5,000 and 6,000 of Walgreen's stores.

Walgreen expects beer and wine to account for a low single-digit percentage of overall sales in the next three to five years. Total revenue for fiscal 2009 ended Aug. 31 was \$63.3 billion.

An increase would be good news for the chain, as some industry analysts have expressed concern about the progress of the company's store remodeling efforts and front-end sales. Sales in the front-end, where items such as lipstick, cereal and over-the-counter drugs are sold, fell 2.6% in April and have lagged some other retailers during the recovery.

Credit Suisse Group analyst Edward Kelly said the company's beer and wine effort appears to be doing "extremely well" and should have been done "a long time ago."