

Walgreens' \$5.2B VillageMD investment could help it win the retail clinic battle

Article

The news: Walgreens announced a \$5.2 billion investment in its retail clinic partner, VillageMD, a sharp rise from its \$1 billion investment last year—increasing Walgreens'

ownership stake from 30% to 63%.

More on this: Walgreens' investment in VillageMD fits neatly into its broader healthcare strategy to offer consumer-centric care.

Last year, Walgreens said that its previous investment in VillageMD would help its retail clinic partner open up 500 to 700 primary care practices across 30 US markets by 2025. Its new investment likely has encouraged further expansion: **Walgreens will now open up 1,000 VillageMD clinics by 2027**, per its press release.

Walgreens' heightened interest in VillageMD coincides with an increase in consumers flocking to retail clinics to tap hyper-convenient healthcare services. Retail clinics like VillageMD and **CVS** offer them transparent prices and convenient booking options—areas where traditional primary care practices are still lacking.

What this means for the retail clinic battle: Walgreens will likely have a competitive advantage over competitors like **Walmart** and CVS in two key areas:

1. Geographic footprint: Even as Walgreens plans to aggressively expand its retail clinic presence, rivals like Walmart are slowing their in-person primary care roll, giving Walgreens a chance to zoom ahead and win greater mindshare among retail clinic customers.

Earlier this year, Insider [reported](#) Walmart is likely slowing down on its original plan to build 4,000 clinics by 2029. It still plans to open up 22 clinics this year, in addition to the 20 it already has. But leadership changes and “competing business priorities” that arose from the pandemic make it less likely that Walmart will carry out its original aggressive expansion strategy.

2. Consumer trust: Walgreens is the only retail player mirroring a doctor's office, which consumers trust more than traditional retail clinics.

About 16% of consumers aged 35 to 44 say they place trust in retail clinics to receive the best care, while **56% of consumers in the same group say they trust their primary care doctor**, per an April to May 2021 Morning Consult survey of 2,200 US adults.

Walgreens is building on consumer trust by making its care model resemble a traditional primary care practice: Its retail clinics will be physician-led, unlike players like Walmart and CVS—which are primarily led by nurse practitioners and physician assistants.

Go Deeper: Check out our newly released *Primary Care Disruptors report* to learn more about how the primary care landscape is evolving alongside digital health transformation.

US Adults' Trust in Retail Health Clinics, by Demographic, May 2021

% of respondents in each group

	A lot	Somewhat	Not much	Not at all
Gender				
Female	13%	58%	21%	8%
Male	18%	57%	20%	6%
Age				
18-34	13%	54%	22%	11%
35-44	16%	57%	21%	6%
45-64	14%	58%	21%	7%
65+	19%	62%	17%	2%
Total	15%	57%	20%	7%

Source: Morning Consult, "National Tracking Poll #2104152," May 10, 2021

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