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Kroger Swallows Bitter Pill, Closes Local In-Store Clinics

Written by Allison Wollam

The Kroger Co. has closed all six of The Little Clinic locations inside its Houston-area retail grocery stores, less than a year after the in-store medical clinics entered the local market.

The closures were part of a decision by Kroger this month to shutter 20 Little Clinic grocery-store locations across the country.

The Little Clinic concept arrived in the Houston area in October 2009 — its first foray into Texas — and opened clinics inside Kroger stores in Pearland, Missouri City, North Houston, Richmond, Kingwood and Rosenberg.

According to a statement from Kroger and Little Clinic, the Houston-area locations closed on April 2 but the company did not offer much insight into the decision. All mention of the Houston-area locations have since been removed from the Little Clinics Web site.

“With these closings, Kroger and The Little Clinic are focusing on strengthening this business model to better service the health care needs of customers in an affordable, convenient manner,” says a joint statement issued by the companies.

The clinics are staffed by nurse practitioners and physician assistants who can diagnose,

treat and write prescriptions for minor injuries as well as for common illnesses such as flu, bronchitis and respiratory, sinus and ear infections.

The clinics also provide services such as physicals, back-to-school and sports exams, screenings and a number of vaccinations. They operate for 12 hours a day during the work week and have Saturday and Sunday hours.

REVISIT EXPANSION

Kroger, which made a “significant” investment in the Tennessee-based Little Clinic convenient-care chain in 2008, spent \$86 million in February to buy full ownership of the clinics located inside its stores. Founded in 2003, Little Clinic had most of its health care centers in Kroger stores but also operates locations at King Soopers and Fry’s Food Stores in other states.

“We see the Little Clinic as an essential part of our commitment to health and wellness,” Kroger spokeswoman Meghan Glynn says, noting the clinics complement Kroger’s pharmacy business. “What’s intriguing for us is the convenience and affordability that these clinics offer customers.”

Besides Houston, Kroger has pulled Little Clinics out of several other markets, including Detroit, Indianapolis, Toledo, Ohio, and Richmond, Va. It also will close three locations in Columbus, Ohio and one in Phoenix.

The grocer continues to operate 117 clinic locations in nine markets in several other states, and says it will “revisit expansion plans for 2011 and beyond once it completes the process of streamlining its operations.”

Although Little Clinic is cutting back, the medical clinic market in Houston has continued to grow in recent years.

In 2008, there were 43 retail medical clinics in Houston and that number increased to 51 by the end of 2009, according to statistics compiled by Minnesota-based Merchant Medicine LLC, a retail clinic strategy and implementation consulting firm.

Houston-based RediClinic LLC — operated by Memorial Hermann Health Care System — has 16 clinics in the area, while Minneapolis-based CVS MinuteClinic operates nine locations. Conshohocken Pa.-based Take Care Clinic operates 12 sites in the Houston market and Christus Health, based in Irving, operates eight clinics.

‘DOC IN A BOX’

Devon Herrick, senior fellow for the National Center for Policy Analysis, says the decision about whether to operate a retail clinic inside a grocery store or a pharmacy is ultimately based on the value the clinics are creating for the floor space rather than the popularity of the “doc in a box” concept.

Indeed, the National Center for Policy Analysis estimates that there are between 1,100 and 1,200 retail health clinics in the U.S., including walk-in facilities located in places such as pharmacies and discount and grocery stores. The Dallas-based nonprofit has authored a recent report that predicts the number of these retail clinics will nearly triple over the next four years.

Herrick, who authored the new report on retail health care clinics, points out that some pharmacies operate retail clinics as a way to drive traffic to the pharmacy rather than for the sole reason of earning a profit on the clinic itself.

He says Kroger may have decided the floor space was worth more selling other goods or services.

“During the past two years, there has been a shakeout in the industry as clinic operators discover what works and what doesn’t work,” he says.

For instance, CVS MinuteClinic decided to open some locations only during flu season, while other locations are open year-round. Some clinic operators have closed unprofitable locations while opening others in locations they believe will succeed.

Herrick says the two largest clinic operators (CVS MinuteClinic and Walgreen’s Take Care Clinic) have around 75 percent of the market for retail clinics and they continue to expand into markets that they believe hold the most promise for growth.