

MVI

Management Ventures, Inc.

Retail Insight

“In Sickness or in Health”
The Marriage of Retail and Healthcare

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Agenda



Consumer-centric healthcare

Emergence of retailers as healthcare providers

Moving consumers from sickness to health

Retailer and channel positioning

Conclusions

The shift towards *Consumer-centric* healthcare



Fundamental shift in healthcare model, driven by:

- Aging of the population
- Increased consumption (Rx and outpatient services)
- Soaring healthcare costs

Employers aggressively looking for ways to control / reduce costs and **change behaviors**

- Has resulted in the growing shift from **employer funded** healthcare to a **consumer-centric** model
- Employers are re-aligning incentives and behavior

Consumers have a larger stake in their well-being, whether they want to or not

- Shouldering more of the cost, choice and responsibility
- Larger stake in economics of health = more proactive role

Consumers are increasingly turning to retail for their health needs... but why?



At its best, retail provides **choice** and **variety** in a **familiar, trusted** and **non-judgmental** setting

Shopper ROI

- **Price (\$) / Value (Time):**
convenient access to affordable health and wellness alternatives
- **Functional Performance:**
multiple formats offering expanded health and wellness related offerings
- **Emotional Connection:** health and wellness is very personal, and means different things to different people – which change as they age

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Wellness solutions will require multiple capabilities across a broad continuum



For all the talk of wellness... Retailers today are better suited to meet the needs of the Sick



Stretching product and service offerings to meet the growing needs of consumers

Sick

- OTC Products
- Pharmaceuticals
- Education
- Homeopathic
- Alternative Care
- Diagnostic
- Counseling
- Management
- Medical Devices
- Home Care

Healthy

- Education
- Diet
- Vitamins
- Fitness
- Prevention
- Maintenance
- Beauty
- Lifestage Sol.

Wellness

- Natural/Organics
- Holistic Health
 - Mind
 - Body
 - Spirit
- Social Awareness
- Emotional health

Developing capabilities into authority key to moving from sick to well - behavior



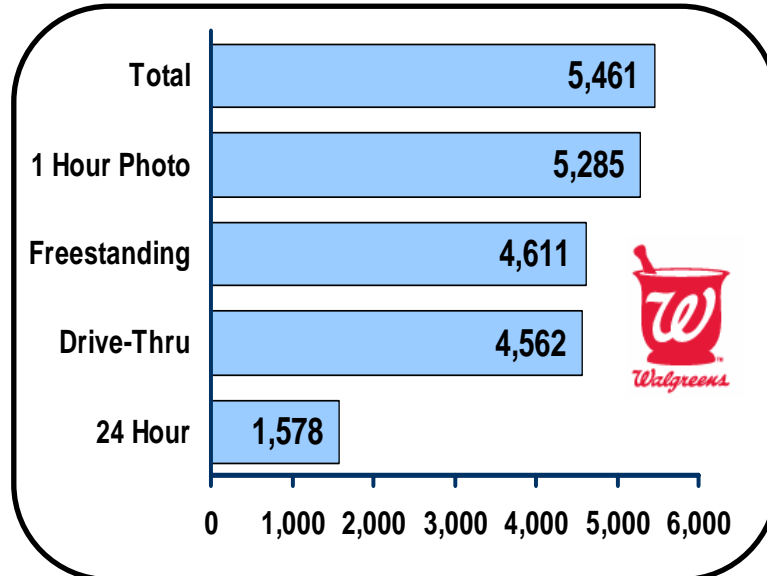
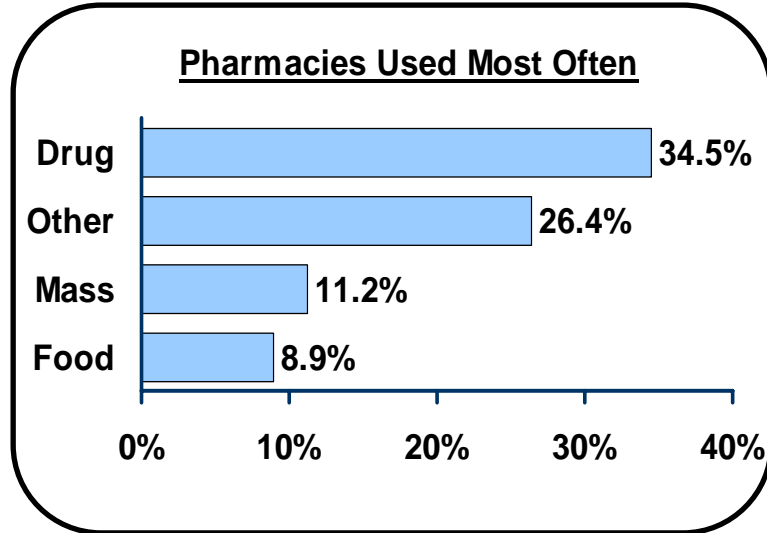
State	Capability	Best in Class
Reactive	Diagnosis	<ul style="list-style-type: none"> • In-store Health Clinics (Pervasive)
	Treatment	<ul style="list-style-type: none"> • CVS/Caremark, Walgreens
	Management	<ul style="list-style-type: none"> • MTM, Disease State Management • Counseling • Specialty, Home Care, Mail Order
Behavioral	Diet	<ul style="list-style-type: none"> • Safeway's Lifestyle Stores • Publix
	Fitness	<ul style="list-style-type: none"> • Target, Corporate Wellness
	Prevention	<ul style="list-style-type: none"> • Rite Aid – Health Platforms
Lifestyle	Holistic Health	<ul style="list-style-type: none"> • Whole Foods • Elephant
	Education	<ul style="list-style-type: none"> • WebMD • Walgreens Health Corner TV

Drugstores are used most often to fill Rx



Convenience or location was cited as the #1 reason for using a specific pharmacy

Source: Harris Interactive Survey of Perceptions of Chain Drug Industry, March 2006



Source: Wilson Health Information LLC, Company reports.

Extending expertise beyond pharmacy – sick to healthy?



- Leveraging convenience real estate / assortment and pharmacy expertise to support health and wellness brand
- Extending core expertise to include related healthcare products and services, both in and out of the store
- Brand authority “might” enable expansion into new offerings

HandiRail Bed Assist Rail Dove Gray
by TFI Medical
~~\$69.99~~
\$49.99
FREE shipping

Momentum 730 Elliptical Trainer
by Weslo
\$179.99
FREE shipping



Health Corner Clinic at Walgreens

Where Pharmacy and Healthcare Meet



**Rx /OTC Conversion
"Shopper ROI"**

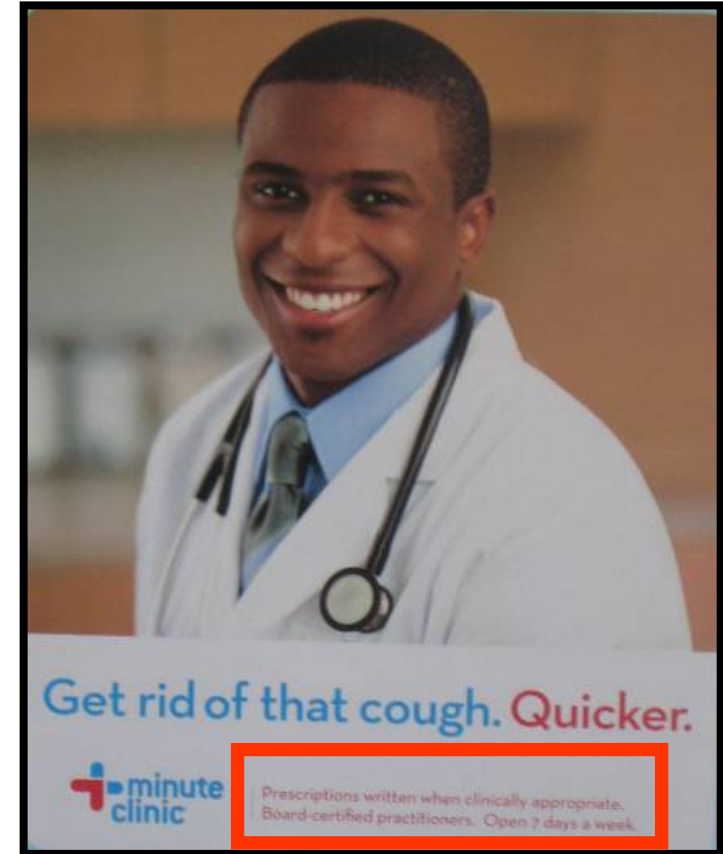
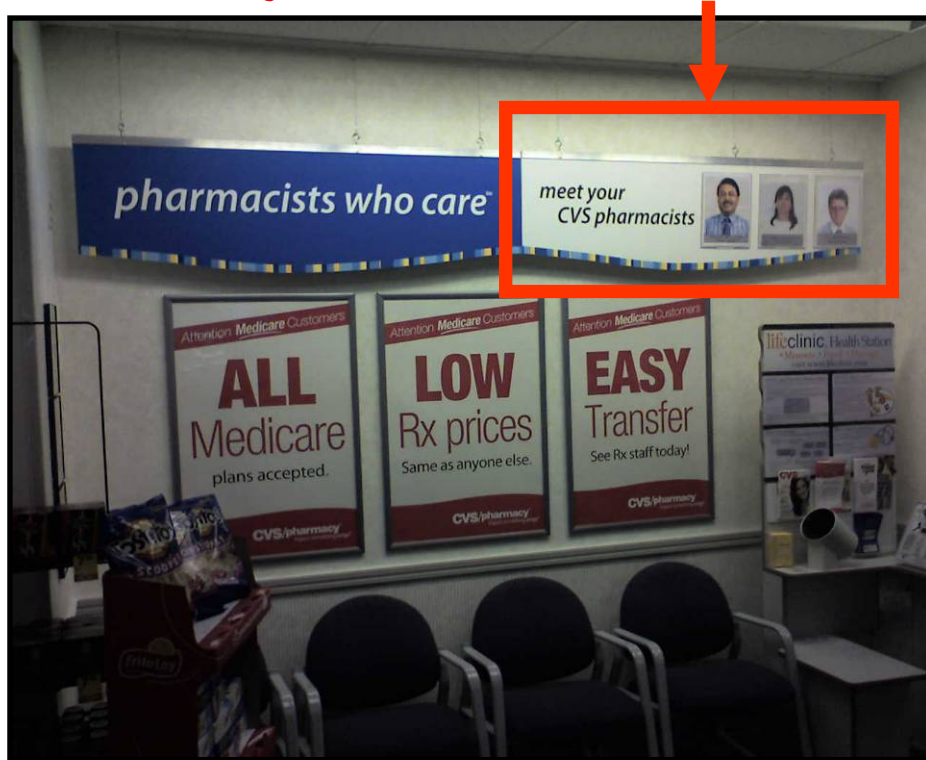


Positioning as a trusted healthcare advisor

Raising the profile of the pharmacist and NP

Pharmacists Who Care

Meet your CVS Pharmacists



Rx written when clinically appropriate. Board-certified practitioners.

Awareness and education at the shelf

CVS and Elephant Pharmacy

Educational materials are an integral part of on shelf merchandising and in-store experience at both CVS and Elephant Pharmacy



Building a health & wellness brand

Strategic focus on 6 health platforms



With us, it's personal

“We’re focusing on the health conditions that are most important to you.”



- Heart Health
- Diabetes
- Skin Care
- Weight Control
- Allergies
- Vitamins

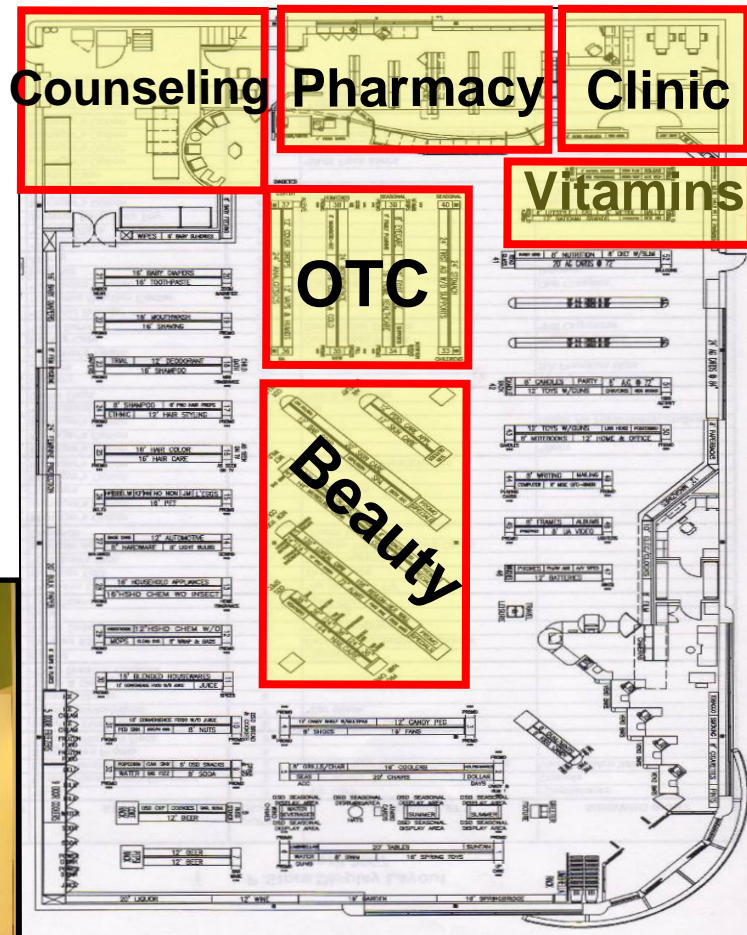
Building a health & wellness brand at Rite Aid *Customer World - format innovation*



Pharmacy



Counseling



Clinic



OTC



Beauty

Health and beauty at CVS

Looking good and feeling good



CVS' Health Skincare Center

Beauty is a key component of health and well being.



Aging boomers increasingly seeking anti-aging products and more advance beauty solutions.



CVS has introduced several exclusive lines, including skin effects by Dr. Jeffrey Dover.

Ingredients of Life at Safeway

“Bringing more to the table”



Leading commitment to “mainstream” health and wellness

- Lifestyle conversions – walking the walk

Committed to delivering superb quality perishables, including extensive proprietary brands

- O – Organics
- Introducing *Eating Right* line in 2007

Partnership with Dean Ornish, M.D., developed Good to Know wellness programs



New shelf-tags at Publix emphasize healthy choices

Making It Easier For You To Shop Healthier

Publix Nutrition Facts

Low Calorie Sugar Free
 Low Saturated Fat Good Source of Fiber
 Total Carbs per Serving

Publix Nutrition Information Program

UNIT PRICE 19.08* PER OZ
 000-41415-00348
 12 - 12 OZ 15-97 01/16/97
 PUBLIX BLACKBERRIES
 0042243

ITEM PRICE EACH \$2.29

Publix Nutrition Facts

Good Source of Fiber Low Saturated Fat
 Low Fat Cholesterol Free
 Total Carbs Per Serving: 22g

If the shelf tag says it's then it has this (per serving):
Low Calorie	40 calories or less	
Calorie Free	Less than 5 calories	
Low Fat	3 grams or less of fat	
Fat Free	Less than 1/2 gram of fat	
Low Saturated Fat	1 gram or less of saturated fat	
Low Cholesterol	20 mg or less of cholesterol and 2 grams or less of saturated fat	
Cholesterol Free	Less than 2 mg of cholesterol and 2 grams or less of saturated fat	
Low Sodium	140 mg or less of sodium	
Very Low Sodium	35 mg or less of sodium	
Sugar Free	Less than 1/2 gram of sugar	
Good Source of Fiber	2.5 grams or more of fiber	
Lean	Less than 10 grams of total fat	
(meat, poultry and seafood)	Less than 4 grams of saturated fat and Less than 95 mg cholesterol	
Extra Lean	Less than 5 grams of total fat	
(meat, poultry and seafood)	Less than 2 grams of saturated fat and Less than 95 mg cholesterol	

An Offering is Not a Brand Promise

Brand Promise vs. Perception vs. Experience

Moving beyond price at Wal-Mart

- Always Low Prices!
- Beyond the Basics
- **Saving People Money So They Live Better Lives**

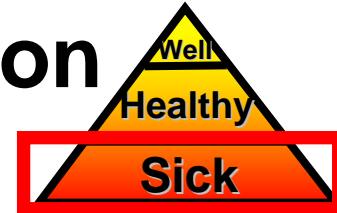
Long-term Wal-Mart will play an important role in the US healthcare industry

Wal-Mart's core capability is using its scale and operational excellence to improve inefficiencies in the marketplace
(Example: grocery & food)

- What could be more inefficient than US healthcare system?
- “Better Health Care Together” campaign for national health care reform is just the beginning...



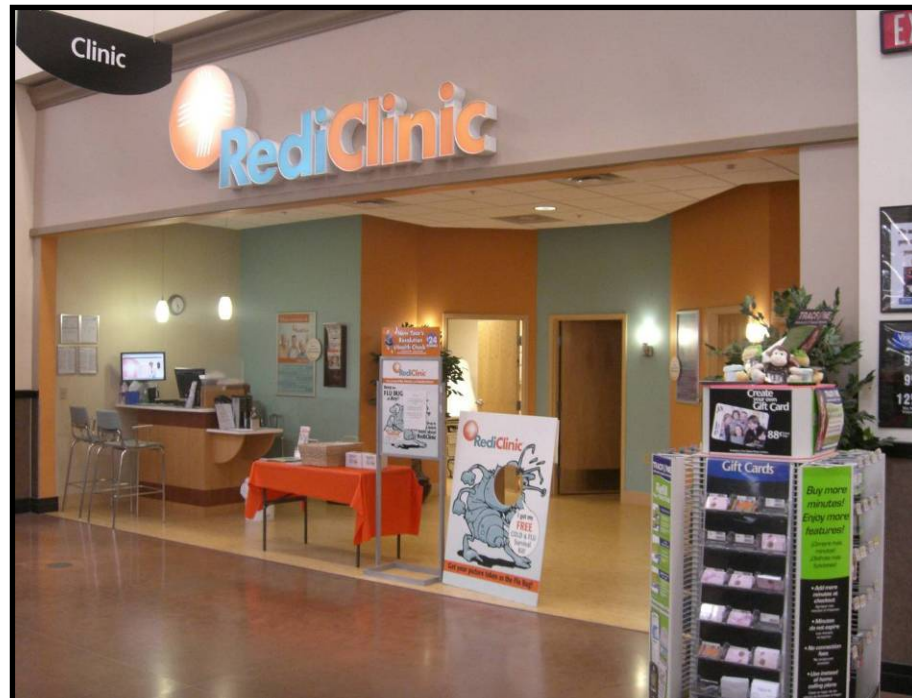
Can Wal-Mart move beyond perception to create emotional connection?



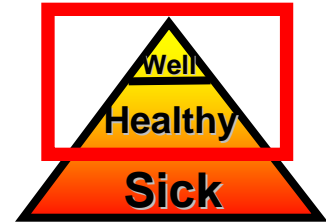
The Pharmacy at Wal-Mart



Health Clinics



Target: Leveraging form & fashion to bring wellness to the masses



Target Shopper

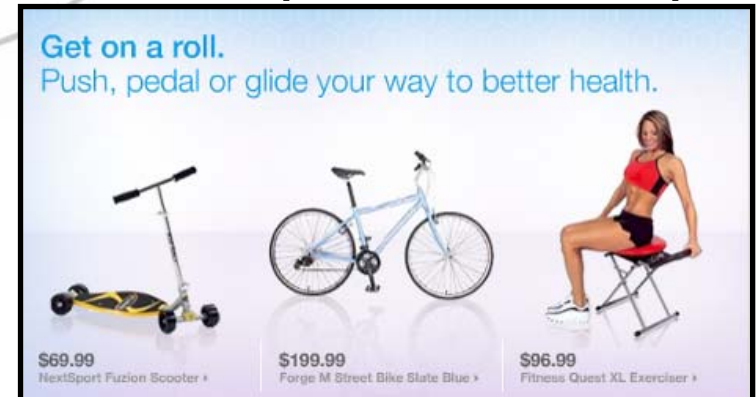
- Median age: 41
- Median HH income ~\$58K
- ~43% children at home
- ~43% completed college



Differentiation in the Pharmacy via Package Innovation



Shop Yourself Into Shape



Cracking the Lifestyle Nut

Moving from healthy to well



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Whole Foods has created an emotional connection – moving from “healthy” to “well” by combining capabilities, with brand authority and an unmatched in-store experience

Elephant Pharmacy has provided an alternative to conventional drugstores - combining education, with fitness (yoga), pharmacy, extensive conventional and alternative products for those seeking holistic lifestyle solutions



Moving from “Healthy” to “Well”

Whole Foods testing new concepts



refresh

The Everyday Spa
by Whole Foods Market

Whole Foods continues to test new concepts and expand the definition of well-being...

Launched an everyday spa concept in November 2006

- 4,500 sq ft
- Located above store
- 7 treatment rooms, 2 private showers
- All natural spa treatments (massages, scrubs etc.)
- Seminar room for wellness, nutrition and food classes
- Natural and organic store
- Private balcony dining area
- Valet grocery service



Conclusions



“Health” and “wellness” are not the same, and should not mean the same thing for every retailer or format...

- There is a disconnect between consumption (treating the sick), prevention (keeping people healthy) and wellness (influencing behavior)

Employers have the single largest vested interest in moving employees from sickness to “health” – re-alignment of incentives with behavior, could drive increased awareness and demand for wellness solutions

- For retailers, employers and manufacturer - this will require a better understanding of shopper or “patient” insights... HIPAA?

Retailers will assume a greater stake in delivery of “healthcare” in the future

- Introduction and growing acceptance of clinics and other related “healthcare” solutions presents significant opportunity to build health authority – moving beyond just pharmacy or food

Conclusions



Retailers will need both the capabilities and brand authority to unlock potential

- **Drugstores** will continue to deepen their healthcare orientation, while expanding their product and service offerings – convenience and trust are key competitive advantages
- **Food Retailers:** Health and wellness starts with food. Leading grocers will face competition on both ends, but do well keeping people healthy while playing on fringes of wellness. This is an area where regional chains (Ukrop's, Wegmans) have done well
- **Mass Merchants** arguably have the biggest opportunity, to move people from sick (Rx, OTC) to healthy (Food, Fitness, Beauty) to well – key will be changing perceptions and building brand authority

The Whole Foods model, while one of the most successful in retail, is not for everyone... greatest opportunity for retailers and branded suppliers is to provide scalable and affordable access to health and wellness offerings, not just those that can afford it!



... **A Partner in Your Success**

Thank You!

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