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
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

“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

@CVS_extra's decision to stop selling tobacco products and launch new quit-smoking programs will benefit public health. #OneGoodReason

RETWEETS: 23  FAVORITES: 26

6:44 PM - 3 Sep 2014
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

![February 5th Announcement chart]
Media Responses

❖ According to Topsy.com:
  ➢ 100,000 Tweets

❖ Overall consensus of the public response:
  ➢ Positive

The First Lady @FLOTUS

Congratulations and thank you, @CVSHealth. Creating a healthier future for our next generation is #OneGoodReason to live tobacco free. —mo

RETTWEETS: 851  FAVORITES: 930
10:07 AM - 3 Sep 2014
General Public Responses

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

![Graph showing Buzz Score over two weeks, with data based on three-day rolling average provided by YouGov BrandIndex.](image)
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”.

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.
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.
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?