



EXECUTIVE INSIGHTS

A Targeted Framework for Retailers to Rethink Healthcare Delivery Strategy

Healthcare and consumer macro-trends increasingly point to an interest in and need for alternative care delivery models

Healthcare is evolving, and consumers are driving the demand for innovative care delivery models. The U.S. faces a growing physician shortage, along with an aging, sicker population, making it harder to access primary and preventive care, especially for marginalized communities.

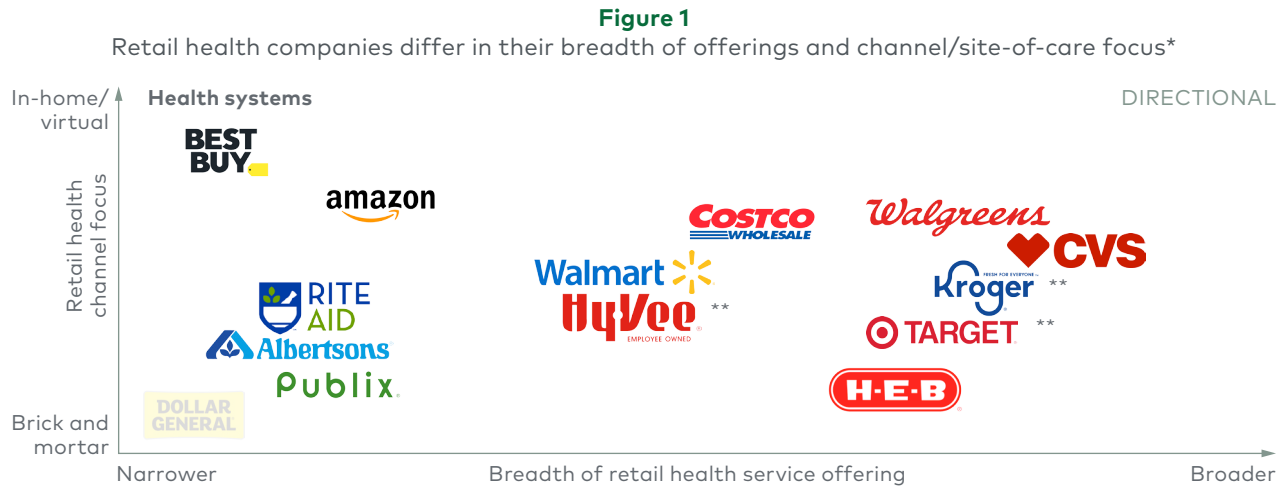
At the same time, consumers now expect their healthcare experiences to mirror the convenience and flexibility of retail settings — minimal wait times, easy access and personalized care. However, traditional healthcare providers often fall short in these dimensions, resulting in frustration and unmet needs.

The care delivery system is ripe for disruption, and on paper, retail health companies appear well positioned to meet these evolving consumer needs. Yet both online and brick-and-mortar retail giants are still trying to come up with strategies to fully meet these dynamic consumer expectations.

This edition of L.E.K. Consulting's *Executive Insights* offers retail health companies a structured approach to considering opportunities to expand service offerings into care delivery.

Many early attempts by retail companies have faltered

Several traditional retail health players have sought to expand their offerings in recent years in an effort to satisfy consumers' needs (see Figure 1).



*Retail health service offerings do not include brick-and-mortar healthcare assets under ownership of acquired entities (e.g., Oak Street Health and CVS, One Medical and Amazon)

**Target's clinic model relies largely on Kaiser's patient population and the utility and convenience Kaiser gets from leveraging Target's clinic space to manage overflows, while Kroger clinics are run by Little Clinic, and HyVee pursued joint ownership of Exemplar Care for healthcare delivery in its stores

Source: Company websites; L.E.K. research and analysis

Despite these big bets from industry leaders, the results have been mixed. Many retailers face higher-than-expected healthcare workforce costs and lower-than-expected cross- and up-sell opportunities across their existing retail footprint. Together with traditionally low primary care reimbursements, many early models of retail health have struggled, prompting some companies to exit and others to strategically pivot:

- **Dollar General** ended its rural mobile clinic pilot with DocGo after 18 months
- **Walmart** will exit its health clinics and virtual care business due to a lack of profitability
- **Rite Aid** filed for bankruptcy, citing challenging pharmacy economics and stalled primary care delivery efforts
- **Walgreens** is scaling back its VillageMD footprint after finding it was worth \$5.8 billion less than expected and instead is partnering with local providers (e.g., Hartford HealthCare, ASU Be Well, Advocate Health Care) to operate in-store clinics
- **Amazon** acquired One Medical, a subscription service for comprehensive primary care, but has since had to lay off workers and conduct a strategic reevaluation

- **Kroger** partnered with Better Health Group to operate in-store clinics in nine states and is expanding to value-based senior primary care
- **Costco** teamed up with Sesame to offer fully out-of-pocket discounted virtual and in-person primary and mental health care services, bypassing insurance entirely
- **CVS** has shifted its focus from on-site clinics to Healthspire's home health and care management model and is expanding its Oak Street Health senior care business

Based on these examples, we observe the following trends:

- **Service-market fit:** Targeted, localized partnerships may be key to converting consumers into patients
- **Operational expertise:** Running healthcare clinics requires distinct expertise, so partnering with healthcare operators may enhance operating efficiencies
- **Alternative revenue models:** Bypassing traditional insurance through subscriptions or memberships could be one way to address reimbursement challenges

So, is there a role for retailers in healthcare? Our survey of 1,000 consumers suggests there is appetite

Our analysis of consumer survey data on respondent usage, preferences and interest in using nine tested healthcare services in retail clinics revealed the following insights:

1. Growing acceptance of retail clinics (see Figure 2)

- a. Current use: 20% of respondents are tapping into retail clinics for at least one of nine survey-tested healthcare services today
- b. Future use: 50% of respondents are highly likely to explore or continue using these services in the future, indicating a strong potential for growth

2. The convenience factor

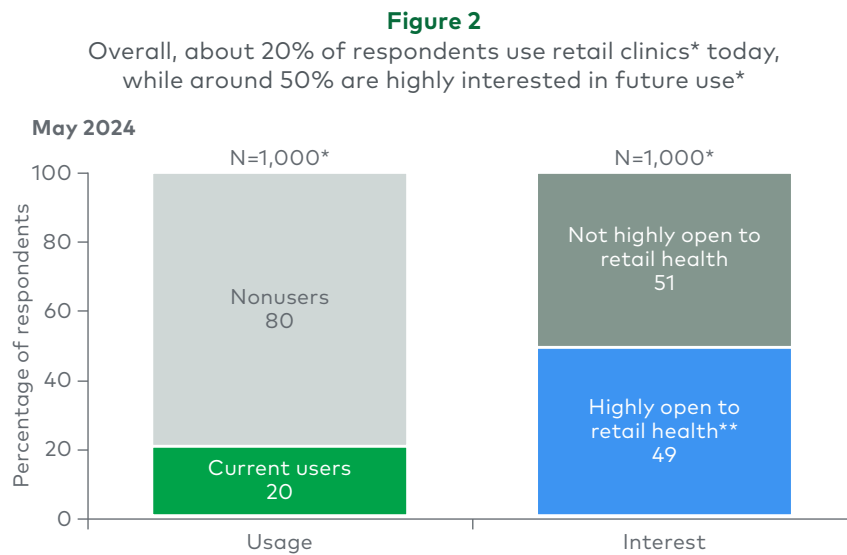
- a. Value proposition: Consumers favor retail clinics for their convenience, including faster access to care and cost savings, so much that two-thirds of current users continue using retail clinics despite not preferring them (see Figure 3 and Figure 4 below)
- b. Most relevant health services: Patients especially value convenience as the primary value proposition for specialty/chronic care management, mental/behavioral health and women's health

3. Alternative provider types

- a. Health services of interest: Respondents are most open to receiving lifestyle/wellness services, diagnostic testing, urgent care and vision care services in retail clinics, and these respondents are also most amenable to receiving care from alternative provider types like advanced practice providers, wellness coaches, lab technicians or optometrists
- b. How to convert users: Current users show a higher level of trust in their pharmacist than do nonusers, suggesting that building trust with care providers is key to expanding the retail clinic user base

4. Enhancing the retail health experience

- a. Desired experience: Both current and potential users want a retail clinic experience that feels more like a doctor’s office (e.g., private exam room)
- b. Partnerships and integration: Current users prioritize partnerships with traditional providers (e.g., virtual care, urgent care or a local hospital), while potential users value private exam rooms and integration with their doctor’s electronic health records system (see Figure 4)



*Survey questions: Which of the following healthcare services, if any, did you use in the last year (2023)? Please select up to five answers that apply; if you’ve used more than five of the below services, please select the five that you used the most frequently. In what settings have you received [each selected care type] services over the past year (2023)? Please select all settings that apply. How likely are you to seek [selected healthcare service] in a retail pharmacy (e.g., CVS, Kroger, Costco) in the next year, if needed? Please select the one response that best describes your likelihood.

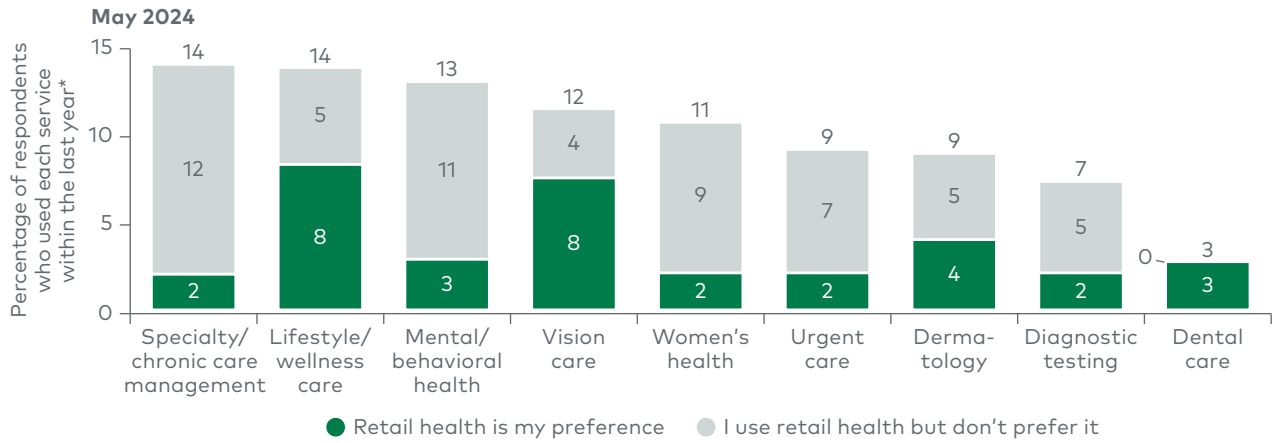
**Based on respondents who “definitely would” or “probably would” use each selected service in a retail pharmacy in the future

Note: Respondents addressed nine tested healthcare services (see Figure 3 for full list)

Source: L.E.K. survey and analysis

Figure 3

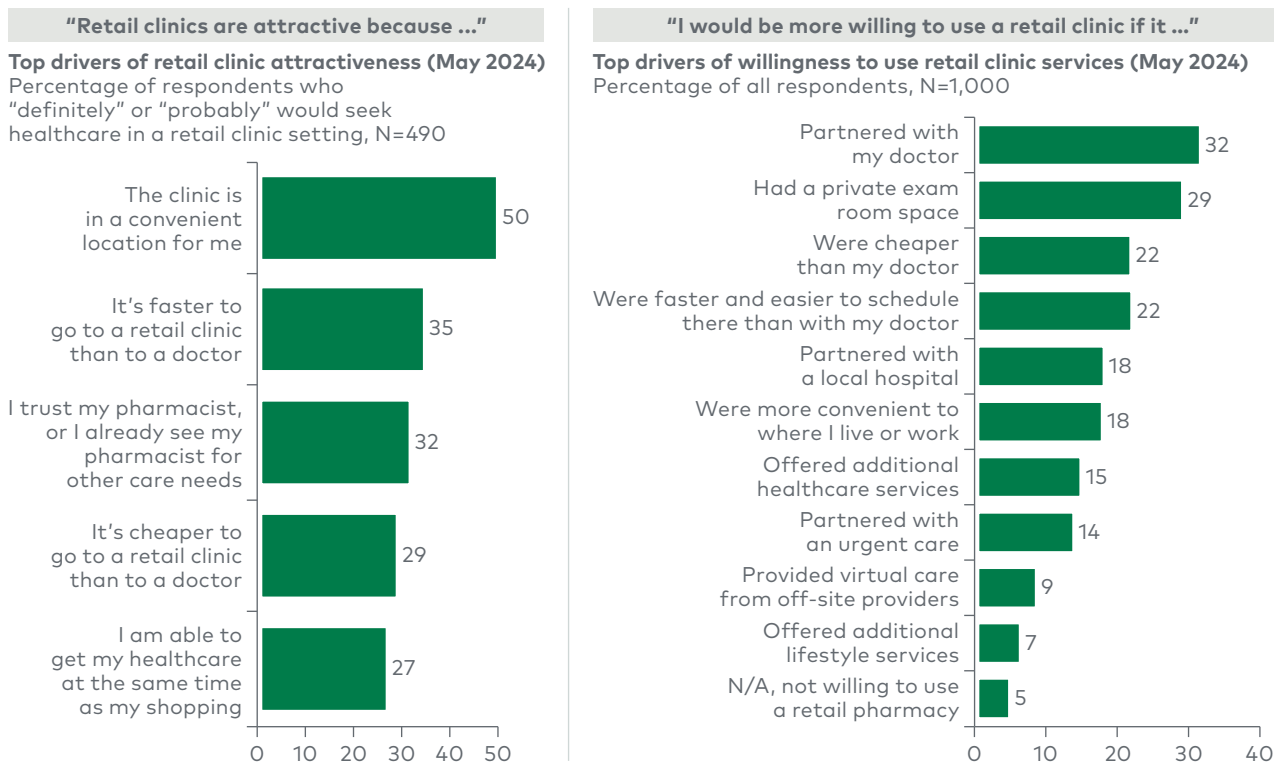
Many consumers use retail clinics even when they don't prefer them, suggesting there is a compelling value proposition



*Survey questions: Which of the following healthcare services, if any, did you use in the last year (2023)? Please select up to five answers that apply; if you've used more than five of the below services, please select the five that you used the most frequently. In what settings have you received [each selected care type] services over the past year (2023)? Please select all settings that apply. What is your preferred setting for accessing [each selected care type] services? Please select the one setting that best aligns with your preference.
Source: L.E.K. survey and analysis

Figure 4

Convenience drives interest in retail clinic care, while a traditional physician office-like experience boosts retail clinic appeal





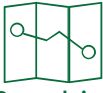








Survey questions: What factors make a retail pharmacy (e.g., CVS, Kroger, Costco) an attractive place to receive healthcare? Please select at least one and up to three responses. What would make you more willing to access healthcare at a retail pharmacy (e.g., CVS, Kroger, Costco)? Please select at least one and up to three responses.
Source: L.E.K. survey and analysis

Our survey indicates that partnering with local and national healthcare providers can help retailers target diverse consumer groups, optimize cost-sharing and unlock significant cross-sell and up-sell opportunities.

To help companies better segment and think about their customer base, we created six patient archetypes based on behavioral and psychographic findings from our survey.

Respondents showed significant differences in their use of retail health services, attitudes toward current use and overall perceptions of retail health (see Figure 5):

Figure 5
Six retail health user archetypes

		 Traditionalists	 Pickers and choosers	 Begrudging convenience seekers	 Retail curious	 Selective adopters	 Enthusiastic adopters
Archetype definition	Behavior: current use	✗	✗	✓	✗	✓	✓
	Attitude:	✗	✓ Selectively open	✓ Unhappy but selectively open	✓	✓ Selectively open	✓
Top reasons for using retail health							
Activation messaging and channel		N/A – traditionalists do not use retail health and are not interested in using it	<ul style="list-style-type: none"> Partner w/doctors Private exam room 	<ul style="list-style-type: none"> Partner w/hospital Partner w/urgent care Faster access 	<ul style="list-style-type: none"> Convenience More healthcare services More lifestyle services 	<ul style="list-style-type: none"> Cost Convenience More healthcare services 	<ul style="list-style-type: none"> Virtual care Faster access More lifestyle services
Most appealing services			<ul style="list-style-type: none"> Diagnostic testing 	<ul style="list-style-type: none"> Specialty/ chronic care management Women’s health 	<ul style="list-style-type: none"> Dermatology Dental Specialty/ chronic care management 	<ul style="list-style-type: none"> Specialty/ chronic care management Diagnostic testing Vision 	<ul style="list-style-type: none"> Dental Dermatology Specialty/ chronic care management
Percentage of respondents		20%-25%	25%-30%	5%-10%	25%-30%	3%-7%	5%-10%

Increasing attractiveness of retail health companies

Source: L.E.K. survey and analysis

- 1. Traditionalists** (20%-25% of survey population) avoid retail health services and are unlikely to use them in the future
- 2. Pickers and choosers** (25%-30%) don't use retail health today but would be open to limited future use based on their overall opinion of retail health
- 3. Begrudging convenience seekers** (5%-10%) use retail health today for its convenience but are dissatisfied with their experience; they might expand usage to additional services if they find them to be more convenient
- 4. The retail curious** (25%-30%) don't use retail health today but are highly open to future use, with a strongly positive opinion about retail health
- 5. Selective adopters** (3%-7%) are generally satisfied with their current retail health use, but their moderate overall opinions about retail health limit their willingness to try additional services
- 6. Enthusiastic adopters** (5%-10%) use and enjoy retail health services and are eager to expand their usage due to their positive experiences

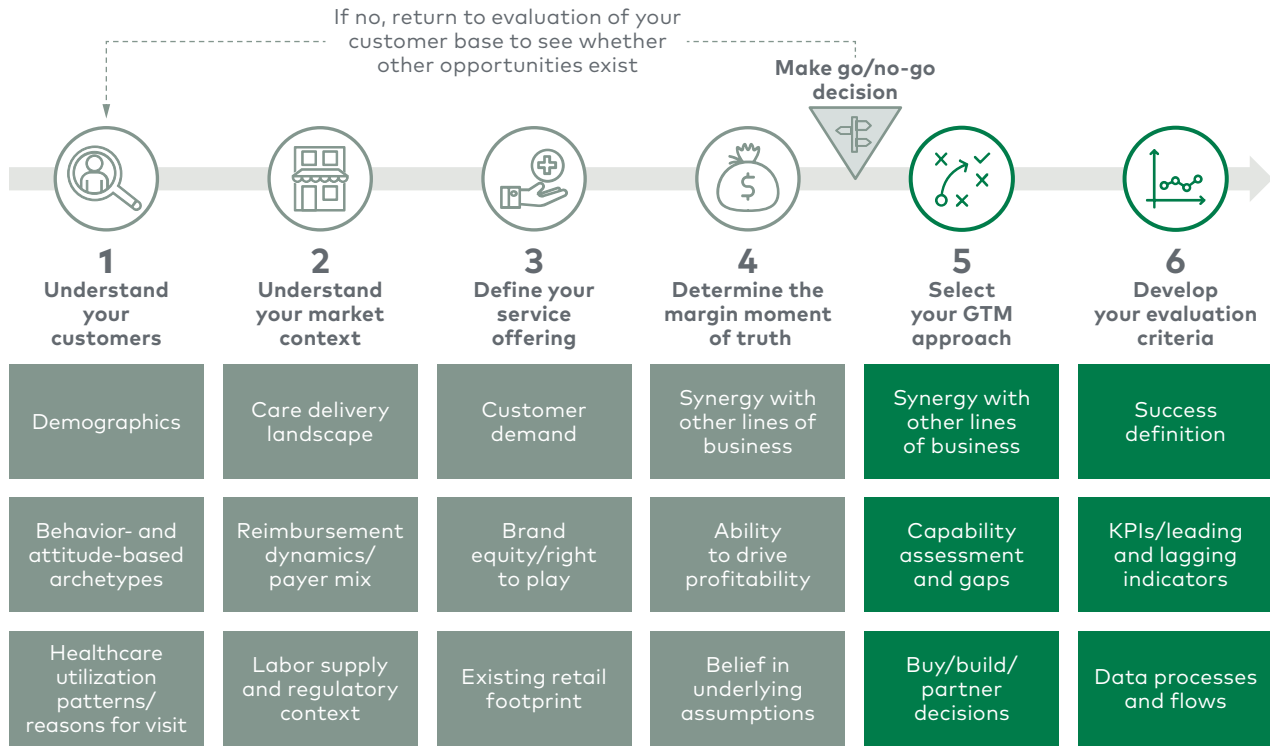
These archetypes differ in their motivations, drivers for increased usage and service preferences. To effectively cater to these diverse groups, retailers must:

- Understand local customer archetypes and provider dynamics
- Tailor services and messaging to meet specific archetype needs
- Activate key archetypes through targeted go-to-market (GTM) strategies

By aligning service offerings and GTM messaging with the unique demands of each archetype, retailers can better engage and expand their retail health customer base.

Recent experience shows that retail health companies should not take a broad approach to expanding their healthcare footprint. We developed our Retail Health Opportunity Identification Framework (see Figure 6) to help clients selectively capitalize on the market's need for disruption.

Figure 6
L.E.K. Retail Health Opportunity Identification Framework



Note: GTM=go-to-market; KPIs=key performance indicators
Source: L.E.K. research and analysis

- 1. Understand your customers:** Retail health companies are in a unique position to engage frequently and informally with their customers, which means they can analyze demographic, psychographic and behavioral data to understand which cohorts of customers are most likely to be willing patients. Identifying the archetypes of customers will help inform the services and value propositions that resonate most.
- 2. Understand your market context:** Prospective vendors need to understand the market context and other care settings available to their customers to inform the value-add potential of new retail-based services, as well as the cost of doing business in different markets.
- 3. Define your service offering:** When deciding which services to offer in the retail setting, consider the unmet needs and preferences of your specific population, including your organization’s “right to play” and brand equity.
- 4. Determine the margin moment of truth:** In addition to market data, financial analysis of the realistic near-term pro forma profit-and-loss outlook for individual locations

and achievable synergies to other lines of business must serve as the foundation when deciding whether to move forward with – or reevaluate – an opportunity.

- 5. Select your GTM approach:** If there is an identified opportunity, the next step is to select a GTM approach, considering existing capabilities and identified gaps. Organizational preferences and the availability of external assets will determine build/buy/partner decisions.
- 6. Develop evaluation criteria:** Other retail companies' experience shows that results take time. Developing and aligning on a set of evaluation criteria, leading indicators and business metrics are critical to measuring performance and progress toward stated organizational goals.

L.E.K. is poised to help clients evaluate their opportunities in the retail health space using bespoke customer surveys and access to market-specific volume and reimbursement data. For more information, please [contact us](#).

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