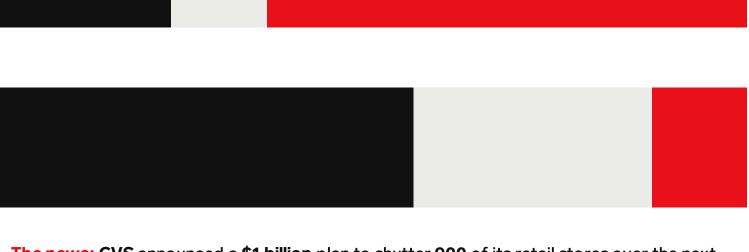
CVS and Walgreens go toe-to-toe with new retail clinic strategy

Article



The news: CVS announced a \$1 billion plan to shutter 900 of its retail stores over the next three years (nearly 10% of its US locations)—and convert its remaining stores into primary-care offices with services like diagnostic testing, mental health services, and hearing exams.

3 driving factors: Retail clinic giants like CVS have seen a nearly 10% bump in consumer adoption over the past two years, likely driven by these three key factors:





- 1. **COVID-19 vaccines.** CVS' foot traffic to its existing health and wellness services shot up thanks to consumers' vaccine appointments. It's given **43 million** COVID-19 vaccines to date—a figure which will likely continue to balloon as it is now offering the vaccine for pediatric consumers aged 5 to 11.
- 2. **Low-cost and transparent pricing.** Retail clinics are a far less expensive options than traditional primary care practice visits, especially for the uninsured. CVS' current walkin Minute Clinic appointments cost **\$89** for a general medical exam, while traditional primary care visits can run **up to \$600** without insurance, <u>per</u> PlushCare.
- 3. **Digital convenience.** Unlike most traditional primary care practices, entrants like CVS offer easily accessible online scheduling on their websites, which consumers value: **About 78% of consumers** say they want to be able to schedule their own appointments online, <u>per</u> a 2021 Experian Health report.

What's next? Over the next few years, the race to acquire and retain healthcare consumers will likely heat up between CVS and Walgreens—which have both taken on a similar strategy to mirror traditional doctors' offices to gain consumer trust.

In October, Walgreens <u>announced</u> a **\$5.2 billion** investment in its retail clinic partner, **VillageMD**—and at the same time, indicated its care model will resemble traditional doctor's offices since its clinics will be primarily physician-led, unlike retail clinics like **Walmart**.

Shortly after, in November, CVS indicated it's adding more doctors to its primary care network, likely a play to keep up with Walgreens and boost its credibility among consumers:

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.

Go deeper: Check out our "Retail health clinics are banking on the COVID-19 bump" note to learn more about retail clinics' strategies to acquire consumers.

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

% of respondents in each group

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A lot	Somewhat	Not much	Not at all
13%	58%	21%	8%
18%	57%	20%	6%
13%	54%	22%	11%
16%	57%	21%	6%
14%	58%	21%	7%
19%	62%	17%	2%
15%	57%	20%	7%
	13% 18% 13% 16% 14% 19%	13% 58% 18% 57% 13% 54% 16% 57% 14% 58% 19% 62%	13% 58% 21% 18% 57% 20% 13% 54% 22% 16% 57% 21% 14% 58% 21% 19% 62% 17%

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

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