

CVS changes name, stops tobacco sales early

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CVS will stop selling cigarettes and cigars nearly a month sooner than planned, a move that CEO Larry Merlo on Wednesday defended as sharpening its focus on customer health, even though it will ultimately cost the nation's second-largest drugstore chain billions in annual sales.

"The fact that, you know, we're delivering health care in a retail environment and at the same time, selling tobacco, that contradiction was growing for us," Merlo told "**Squawk on the Street**."

Though CVS announced earlier this year it would phase out tobacco sales, rivals **Walgreen** and **Wal-Mart Stores** have yet to follow suit. **Target** stopped selling cigarettes roughly 18 years ago, but CVS is the first drugstore chain to cease cigarette sales completely.

"We're very proud of the decision that we made. Somebody had to be first to make that decision, and you know, we're proud to say that, you know, we were first in the interest of our customers, our patients," Merlo said. "We believe that, you know, it will help us play a bigger role in health-care delivery and our outlook for the future is bright."

Separately, Merlo said the company will tweak its corporate name. CVS Caremark will now be known as CVS Health, effective immediately. The signs on its roughly 7,700 drugstores won't change, so the change may not register with shoppers.

However, those customers will see a big change when they check out. The cigars and cigarettes that used to fill the shelves behind store cash registers have been replaced with nicotine gum and other products that help people kick the tobacco habit. CVS had said it would stop selling tobacco products on Oct. 1.

CVS and other drugstores have delved deeper into customer health care in recent years, in part to serve the aging baby boom generation and the millions of uninsured people who are expected to gain coverage under the federal health-care overhaul. They've built hundreds of walk-in clinics in their stores and have steadily expanded the services they provide.

Drugstores now offer an array of vaccinations and flu shots, and their clinics can help monitor chronic illnesses like diabetes or high blood pressure. CVS said its new name reflects its broader commitment to health care.

"We're doing more and more to extend the front lines of health care," Merlo said.

As part of this push, the drugstore chain announced it would phase out tobacco sales.

The company said it could no longer sell tobacco in a setting where health care is delivered, and the presence of that product was hard to justify when it tried teaming up with hospital groups and doctors to help with patient care.

Merlo said the company moved up its quit date nearly a month because it got ready for the move sooner than it anticipated, not because its distribution centers had already run out of tobacco.

Don't expect CVS to stop selling candy bars or greasy potato chips, though, Merlo said.

"Those products, taken in moderation, a dietitian, a nutritionist would tell you they haven't been proven to cause medical harm," Merlo said. "There's no amount of tobacco use that can be considered safe."

The corporate name change represents an improvement because the average person didn't understand the word Caremark, which represents the company's pharmacy benefits management business, said Laura Ries, president of the brand consulting firm Ries & Ries.

The new name may provide a better sense of what CVS does to the few investors or people on Wall Street who don't know about the company, which is ranked 12th in the 2014 Fortune 500.

But Ries said the name's power is limited because health is a generic word that is common in many company names.

"It's an improvement off of Caremark, but it's not some amazing wonderful thing that will change the world," she said.

—By *The Associated Press*. CNBC's **Drew Sandholm** contributed to this report.

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