

# US Retail Pharmacy Consolidation Perspective

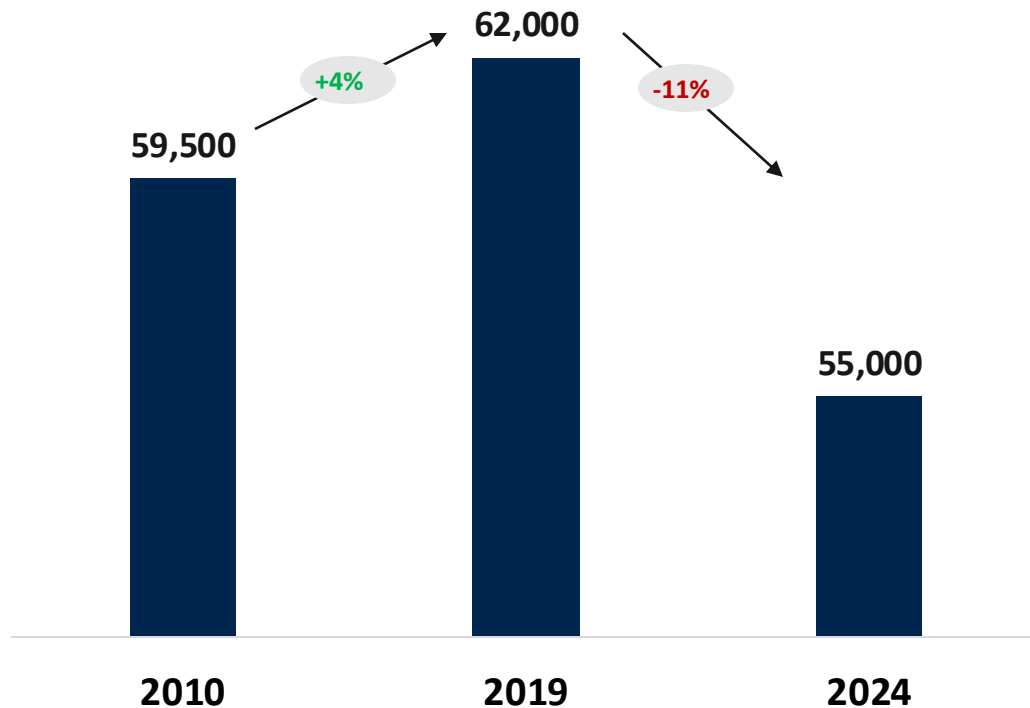


# Agenda

- **Increasing pharmacy deserts in the US**
- **Factors contributing to the closure of pharmacy chains**
- **CVS deep dive**
- **Walgreens deep dive**
- **Appendix**

# Pharmacy stores decreased by 11% in the U.S, but average prescription per store increased by 50% in comparison to 2020

Total #s of retail pharmacies in the US 2010-2024



## Key Messages

- Total # of pharmacies in the US has declined by 11% over past 5 years<sup>1,2</sup>
- This has led to pharmacy deserts in **46% of US counties impacting 45 million population living in these areas**<sup>2</sup>
- Between 2019 and 2024, ~7,000 pharmacies closed, with ~54% being independent pharmacies and rest belonging to large retail chains<sup>3</sup>
- From 2010 to 2021, the industry underwent a phase of consolidation and acquisition, with retail chains like Walgreens and CVS acquiring over 5,000 stores<sup>4</sup>
- Between 2021 and 2024, the industry entered in rationalization phase, marked by significant closures from both Walgreens and CVS<sup>4</sup>
- Although the number of stores reduced, **average prescriptions per store is up 2% from last year and up 50% from where they were in 2020**<sup>5</sup>

# Multiple factors, including overexpansion and pricing pressures, have eroded operating profits, leading to widespread store closures



## Key Messages

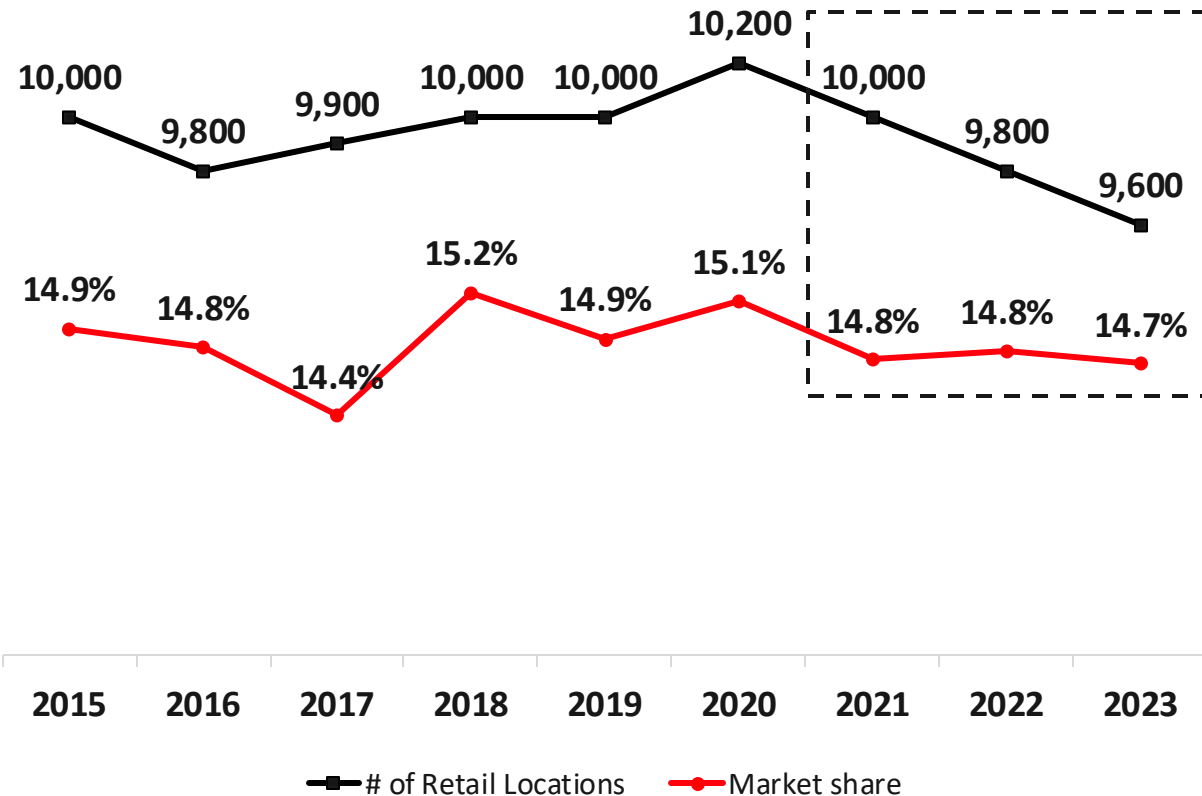
- Multiple factors have impacted the operating margins of pharmacy stores, resulting in a sudden decline and closures
- Lower reimbursement rates from PBMs have significantly affected both independent pharmacies and retail chains
  - PBMs are reimbursing pharmacies below the cost of purchasing the drug for at least three out of every 10 prescriptions filled<sup>1</sup>
- Price pressures, rising costs, and competition from mail-order pharmacies and e-commerce have further reduced profitability
  - These challenges have forced retail chains to reassess operations, leading to the closure of underperforming stores and workforce reductions to sustain financial viability

“ In fiscal 2025, we are focusing on stabilizing the retail pharmacy by optimizing our footprint, **controlling operating costs**, improving cash flow, and **continuing to address reimbursement models** to support dispensing margins and preserve patient access for the future” – CEO, Walgreens

1. [NYPost on Pharmacy closure](#)

# Even though the # of location decreased by ~\$4% in last 4 years, it didn't significantly impact CVS's

CVS # of retail location and market share comparison



## Key Messages

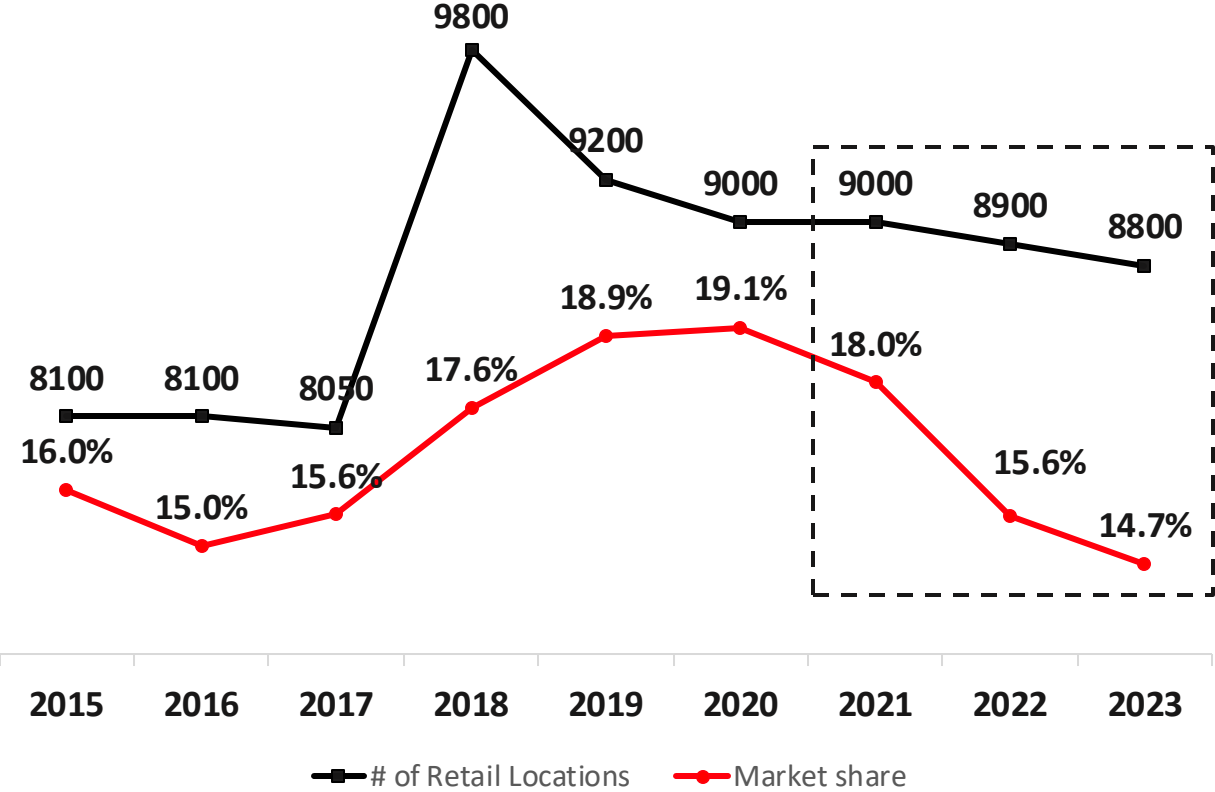
- Between 2021 and 2023, the number of CVS retail locations dropped by approximately 4%<sup>2</sup>, yet the market share remained consistent at 14%
- This could be due to:
  - Existing CVS customers moving to other CVS pharmacies
  - The closed locations contributing minimal revenue, resulting in no significant impact on market share
  - Increased revenue per operational pharmacy, offsetting the impact of closed locations

Note: CVS revenue above do not include revenue from mail pharmacy, it is the revenue of retail pharmacy only

1. Source for Top 15 Pharmacy chain prescription revenue – [DCI Report](#) (similar reports were available for last 10 years, combined and consolidated the revenue to create market share summary. 2: [Financial Times Report](#)

# Walgreens's store count and market share declined simultaneously between 2021 and 2023

Walgreens' # of retail location and market share comparison



## Key Messages

- Unlike CVS, a decline in Walgreens' store count directly impacted its market share
  - # of Walgreens stores dropped by ~2% between 2021 and 2023, leading to a market share decrease of over 2.5%
- Interestingly, from 2021 to 2022, **Walgreens customers likely shifted to independent or smaller retail chains**
  - The 2.5% drop in Walgreens's market share did not result in a market share increase for any of the top 15 pharmacy chains (including mail-order pharmacies) that collectively account for more than 75% of the market<sup>3</sup>
- However, between 2022 and 2023, **PantherRx, Walmart, and BrightSpring gained market share as Walgreens's market share continued to decline<sup>3</sup>**

1. Source for Top 15 Pharmacy chain prescription revenue – [DCI Report](#) (similar reports were available for last 10 years, combined and consolidated the revenue to create market share summary. 2: [Financial Times Report](#); 3: Refer to appendix for more details

# 2019-2023 Market share change in top 15 pharmacies

Company Name	YoY change in market share				
	18-19	19-20	20-21	21-22	22-23
CVS Health Corporation - Retail	-0.3%	0.2%	-0.3%	① 0%	② -0.1%
CVS Health Corporation - Pharmacy	0.5%	0%	0.1%	1.0%	0.2%
Walgreens Boots Alliance	1.3%	0.2%	-1.0%	-2.5%	② -0.9%
Cigna / Evernorth (Express Scripts)	-0.7%	0.5%	0.1%	0.3%	-0.6%
Walmart Stores, Inc.	-0.2%	-0.1%	-0.1%	-0.1%	0.5%
Rite Aid Corporation	-0.2%	0%	-0.1%	-0.1%	-0.2%
UnitedHealth Group (OptumRx)	-0.5%	0.1%	-0.1%	0.1%	-0.1%
The Kroger Company	0%	0.1%	-0.2%	0%	-0.7%
Albertsons Companies	0%	0%	-0.1%	0.1%	0.1%
Humana Pharmacy Solutions	0.1%	0.2%	0.1%	0%	② -0.1%
BrightSpring Health Services	0.1%	0%	-0.1%	0%	0.5%
Centene (Envolve Health)	0%	1.0%	-0.1%	-0.4%	0%
Publix	0.4%	0%	0.1%	0.2%	0.1%
Costco Wholesale Corporation	0%	0%	0%	0%	0%
Ahold Delhaize	0%	0%	0%	0.1%	② 0%
PANTHERx Rare Pharmacy	0%	0%	0%	0%	0.6%
HEB	0%	0%	-0.4%	0%	0%
CarePathRx	0%	0%	0.4%	0%	-0.4%
Total Market share of top 15 pharmacies	1%	2%	③ -2%	③ -1%	③ -1%

## Key Messages

- ① 21-22, Walgreens market share decreased by 2.5%, but didn't result in increase in market share for any other top 15 pharmacy chains
- ② 22-23, Walgreens market share further decreased by ~1%, resulted in increase of market share for Walmart, Brightspring and PantherRx
- ③ Top 15 pharmacy chains market share decreased consistently in last 3 years

1. Source for Top 15 Pharmacy chain prescription revenue – [DCI Report](#) (similar reports were available for last 10 years, combined and consolidated the revenue to create market share summary. 2: [Financial Times Report](#)

# About Commercial IQ

# Our Service Spectrum

Four integrated service areas, adaptable across any commercial analytics or strategy engagement.

 <b>PRICING &amp; REVENUE OPTIMIZATION</b>	 <b>MARKET INTELLIGENCE &amp; SIZING</b>	 <b>CUSTOMER ANALYTICS &amp; INSIGHTS</b>	 <b>CONSULTING ACCELERATORS</b>
<ul style="list-style-type: none"> <li>• Value Based Price Setting</li> <li>• Rebate and Discount Leakage Analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Market Sizing and Forecasting</li> <li>• Vendor/ Market Share</li> </ul>	<ul style="list-style-type: none"> <li>• Qual. &amp; Quant. Customer Segmentation</li> <li>• Cost Optimization</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing Assessment Accelerator</li> <li>• Pricing Survey Accelerator</li> </ul>
<ul style="list-style-type: none"> <li>• Cross-Channel Elasticity</li> <li>• Customer Churn Analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Business Case and ROI</li> <li>• Actionable Market Sizing and Forecasting</li> </ul>	<ul style="list-style-type: none"> <li>• Cross-Selling and Up-selling Analytics</li> <li>• Tracking, Reporting and Dashboarding</li> </ul>	<ul style="list-style-type: none"> <li>• Market Intelligence Accelerator</li> <li>• Data Analytics Assessment Accelerator</li> </ul>
<ul style="list-style-type: none"> <li>• Price and Deal Optimization</li> <li>• SKU Rationalization</li> </ul>	<ul style="list-style-type: none"> <li>• Sales Compensation Redesigning</li> <li>• Competitor/Market Intelligence</li> </ul>	<ul style="list-style-type: none"> <li>• Survey Designing and Analysis</li> <li>• Customer Journey and Persona</li> </ul>	

Capability Ecosystem



Let's explore how we can  
support your next project.

Get in touch to schedule a consultation.

 +91-7878043195 | +91-7887872819

 [support@stratkalytics.com](mailto:support@stratkalytics.com)