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CVS Health Company

Company Overview

CVS Health Company is an America-based healthcare and pharmacy company with almost 10,000 shops in its grid. On 22nd August 1996, the company integrated with its subsidiaries to form the CVS Health Corporation. In 2014, the company rebranded from CVS Caremark Company to CVS Health. The corporation provides medical care for the elderly community via Omnicare, Long-term Care (LTC) and Inc. (Omnicare) operations, that deals with the pharmaceutical distribution, pharmacy-related consulting, and other additional services to chronic care settings and other healthcare facilities ("About | CVS Health").

The company's health-based businesses include in-store health clinics, retails, pharmacy services, and its Lab for Digital Innovation seeking to create apps and smart devices to improve medical care. When the corporation's competitors such as Walgreens are shutting down their medical stores, CVS is trying to expand its customer base by providing additional services that surpass traditional expectations. At its subsidiary health clinics, minute-clinic patients have access to every function from cool shots to the diagnosis of urinary tract contamination to cholesterol screenings. The first devices from the company's Digital Innovation Lab based in Boston were first rolled out in 2015, including a mobile app compatible with Apple Watch, and a new option that allows patients to scan insurance cards and paper prescriptions to fill medications and create reminders to take pills remotely. The

chain of products also provided choices for healthier foods, including organic brand and fresh fruits, in its passageways ("About | CVS Health").

In late 2014, CVS Health Company barred tobacco products from its retail stores and even started its termination program for smoking. CVS has set out full-service optical and hearing services, to expand the education program of its patients, in partnership with IBM to utilize Watson's system for artificial intelligence forecast which clients need involvements to evade health-related disasters. Recently, the corporation expanded from marketing health facility to patient promoter. CVS has commenced retailing the less expensive alternative for EpiPen and stopped selling sunscreens containing SPF level below 15. Last April, the corporation publicly declared that it would eliminate phthalates, parabens and other "chemicals of concern" from almost 600 individual care store-brand items after removing trans fats present in its foodstuffs. Helena Foulkes, the corporation's pharmacy president, said that CVS thought about clients' welfare first and that is the reason why most partners wanted to work with them ("About | CVS Health").

Updated retail stores have experienced an overall sale boost of 2.5% and a 7% growth in food sales. CSV Health Company is predicted even to get better once it finalizes its purchase of insurer Aetna worth \$69 billion ("About | CVS Health").

Size of the Company (Assets, Sales, Personnel)

CVS Health Company has over 9,800 retail stores under the Long Drug, CVS, and Navarro banners in different locations, over 1,100 walk-in health clinics, growing professional pharmacy services, the topmost pharmacy welfares manager with over 94 million plan memberships, a devoted senior drugstore attending to over one million patients annually, and a pioneering stand-alone health care Part D treatment plan ("About | CVS Health"). In addition to the corporation's independent pharmacy procedures, it's also runs

CVS locations within target stores and operates a company dealing with prescription management, Caremark Pharmacy Services. Towards the end of 2017, the company decided to buy a health insurer worth \$70 billion ("About | CVS Health").

CVS Health Company functions through two principal sections: Retail/Long-term care(LTC) and Pharmacy Services. The Pharmacy Services that make up roughly 60% of the total sales is the corporation's division of pharmacy benefits management (PBM). The segment distributes medicines through almost twenty-five retail field drugstores, four mail order dispensaries, and over 12 specialty delivery order drug stores. The company also runs about 85 medical divisions, mainly consisting of ambulatory infusion spots, but also contain facilities for enteral service and specialist infusion. The division also offers formulary management, strategy design and management, and cut-rate drug buying provisions. The segment fills over 1.2 billion medicines annually ("About | CVS Health").

The company's Long-term Care division runs about 9,700 drugstores (1,675 dispensaries situated in target stores included), LTC pharmacy procedures, 1,140 MinuteClinic settings, and online dealings such as Navarro.com, Onofre.com.brTM, and CVS.com. The pharmacy makes up over two-thirds of the segment's sales, and the rest is accounted for by the "front store" merchandising stock. The corporation's MinuteClinics sited mainly in CVS stores have a staff of physician assistants and nurse practitioners who issue vaccines, administer health screening, cure minor conditions, and treat long-lasting conditions in some locations ("About | CVS Health").

CVS clinics, drugstores, and retail locations are sited in 50 American states, Puerto Rico, Brazil, and the Columbian District. CVS also runs pharmacies through the banner of Long Drugs in Arizona, Nevada, Hawaii, and California. MinuteClinics are positioned in

about 1,000 store sites in Washington DC and 31 states. CVS is available in all the major 100 pharmacy marketplaces in America ("About | CVS Health").

The company's clients to Pharmacy Services include other sponsors for the healthcare plan, unions, insurance companies, and employers. The division makes through sales of its treatment medicines through its mail-based service providing dispensaries. The segment also vends indirectly via its network of retail pharmacy (Beilfuss).

Financial Performance

Annual profits and revenues for CVS Health Company have increased sharply from 2011, beating that of opponent Walgreens, cheers to the aggressive acquisition and opening of stores and extension into newfound business ventures. In financial 2016 its revenue further increased by 16% totaling up to \$177.5 billion after the purchase of Omnicare in early 2015 and Target Clinics towards the end of 2015. The company also registered a newfound net business in the section of Pharmacy Services. Disposable revenue increased by 2% totaling to \$5.3 billion as costs related to acquisition put a depression in returns comparative to the clamorous income growth. Money from operations rose by 20% amounting to \$10.1 billion as a result of income growth and schedule of Medicare Part D procedures payments (Beilfuss).

Company's Distinctive Competencies

CVS functions through three sections: corporate, Retail/TLC, and Pharmacy Services. CVS distributes services and products by counseling patients on their medicines at their pharmacy places; providing client programs at CVS Caremark; providing care to clients with multifaceted medical situations via CVS specialty, and making care available for access at MinuteClinics ("About | CVS Health").

Pharmacy Services Section

This section provides a variety of solutions related to pharmacy benefits management (PBM) to its customers mainly consisting of persons throughout the US, health profit plan sponsors, health plans, groups of government workers, union, insurance firms, and employers. Additionally, via a subsidiary of its insurance corporation of SilverScripts, CVS runs a nation-wide drug benefits provider to qualified recipients under Medicare Part D package of the federal government. The segment runs under ACS Pharmacy and Navarro Health Facilities names, Coram, NovoLogix, SilverScript, Accordant, CVS Specialty, CarePlus Pharmacy, CVS Caremax, Caremark, and Pharmacy Amenities for CVS Caremark ("About | CVS Health").

The company also issues services and programs including Maintenance Choice, a package in which qualified customer members of the plan can decide to register their upkeep prescriptions at any retail store for CVS Pharmacy; Pharmacy Advisor, a package that enables direct and telephone-based therapy by pharmacists to assist members taking part in the plan with specific long-lasting illnesses such as cardiovascular conditions and diabetes, to recognize breaches in care, handle their health statuses, and observe to their arranged medications; improve programs for disease management that are seeking to manage states of chronic diseases ("About | CVS Health").

CVS has Specialty Connect, an integrated specialty program that combines local capabilities and specialty mail, offering clients with specific disease-state therapy from the company's specialty druggists. The program also allows the patients to avail their specialty remedies to any CVS pharmacy site or avail it through mail order chemists. Also, it has the Health Card package of ExtraCare that gives discounts to entitled plan memberships on specific medical care products bought over-the-counter in CVS Pharmacy shops. CVS Health Company makes endorsements to its customers to allow them to strategize benefit plans ("About | CVS Health").

The company has formularies that offer suggested products in several drug categories to allow its members access to substitutes under the pharmacy advantage plan of the client. The corporation also helps union, employer, and other medical plan customers that are eligible for drug subsidy for the retiree by gathering and delivering drug cost and eligibility data to facilities for Medicaid and Medicare services to enable the clients acquire the grant. It also offers medical care benefits for Part D to such customers' retirees via employers sponsored by SilverScript Plans (EGWPs) ("About | CVS Health").

By 31st December 2016, CVS Health Company ran four mail-based order providing drugstores in the USA. The firm distributes remedy medications both directly via specialty dispensaries or one the company's email-based request, or via a chain of marketing pharmacies. The company provides a variety of counseling and adherence programs, quality assurance, medication management, and utilization management ("About | CVS Health").

Additionally, the firm has Accordant programs which comprise programs for management of rarely integrated sicknesses, which deals with illnesses such as multiple sclerosis, seizure disorders, Parkinson's disease, and rheumatoid arthritis. The Business provides a technology stand, NovoLogix, an online pre-authorization device which assists in recognizing and storing opportunities that save cost for specialty medications payable under health benefit by finding outliers to costs and dosages. The establishment runs and supports platforms for claim settlement to defend its section of Pharmacy Services. Its clinical algorithms and its technology for Health Engagement Machine allow its specialty and mail pharmacists to deliver care. The company's combined digital offerings and digital initiative policy will enable clients to manage retail medications, specialty, and mail. CVS company offers pharmaceuticals to qualifying members in benefit packages upheld by its customers and uses its system of information to allow identification of openings for genetic exchange, medicine interaction broadcast, and executing safety checks ("About | CVS Health").

Retail/LTC Section

The company's retail segment has retail pharmacies that vend medicines and a range of personal care and over-the-counter products, cosmetic and beauty products, and overall products, which are referred to as front store goods by the company. The chemists found in the Target stores sell over-the-counter medications and prescription medications supposed to be handed over behindhand the counter. Omnicare also offers commercialization facilities under the title RxCrossroads ("About | CVS Health").

SWOT Analysis

Strengths

First, the firm has a robust presence in the US, with about 7,000 drugstores. The occurrence has assisted in strengthening the corporation's brand outlook. The company was graded the 18th position on the Fortune list made up of 500 corporations in 2010. Additionally, the establishment has a robust network. It has a staffing of above 200,000 individuals across 41 states. As by 2010, the company has 7152 shops selling its specialized services and products. Ever since it was established, the firm has increased its network to 569 MinuteClinic sites to satisfy the needs of its clients all over the nation. CVS Health Company also has the presence of a robust yearly income exceeding \$99 billion and a functional revenue of \$6.438 billion. Combined with a disposable revenue of around \$4 billion, the corporation has a firm ground to push it to superior statures as it upholds its lead in the pharmaceutical world ("SWOT Analysis Of CVS Health").

Weakness

Apart from the strengths, the firm has several weaknesses, which are probable to destabilize its business dealings. For instance, the company is faced with rigid rules from the government of USA. The firm thus is forced to keep changing its guidelines so that they

comply with the constantly changing laws. Furthermore, the corporation does keep a record of regular returns. Its turnover results are inconsistent, making it difficult for the firm to plan correctly. Another weakness upsetting the organization is irregular drugstore practices, this is because the company's stores in over forty states in the US lack uniformity when serving the company's clients. Another issue of high concern in the company is its safety lapses. It is clear that the firm has no stable security arrangement to improve scanning and deterrence of outbreaks. CVS Health Company has experienced several armed attacks, endangering the lives of its customers and employees ("SWOT Analysis Of CVS Health").

Opportunities

The company has an assortment of opportunities to discover and brand its standing as a top pharmaceutical venter in America. Firstly, the firm should pay more attention to capitalizing it its recently attained stores. The stores are Longs, Savon, Osco, and Eckerd. The step will strengthen the company's presence and network, and as a result, the firm will see a growth in its good returns and market share. Another opportunity is the company's potential to buy more shops. CVS can purchase more companies in the pharmaceutical field to uphold its market position. For instance, the firm could acquire the Medicare Part D for Universal American Corp, an act that would make it the leader of other companies in the pharmaceutical trade ("SWOT Analysis Of CVS Health").

Threats

Various challenges are threatening the growth of CVS Health Company as the topmost pharmaceutical seller in the US. Similar to any other firm, stiff competition is a matter of concern. The corporation's principal competitors are Pfizer and Walgreen. The rival companies exert too much pressure on CVS, and thus the company has to stick to its strategies. Another threat is the scarcity of pharmacists in the corporation. To tackle this

issue, CVS has focused on making its pharmacists be at par with requirements of the field. Finally, the corporation's uneven growth is a genuine threat to the firm's future ("SWOT Analysis of CVS Health").

Porter's 5-Forces analysis

The Porter 5 forces for CVS Health Company include:

Threats Posed by Fresh Entrants

New players in the Health Care sector come with fresh innovations, new methods of handling issues and place pressure on CVS by lowering the pricing policy, offering new charge proposals to clients, and reducing costs. CVS Health Firm has to find a way to tackle these issues and create active barricades to protect its competitive advantage ("CVS Health Corporation Porter Five (5) Forces & Industry Analysis [Strategy]").

How to confront the threat?

- By inventing new services and products. The innovative products will earn the company new clients and also maintain the old clients.
- Investing more in development and research building competence. Fresh entrants are unlikely to venture into industries where reputable companies such as CVS regularly define standards. It disheartens new entries into the industry.
- Constructing thrifths of scale to reduce the unit cost.

Suppliers Bargaining Power

Most of the firms providing Medical Care Plans purchase their undone material from several providers. Suppliers can reduce the margin CVS earns in the market. Influential suppliers in the industry utilize their bargaining power raise prices. The general effect of

supplier's high negotiating power is the overall reduction in profits earned by Healthcare Plans ("CVS Health Corporation Porter Five (5) Forces & Industry Analysis [Strategy]").

How to Tackle

- Creating an effective supply chain with several suppliers.
- Doing experiments with product plans using a variety of materials so that if there's rise in the prices of one material the firm moves to another.
- Having committed providers whose jobs are dependent on the firm. CVS Health Company could learn from Nike and Wal-Mart. The two firms established third level manufacturers whose corporate much depended on them. Thus, the supplier had less negotiating power.

Buyers' Bargaining Power

Buyers usually have a lot of demands and want to purchase the best products at the lowest prices possible, putting pressure on CVS's profitability. When the customer base of CVS is smaller and powerful, they have the higher negotiating power ("CVS Health Corporation Porter Five (5) Forces & Industry Analysis [Strategy]").

How to Handle

- Creating a large client base that will lower their negotiating power and allow the company to streamline its production process and sales.
- Rapidly creating fresh products. Clients often seek a discount on established goods. CVS should invent new products to limit buyers negotiating authority.

Threats from Alternative Services or Products

When new services or goods satisfy the needs of a customer in several ways, the profitability of the CVS company suffers ("CVS Health Corporation Porter Five (5) Forces & Industry Analysis [Strategy]").

How to Tackle

- CVS should focus on service rather than just goods.
- CVS should comprehend the clients' core need rather than what they purchase.
- CVS should increase the substituting cost for the clients.

Rivalry Among Competitors

When rivalry intensifies among the companies, prices are likely to go down and reduce the profit margin of the firms. CVS runs in a highly competitive business environment. The competition takes a toll on the general profitability of the corporation ("CVS Health Corporation Porter Five (5) Forces & Industry Analysis [Strategy]").

How CVS should tackle

- Creating a maintainable differentiation.
- Building a scale that will enable CVS to compete healthier.
- Working together with the competitors to expand the market rather than just contending for a smaller one.

Strategic Challenges Facing CVS Health Company

The departure of Tricare and Prime Therapeutics, and their subsequent alliance with Walgreens has been a substantial blow to the CVS Health Company. Even though the deals were sealed in 2016, CVS did not experience the impact until 2017. Tricare began by routing

its members totaling to 9.4 million from CVS corporation to Walgreens on 1st December 2016. CVS then lost Prime Therapeutics' network with 22 million memberships.

The company faced a significant loss. As by May 2017, the firm's net revenue had fallen by 17 %. CVS Health Company attributes the losses to Walgreens. Additionally, the firm's retail/LTC did not perform very well. Even though the outline of the new generic medications seemed to hold significant weight to retail drugstore sales, they recorded lesser profits. The medicines are cheaper than brand medicines thus resulted in lower sales.

Strategic Recommendation for CVS

7.2 million regular clients left CVS and, in the year, the company experienced \$2.5 million revenue loss. The customers went angry and dissatisfied with the services offered by sales personnel.

Recommendation

The corporation should reduce the client waiting time during insurance check, and it should be done in the presence of the client, as this would improve client satisfaction. The company's Action Note data system and Call Center should also be in a straightforward manner for ease of use by the clients. The organization should avail two counters at the zone of drop off, especially during rush hours. These actions would enhance customer satisfaction and increase profitability in the long run (Ailawadi et al. 574).

Works Cited

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