
Should a company's corporate values affect its financial success?

Cigarettes Out. Health In.



An analysis of the rebrand of CVS Health
2015 Arthur W. Page Society Case Study Competition

Background

- ❖ Founded in 1963
 - ❖ Largest pharmacy health-care provider
 - 4 business units including CVS/pharmacy
 - ❖ Second-largest pharmacy store chain
 - 7,700 stores in U.S.
 - ❖ Convenience, value & service
-

Corporate Character & CSR



WE ARE

A pharmacy innovation company

OUR STRATEGY

Reinventing pharmacy

OUR PURPOSE

Helping people on their
path to better health

OUR VALUES

Innovation
Collaboration
Caring
Integrity
Accountability

CVS Quits



"Put simply, the sale of tobacco products is inconsistent with our purpose," Larry J. Merlo, President & CEO

- ❖ Feb. 5 CVS Health announces the end of tobacco product sales by Oct. 1
- ❖ Sep. 3 CVS Health announces tobacco products are removed from the shelves
- ❖ Sep. 3 CVS Health announces rebrand, including the new name CVS Health
 - New slogan, "Health is everything"

Competition faces challenges

- ❖ Walgreens response to tobacco question is vague, noncommittal
- ❖ Walgreens possible tax-inversion creates controversy



The Smoking Problem

- ❖ Cigarette smoking causes 480,000+ deaths annually
 - ❖ Costs attributed to smoking: \$289+ billion annually, including:
 - \$133 billion for direct medical care of adults
 - \$156 billion in lost productivity
-

Commitment to end smoking



We want to help everyone breath a little easier, so we quit selling tobacco at CVS/pharmacy®, and created a comprehensive support program to help smokers quit, too. <http://bit.ly/phfb9062014>



Like · Comment · Share

👍 11,313 💬 757 ➦ 947 Shares

“As a leader of the health care community...we will undertake a robust national smoking cessation program” - Larry J. Merlo, CVS President & CEO

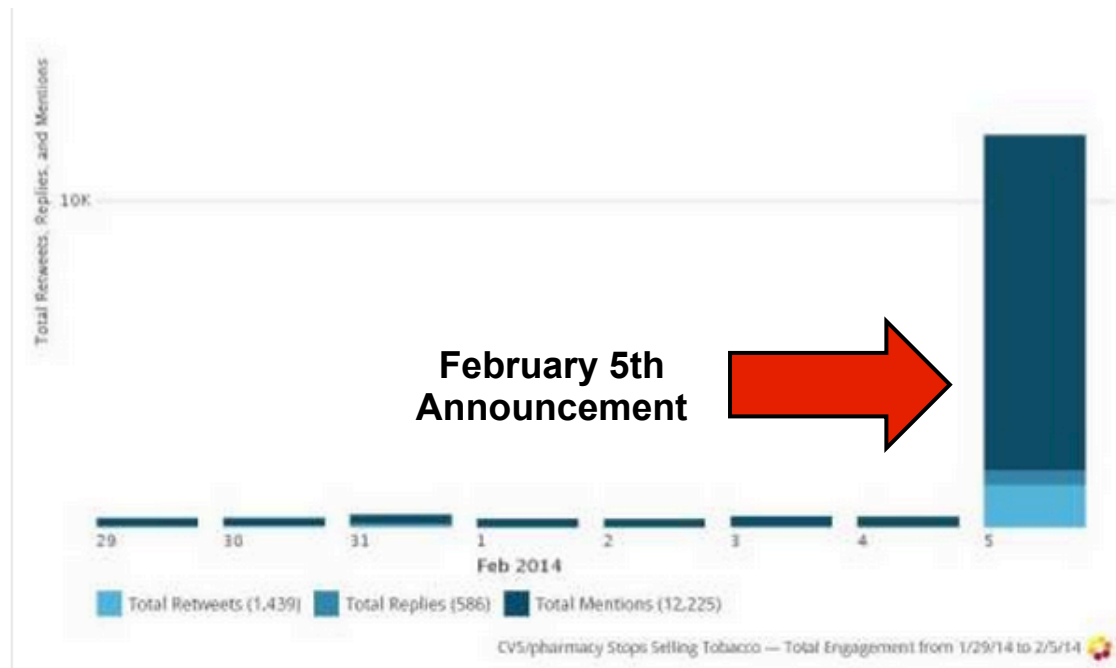
#OneGoodReason

- ❖ Social media campaign started by CVS Health
- ❖ Invites people to use the hashtag to share their personal stories of how smoking and tobacco use has affected their lives



Social Media Responses

- ❖ On February 5, 2014 alone, Crimson Hexagon reported:
 - 139,000 Tweets & Facebook posts mentioned CVS
 - Corporate Twitter handle @CVS_Extra experienced 17,000 interactions



Media Responses

- ❖ According to Topsy.com:
 - **100,000 Tweets**
- ❖ Overall consensus of the public response:
 - **Positive**



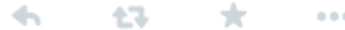
General Public Responses

- ❖ Why stop at selling cigarettes?
- ❖ What about stopping the sale of alcohol? Candy?



Lou Rain @ljrain · Sep 28

Your commercials are funny. It's all about health.... No cigarettes.. But you sell beer & wine. Quit smoking and get drunk at CVSHealth! :)



Travis Gibson
@eersnherd



 Follow

@USATOpinion If CVS is getting rid of tobacco sales shouldn't they also stop the sale of alcohol/liquor as well? #tellusatoday

Teays Valley, WV



1:44 PM - 5 Feb 2014

Stock Price Performance

Open 90.1
 Close 89.13
 Low 89.03
 High 90.25
 Vol 5.3M
 % Chg 12.95%

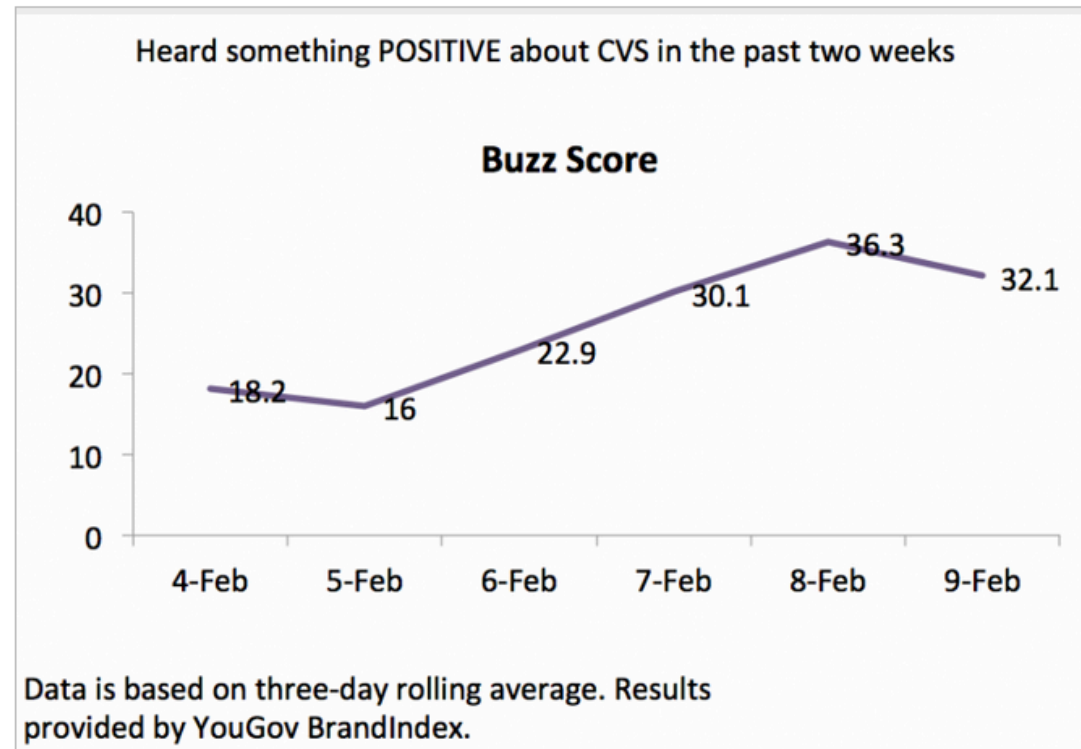
CVS 89.13



**September 3rd
 Announcement**

Reputation Impact

- ❖ 2,000+ percent spike in social conversation on Feb. 5, 2014 compared to Feb. 4, 2014
- ❖ Avg. brand impression rose in the days following the announcement



Page Principles

❖ Tell the truth

- CVS Health announced its plan early Feb. 2014, with a timeline for implementation. Without any issues, the company kept its promise and removed all tobacco products.

❖ Prove it with action

- CVS Health followed through on its plan and is keeping its promise of improving the lives of its customers by acting as a true “pharmacy innovation company”.
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Page Principles

❖ Listen to the customer

- 7 in 10 adults who smoke want to quit (CDC, 2011). CVS Health is providing several ways to help those customers. In addition, there was overwhelming support from customers for the companies change in product offering. CVS Health clearly made an informed decision.

❖ Manage for tomorrow

- CVS Health recognizes the value in matching “words” and “deeds” as consumers become more and more interested in CSR and honest business practices.
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Page Principles

- ❖ Conduct PR as if the whole company depends on it
 - CVS Health is selling a healthy lifestyle and promoting a new era of corporate character that will impact the healthcare industry and likely other areas of business as well.

 - ❖ Realize a company's true character is expressed by its people
 - CVS Health demonstrates that it is working for others to make consumers, and Americans as a whole, have a better and healthier life.
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Page Principles

- ❖ Remain calm, patient and good-humored
 - CVS Health risks taking an annual \$2 billion hit, but the value of positive brand reputation is growing and the company is remaining patient while it learns what that value means.

Questions

- ❖ What does this mean for the healthcare industry?
 - ❖ Is this strictly an example of corporate character or is there potential for financial gains?
 - ❖ Will other pharmacy retailers follow suit?
 - ❖ Will this pave the way for more companies to fully embrace corporate responsibility?
 - ❖ What is the value of CVS Health creating the conversation about tobacco and health rather than waiting for consumers to do so?
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