

CEO Briefing Room – Thinking Like a Retailer

Rising Consumer Expectations Affect Everyone

Every day, the retail market selects winners and losers based on a single criterium – how well are they serving the consumer? Retailers make it their mission to win over consumers in the face of complex challenges of evolving consumer expectations and a rapidly transforming market landscape. Winners are those who adapt to navigate the next big challenge.



Forces of Retail Disruption

 <p>VALUE CHAIN FRAGMENTATION</p> <p>Usage & personalized solutions increasingly predominate over the product</p> <p>▼</p> <p>RACE TO END-USER CENTRICITY</p>	 <p>EMERGENCE OF NEW ECOSYSTEMS</p> <p>Greater porosity across value chain and industry players</p> <p>▼</p> <p>FORGE ALLIANCES WITH THIRD PARTIES, INSTITUTES, ETC.</p>	 <p>AGE OF GOLDMINE IN DATA</p> <p>Opportunities in mass customization and experience enhancement</p> <p>▼</p> <p>LEVERAGE DATA ANALYTICS</p>	 <p>NEW GOVERNANCE MODELS</p> <p>Multiform, hybrid co-existing organizational models</p> <p>▼</p> <p>BUILD AGILE GOVERNANCE</p>	 <p>TALENT CHALLENGES</p> <p>Human factor at the core for successful transformations</p> <p>▼</p> <p>EMBRACE AND SUPPORT CHANGE</p>
--	---	--	--	--

Yet, transforming health care in the face of disruption is harder, slower, and riskier than pretty much any other industry. So, Health Evolution, in collaboration with Oliver Wyman, brought together 18 innovative CEOs from prominent payer, provider, and life science organizations, and Bill Simon, former President & CEO of Walmart U.S., for the 2018 CEO Briefing Room this past April to explore key insights from retail and Walmart experiences in serving the consumer that are particularly relevant as we forge the future of health. Together, the group discussed the need for health care to adapt to three forces that have shaped the retail industry:

- Consumers place increased value on the experience
- Consumers reward transparency and consistency with brand loyalty
- Consumers demand omni-channel engagement

Health care CEOs debated what lessons their industry could take away from the retail and Walmart experience to respond to the consumerism revolution. What follows is a summary of their insights and key questions for further exploration. For each consumer force above, leaders discussed health care’s unique challenges, insights from the Walmart experience, and CEO perspectives on how the industry would evolve in the future.

Consumers Place Increased Value on the Experience

Health Care's Challenge

In the new health care paradigm, consumers demand high quality experiences. Increasingly, outcomes—not volume—are driving revenue. Health care organizations are adapting, but slowly, and the experience remains poor, with nearly 80 percent of consumers reporting at least one health care hassle each year. As consumers' out-of-pocket spending increases and they increasingly shop around for care, organizations will need to deliver on the dimensions of experience that are most important to their consumers in order to survive.

Walmart's Experience

The Walmart experience is purpose-built around its core customer base: value shoppers who desire low price and assortment. On the front-end, simple store design and a limited service offering bring simplicity and convenience to the shopping experience. On the back-end, operational discipline—from sophisticated inventory management systems to “clean up on aisle 3”—powers this experience. Walmart's physical assets, a broad footprint and robust supply chain, enable it to distribute goods at high velocity through the network and thus keep a wide assortment of products in stock at all times. In return, value shoppers reward Walmart by shopping at its stores. Interestingly, when the retail giant has tried to deliver a different experience, for example redesigning stores to elevate the perceived quality, its core consumers voted with their feet, choosing to shop elsewhere.

Health Care's Future

Briefing Room CEOs saw a huge opportunity for health care to build a personalized and high-quality health care experience that attracts consumers. Designing this model, they agreed, will require a data-driven understanding of the consumer. Leaders discussed the need to layer information on consumer preferences and consumption patterns over patient health data to understand the patient as an individual. Operationally, process and system investments will be necessary to eliminate hassles and enable health care's frontline to deliver the consumer-centric, personalized experience. As one CEO described it, health care needs to first help consumers see the alternative of an emotionally-connected experience and then deliver it consistently, at scale.

Emotionally Powerful Brands Enhance the Consumer Experience of the Future

CARE DELIVERY



Receiving a monthly care package with tips and treats to help you along your journey



Working with a personal health sponsor who makes sure you know what to expect



Having direct connectivity to your personal physician, with the ability to call or text



Customizing your inpatient stay by selecting room amenities and overall design



Having follow-ups and tests scheduled on your behalf, based on your preferences and health coverage

INSURANCE



Having one-page bills and one-click payments that eliminate confusion and hassle



Receiving a welcome package and invitation to join a 1-on-1 orientation with your personal insurance specialist



Being surprised with ongoing personal touches like thank you cards and get well notes



Being able to more easily track your full well-being through and integrated, contextual health and financial dashboard

Consumers Reward Transparency and Consistency with Brand Loyalty

Health Care's Challenge

Traditional payer and provider institutions are facing competition across all fronts between the proliferation of third party innovators delivering new tech-enabled solutions and out-of-industry players wading into health care with the advantage of strong brands and broad customer bases. To keep pace, legacy health care institutions are broadening their capabilities and services to compete across new dimensions. However, these strategies are often employed without careful consideration of whether they support the core value proposition, and as a result, a larger number of consumer-centric programs are not necessarily bringing in a larger number of consumers.

Walmart's Experience

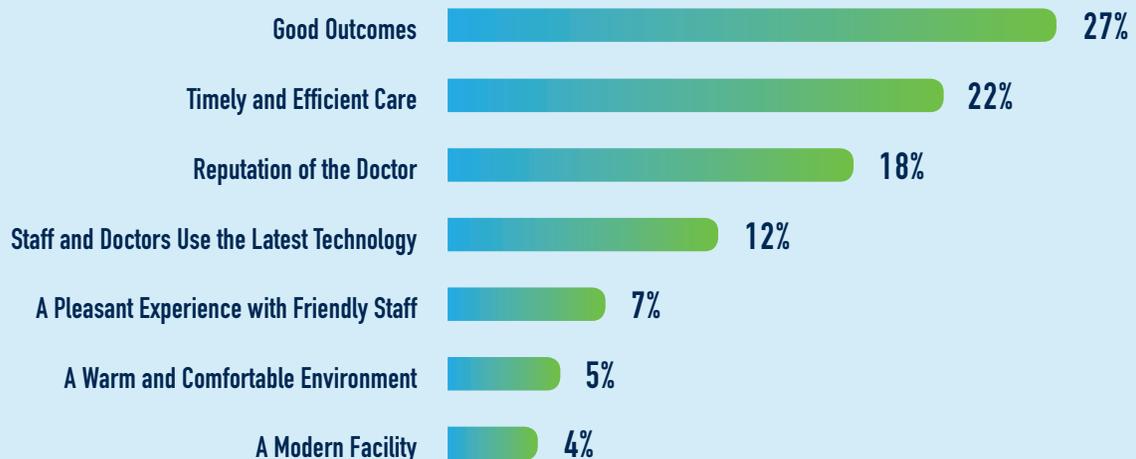
For Walmart, increased competition revealed the importance of returning to its mission: bettering shoppers' lives by delivering goods at the lowest price. By building the connection between its mission and strategy and articulating this to consumers, Walmart has built trust among its consumers and converted this into brand loyalty. Consistent marketing of its "Everyday Low Price", coupled with transparency in pricing, convince Walmart customers that the price they see is in fact the lowest, every day. Walmart's mission is even embedded in the incentive model and workforce expectations. For example, Walmart store managers have the authority to lower product prices but cannot raise them, which allows Walmart to keep mission top-of-mind at all levels of the organization.

Health Care's Future

Briefing Room CEOs agreed that health care organizations tend to fall short when it comes to transparency, let alone clearly articulating the company mission to the consumer. To change this, they felt it critical to first embed the mission within the organization and second, leverage the frontline workforce to communicate the mission to the consumer. CEOs discussed incentive models and training plans that could reward 'brand ambassadors' and encourage innovation at a local-level. CEOs also discussed giving the current marketing models a much-needed overhaul to evolve from billboard advertisements to suggestions powered by peer recommendations and predictive analytics.

Understand What Your Consumers Value

When you think of quality in health care, which one of these choices first comes to mind ?



1

2

3

Consumers Demand Omni-Channel Engagement

Health Care's Challenge

Today, virtual care, mobile applications, retail clinics, and the like are bringing health care closer to consumers and meeting the consumer demand for convenience. As these new front doors gain popularity, traditional health care players are looking to stitch together different parts of the engagement model to create a real omni-channel offering. As players try to build the underlying infrastructure and connection points to deliver convenience without compromising cohesiveness, a complicated value chain, the lack of a common language across players, and threat of disintermediation from retailers stand in their way.

Walmart's Experience

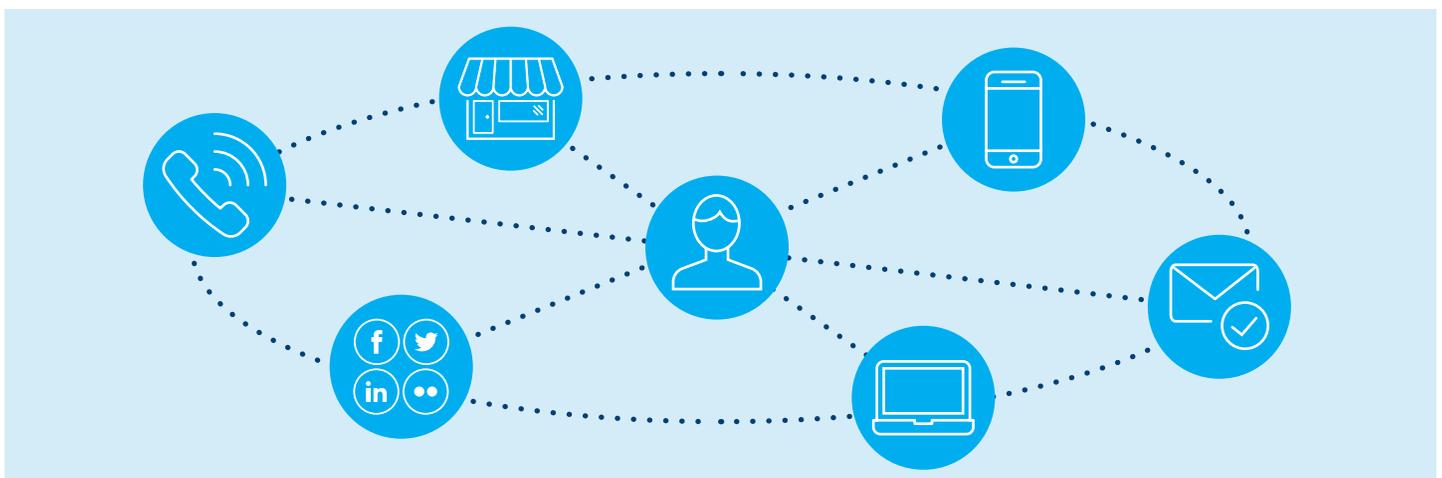
Retail has seen many market losers as digital becomes a key capability – think Toys “R” Us, Sears, and Kmart. Walmart's survival is contingent on a hybrid strategy of reinforcing its value proposition in traditional channels and being willing to take risks when the company has recognized gaps. Walmart continues to invest in expanding its brick and mortar assets to endlessly serve the value consumer. However, in 2016, when the company realized that it was not competitive in e-commerce with Walmart.com, it acquired Jet.com. Even as the Jet.com asset grows to meet its full potential, Walmart recognizes that the opportunity to innovate has helped hone its value proposition and evolve with changing consumer demands.

CURRENTLY DISINTERMEDIATING		FUTURE DISINTERMEDIATION	
 <p>Walmart</p> <p>\$4 Prescriptions</p>	 <p>CVS minute clinic™</p>	 <p>CVS + aetna</p> <p>Vertical Integration</p>	 <p>amazon <small>BERKSHIRE HATHAWAY INC.</small> J.P.Morgan</p> <p>Joint Venture</p>
<p>A simple, transactional sales model where consumers understand exactly what they are paying for</p>	<p>No hassle care where and when consumers want with seamless integration between care delivery and pharmacy</p>	<p>The potential for an integrated offering catering to all consumer needs, including, care delivery, pharmacy and wellness products, and benefits administration</p>	<p>Complete overhaul of the traditional health care system to deliver technology-enabled, low-cost care customized for the n of 1?</p>

Health Care's Future

In the CEO Briefing Room, leaders recognized that traditional payer and provider institutions will need to continuously and rapidly innovate to keep up with the omni-channel engagement model. Although they acknowledged the role of partnerships in rapidly acquiring and testing capabilities, CEOs expressed concern around how to better integrate data and insights cross-channel and cross-stakeholder. Furthermore, CEOs discussed the need for transparency not only between consumers and the system, but between different value chain stakeholders in order to make the omni-channel model seamless.

Health Care Consumer's Future with Omni-Channel Engagement



Looking Forward

Leaders from across payer, provider, and life science organizations acknowledged the shift to consumerism will require a fundamental transformation in how health care interacts with consumers. **A successful model of consumer focus requires three key components:**



1

A Magnetic and Customized Consumer Experience

2

A Mission-Driven Culture that is Transparent to the Consumer

3

A Convenient Yet Integrated Engagement Model

In the 2018 CEO Briefing Room, leaders felt operational discipline on the back-end and intentional design on the consumer-facing front-end could power organizations to deliver on these three components. They looked to other markets completely transformed by new entrants, such as Amazon in retail and Southwest in airlines, but hypothesized that health care will see a wave of transformation that is organically driven. CEOs felt that with the institutional knowledge and assets as well as a common desire to build a consumer relationship, the industry was positioned to deliver on the promise of transformation, today.

CEO BRIEFING ROOM — THINKING LIKE A RETAILER

APRIL 18-20, 2018
HEALTH EVOLUTION SUMMIT
RITZ-CARLTON, LAGUNA NIGUEL

An intimate gathering of payer, provider and life science CEOs designed to catalyze a conversation leveraging deep and diverse member expertise to push the solutions beyond traditional boundaries. This dynamic discussion includes an executive from a renowned company outside of health care to lend their perspective and transformative insights to stimulate deep, rich, experience-based exchange.

HOST

Julie Murchinson, CEO,
Health Evolution

LEAD PARTNER

Sam Glick, Partner,
Oliver Wyman

GUEST DISCUSSANT

Bill Simon, former President
& CEO, Walmart U.S.

CO-CHAIRS

Bruce Bodaken, former
Chairman & CEO, Blue Shield of
California

Steve Klasko, MD, President
& CEO, Thomas Jefferson
University and Jefferson Health

BRIEFING ROOM MEMBERS

Bruce Bodaken, formerly of Blue Shield of California

Olivier Brandicourt, Sanofi

Patrick Conway, MD, Blue Cross Blue Shield
North Carolina

Castulo de la Rocha, AltaMed Health Services Corp.

David Feinberg, MD, Geisinger

Richard Gilfillan, MD, Trinity Health

Denise Gonick, MVP Health Care

Nancy Howell Agee, Carilion Clinic

Steve Klasko, MD, Thomas Jefferson University
Hospital and Jefferson Health

Charlene Maher, Blue Cross of Idaho

Peter Marino, Neighborhood Health Plan Of RI

Janice Nevin, MD, Christiana Care Health System

Terry Shaw, Adventist Health System

Susan Turney, MD, Marshfield Clinic Health System

Steve Udvarhelyi, MD, Blue Cross and Blue Shield
of Louisiana

**HEALTH
EVOLUTION**

 **OLIVER WYMAN**

FOR MORE INFORMATION, CONTACT TEAM@HEALTHEVOLUTION.COM