

Retail Trade • 44611

Pharmacies & Drug Stores in the US

Healthy start: A recovering economy will boost industry revenue growth



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About

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About This Industry

Definition

Pharmacies and drug stores retail a range of prescription and over-the-counter medications, health and beauty items, toiletries and consumable goods directly to consumers on a walk-in basis. Industry companies may also provide basic health and photo-processing services. The industry excludes mail-order retailers, hospitals and clinics.

Codes

2022	45611-Pharmacies and Drug Retailers
2022	456110-Pharmacies and Drug Retailers
2017	44611-Pharmacies and Drug Stores
2017	446110-Pharmacies and Drug Stores

What's Included

- Branded prescription drugs
- Generic drugs
- Nonprescription medicines
- Personal health supplies
- Groceries and food items
- Vitamins, minerals and dietary supplements
- Cosmetics

Companies

- Cvs Health Corporation
- Walgreens Boots Alliance, Inc.
- Walmart Inc.
- Rite Aid Corp

Related Industries

Domestic industries

Competitors

- Health Stores in the US
- E-Commerce & Online Auctions in the US
- Mail Order in the US

Complementors

- Brand Name Pharmaceutical Manufacturing in the US
- Generic Pharmaceutical Manufacturing in the US
- Hospitals in the US

International industries

- Pharmacies & Drug Stores in Canada
- Pharmacies in Australia
- Pharmaceutical, Cosmetic and Toiletry Goods Retailing in New Zealand
- Dispensing Chemists in the UK
- Dispensing Chemists in Ireland
- Pharmacies & Drugstores in China

Related Terms

OVER-THE-COUNTER (OTC) MEDICATIONS

Medicine that can be purchased without a prescription.

PRESCRIPTION DRUG

A licensed medicine that can only be obtained with a doctor's approval.

BLOCKBUSTER DRUG

A drug product that generates annual sales in excess of \$1.0 billion.

FORMULARY

A list of medicines that are covered by a health insurance plan and always meet Medicare's requirements.

FRONT-END SALES

Sales of products from the front of the store or products sold separately from the pharmacy.

PHARMACY BENEFIT MANAGER (PBM)

A third-party administrator of prescription drug programs.

Additional Resources

- American Pharmacists Association
- American Society for Pharmacy Law
- Chain Drug Review
- Centers for Medicare & Medicaid Services
- Drug Store News
- Drug Topics

At a Glance

Revenue \$629.7bn '19-'24 ↑ 4.5 % '24-'29 ↑ 3.6 %	Employees 1m '19-'24 ↑ 2.9 % '24-'29 ↑ 3.4 %	Businesses 46,230 '19-'24 ↑ 2.9 % '24-'29 ↑ 3.2 %
Profit \$27.1bn '19-'24 ↑ 6.0 %	Profit Margin 4.3% '19-'24 ↑ 0.3 pp	Wages \$56.9bn '19-'24 ↑ 3.2 % '24-'29 ↑ 3.5 %

Five-year growth rates display historic and forecast CAGRs

➔ Major Players

Company	Revenue	Market Share
Cvs Health Corporation	\$121.7bn	19.3%
Walgreens Boots Alliance, Inc.	\$115.8bn	18.4%
Walmart Inc.	\$57.9bn	9.2%
Rite Aid Corp	\$11.1bn	1.8%
Other Companies	\$323.3bn	51.4%

⌚ Products and Services

Item	Revenue	Market Share
Branded prescription drugs	\$364.6bn	57.9%
Generic drugs	\$91.3bn	14.5%
Popular consumer goods	\$56.7bn	9%
Nonprescription medicines	\$37.2bn	5.9%
Other	\$80.0bn	12.7%

📊 Key External Drivers

Key External Drivers	Impact
Per capita disposable income	Positive
Number of people with private health insurance	Positive
Number of adults aged 65 and older	Positive
Number of physician visits	Positive
Federal funding for Medicare and Medicaid	Positive

Key Takeaways

Performance

- Pharmacies are seeing revenue growth due to an aging population and more insured consumers. With more people covered by health insurance, demand for prescriptions, particularly among older adults, grows.
- The rise of generics is reshaping pharmacy revenue strategies. Pharmacies will focus on high-margin biologics and comprehensive healthcare services to offset the slim profit from generic prescriptions.

External Environment

- A growing number of individuals aged 65 and over represents a consistent and steady stream of demand. Older adults are more likely to require medication.
- Total healthcare expenditure has climbed, contributing to recent growth for drugstores and pharmacies. The industry has also been supported by federal funding for Medicare and Medicaid, improving consumer healthcare access. Customers are more likely to buy costly prescription drugs with healthcare coverage.

SWOT

Strengths	Low Imports
	Low Customer Class Concentration
	High Revenue per Employee
	Low Capital Requirements
Weaknesses	Low & Steady Level of Assistance
	High Competition
	Low Profit vs. Sector Average
	High Product/Service Concentration
Opportunities	High Revenue Growth (2019-2024)
	High Revenue Growth (2024-2029)
	Number of physician visits
Threats	Low Revenue Growth (2005-2024)
	Low Outlier Growth
	Low Performance Drivers
	Federal funding for Medicare and Medicaid

Industry Structure

Characteristic	Level	Trend
Concentration	Moderate	
Barriers To Entry	Moderate	Increasing
Regulation and Policy	Moderate	Increasing
Life Cycle	Mature	
Revenue Volatility	Moderate	
Assistance	Low	Steady
Competition	High	Increasing
Innovation	Moderate	

Executive Summary

Healthy start: A recovering economy will boost industry revenue growth

Pharmacies and drug stores have endured moderate volatility in recent years. Retailers have benefited from a growing and aging population, as older consumers require medication to address chronic ailments, resulting in higher volumes of foot traffic. Similarly, the number of people with private insurance, as well as public funding for Medicare and Medicaid, has been on the rise, giving more people access to insurance and supporting demand for prescriptions, pharmacies largest product segment. These trends, along with consumers increasingly prioritizing their health, have supported revenue gains, causing revenue to grow at an estimated CAGR of 4.5% to \$629.7 billion through the end of 2024, including growth of 1.9% that year alone.

Pharmacies have endured some challenges during this time, including heightened external competition from big-box stores and online-only pharmacies. With big-box stores offering consumers added convenience, pharmacies have expanded their services to offer some primary care services and grow delivery offerings. Many pharmacies and drug stores have invested in online platforms to service customers who prefer to shop online. The trend of online shopping will intensify in the coming years, and successful drug stores will be positioned to capitalize on the surge in demand. Pharmacies and drug stores have also focused on marketing personal care products, which often have higher prices, to capture additional revenue.

Pharmacies and drug stores will continue to benefit from the ongoing economic recovery, as cooling inflation encourages consumers to make more discretionary purchases like cosmetics and other personal care products. This growth will be fueled by the expansion of store services, including preventive care options and additional front-end offerings. As the number of insured individuals swells, many consumers will continue to fill their prescriptions because of the low -out-of-pocket costs. As conditions for the industry improve, so will profit, rising along with revenue. Revenue is expected to climb at a CAGR of 3.6% to \$751.7 billion through the end of 2029.

Performance

Key Takeaways

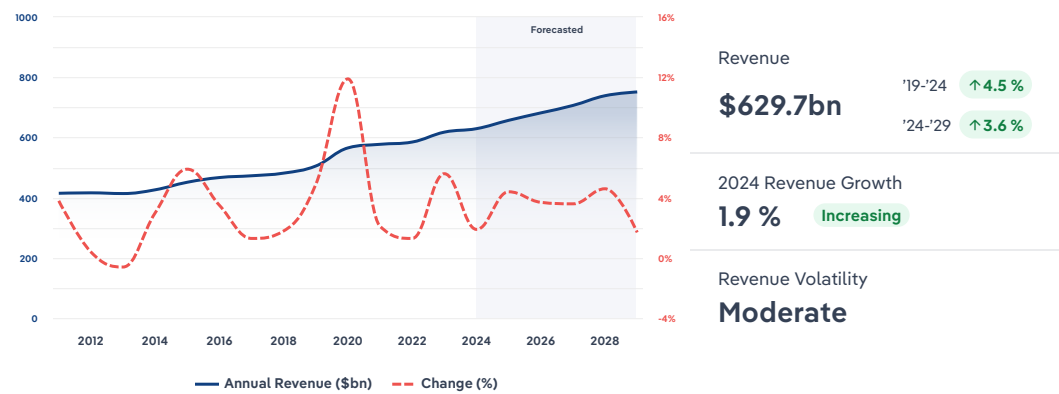
Pharmacies are seeing revenue growth due to an aging population and more insured consumers. With more people covered by health insurance, demand for prescriptions, particularly among older adults, grows.

The rise of generics is reshaping pharmacy revenue strategies. Pharmacies will focus on high-margin biologics and comprehensive healthcare services to offset the slim profit from generic prescriptions.

Performance Snapshot

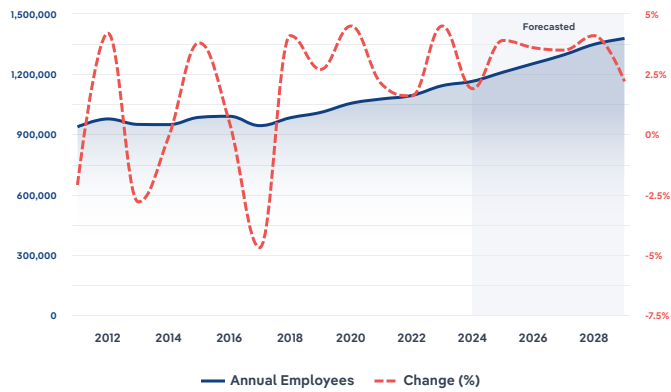
Revenue

Total value (\$) and annual change from 2011 – 2029. Includes 5-year outlook.



Employees

Total number of employees and annual change from 2011 – 2029. Includes 5-year outlook.



Employees

1m

'19-'24 ↑ 2.9 %

'24-'29 ↑ 3.4 %

Employees per Business

25

'19-'24 ↓ 0.0 %

'24-'29 ↑ 0.2 %

Revenue per Employee

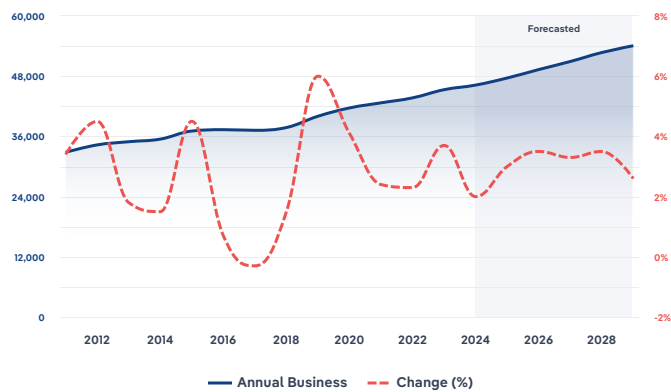
\$541k

'19-'24 ↑ 1.5 %

'24-'29 ↑ 0.2 %

Business

Total number of businesses and annual change from 2011 – 2029. Includes 5-year outlook.



Businesses

46,230

'19-'24 ↑ 2.9 %

'24-'29 ↑ 3.2 %

Employees per Business

25

'19-'24 ↓ 0.0 %

'24-'29 ↑ 0.2 %

Revenue per Business

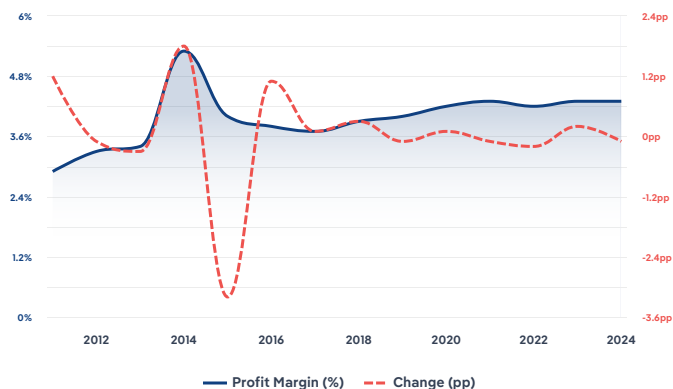
\$13.6m

'19-'24 ↑ 1.5 %

'24-'29 ↑ 0.4 %

Profit Margin

Total profit margin (%) and annual change from 2011 – 2029



Total Profit

\$27.1bn

'19-'24 **↑ 6.0 %**

Profit Margin

4.3%

'19-'24 **↑ 0.3 pp**

Profit per Business

\$585.7k

IBISWorld

Source: IBISWorld

Current Performance

↑ 2019-24 Revenue CAGR +4.5%

What's driving current industry performance?

Population demographics and more insured workers support revenue gains

- Since pharmacies and drug stores carry a broad range of essential products, including medications and personal care products, they have benefited from a growing and aging population. Similarly, the number of consumers with private health insurance has strengthened, driving demand for prescriptions and supporting revenue gains.
- The number of adults over 65, the second-largest market for pharmacies and drug stores, has been rising in recent years. Because older consumers rely more on prescription drugs than younger buyers, pharmacies have benefited from an aging population.
- Public funding for Medicare and Medicaid has also risen. An influx of new patients during the initial stages of the pandemic and as the macroeconomic recovery allowed for larger public health budgets, giving more people insurance coverage.

Industry adapts to cater to price-conscious consumers

- Some budget-conscious consumers cut prescription costs by taking lower dosages, deferring refills or switching from brand-name prescriptions to generic drugs. According to a study by Consumer Reports, generic drug prices are subject to substantial price disparities, with some alternative retailers, like Costco, offering the least-expensive prescription options.
- Prescriptions are estimated to be more expensive at the drug store than at a traditional grocery or big-box retailer. Many pharmacies and drug stores have offered discounted products and reward programs to mitigate this trend and improve front-end sales.
- 90-day refills have become more popular than 30-day refills on prescription medication as consumers favor the convenience of fewer pharmacy visits. While the higher-priced 90-day refills boost revenue growth, profit is lower for these prescriptions.
- As brand name drug patents expire, these drugs can enter the generic medication space, making these prescription drugs more accessible to consumers. Generic medications have become more popular despite being less profitable for pharmacies and drug stores.

Changing consumer behavior pushes pharmacies and drug stores to adapt

- According to McKinsey & Company, mail-in and online pharmacies have become increasingly popular among consumers who manage multiple prescriptions. These pharmacies offer buyers convenience and accessibility, particularly for those with mobility issues, making them an increasingly popular option.
- Companies like Cost Drug Plus, Mark Cuban's online discount pharmacy, benefit from lower overhead costs and deal directly with manufacturers to offer lower prescription prices for consumers. By offering more affordable drugs, these companies contribute to

consumers' growing interest in alternative pharmacy channels.

- Traditional pharmacies have had to adapt to changing consumer behavior to remain competitive, including carrying a broad range of products and expanding delivery services. With consumers placing a high value on convenience and speed, brick-and-mortar stores have to expand offerings to remain appealing.

Industry competition intensifies leading to more consolidation activity

- Heightened internal and external competition has forced some smaller pharmacies out of the industry. The most prominent pharmacies and drug stores have looked to purchase smaller competitors to expand their footprint and reduce competition.
- Competition is fiercest from external sources, including online pharmacies and big-box retailers. Growing external threats have pushed large pharmacies and drug stores to offer e-commerce options and mail prescription services to remain competitive.
- Drug stores have introduced more preventive care services in their product portfolio to make their stores closer to a one-stop health shop. In addition to services that monitor patients' chronic conditions, many pharmacies offer flu vaccines, immunization shots and health screenings on-premise, increasing their service offerings.
- Pharmacies like CVS and Rite Aid have acquired various pharmacy benefit managers (PBMs) to ensure lower purchasing costs and integrate their businesses. PBMs are third-party administrators of prescription drug programs and are responsible for processing and paying prescription drug claims. According to the Pharmaceutical Care Management Association, more than 270 million Americans nationwide receive drug benefits administered by PBMs.

Volatility

Moderate

What influences industry volatility?

Consistent demand for prescription medication limits volatility

- The average pharmacy generates more than 70.0% of revenue from prescription medication sales. While prescription medications can be expensive, especially for consumers without insurance, many are deemed necessary purchases.
- Despite economic fluctuations, many prescription medications treat chronic or life-long health complications, causing these products to generate a consistent revenue stream. For these reasons, revenue volatility for drug stores and pharmacies is typically low to moderate.

Pharmacies diversify their product portfolios to combat seasonality

- The timing and severity of the cold and flu season influences both prescription and nonprescription drug sales. Although the industry fluctuates in line with the cold and flu season, volatility remains low to moderate because demand for medications and basic consumables are sheltered from changes in product price and consumer income.
- Stores also retail a diverse range of products, reducing their dependency on any one good to generate revenue. Many stores have increased their focus on personal care products and grocery items to bolster revenue.

☆ Key Success Factors

How do successful businesses overcome volatility?

Superior financial management and debt management

Financial management in any retail store can signify a company's health. Understanding and monitoring cashflow can enable a business owner to anticipate future needs and evaluate growth options.

An experienced workforce

Successful pharmacies and drug stores must staff employees with the accreditation to give medication advice to consumers. A knowledgeable front-end staff is also essential for efficient transactions and consumer product advice.

Outlook

↑ 2024-29 Revenue CAGR +3.6%

What's driving the industry outlook?

Improving macroeconomic conditions and demographic shifts benefit pharmacies

- Many pharmacies and drug stores will continue to expand their services to include preventive care options and additional front-end offerings. Consumers appreciate the added convenience and some are willing to pay a higher price for the ability to buy medications, consumer care goods and grocery items in the same location.
- As the number of insured individuals continues to flourish, more individuals will encounter lower out-of-pocket costs and easier access to prescription medications. This trend, coupled with an aging population and rising per capita disposable income, will enable more individuals to comply with prescription dosages and refills.
- Improving macroeconomic conditions will create growth opportunities, making retailers more profitable. An improved consumer environment will boost sales of high-margin drugs, including biologics. Sales of preventative care products and over-the-counter medications will also be boosted as consumers increasingly prioritize their health.

Patent cliff forces pharmacies to broaden the scope of their services

- New generic drugs have low purchasing costs and can generate significant sales, contributing to sales moving forward. Several high-profile medication patents are scheduled to expire in the future; for example, Keytruda, which accounts for more than 45.0% of all Merck's pharmaceutical sales, has a patent set to expire in 2028.
- Profit growth will be stifled by mature generics producing slim returns. According to the Association for Accessible Medicines, more than 90.0% of prescriptions for generic medications are filled for less than \$20.0. Revenue growth will be tempered as consolidation among generic manufacturers lowers price-based competition among generic drug makers.
- Pharmacies will move toward bolstering revenue and profitability by offering an extensive product portfolio of high-margin biologic drugs. Biologics are sourced from biological sources and treat a specific part of the immune system.
- The industry will play a growing role in preventive healthcare by ensuring individuals adhere to their therapeutic regimens. Many biologic drugs have different dosing schedules based on the specific disease being treated, the patient's side effects or the patient's radiation schedule.

External competition mounts as more companies introduce online pharmacy services

- Competition for drug stores and pharmacies will intensify, mainly with mass merchants, mail-order and online pharmacies. These retailers compete for sales and fierce competition can enhance price-based competition at the retail level.
- Pharmacy benefit managers (PBMs) will continue to consolidate, increasing their ability to negotiate low reimbursement rates with pharmacies and drug stores and establish their preferred networks.
- PBMs with strong bargaining power will garner revenue for independent and small chain pharmacies, which do not have the leverage necessary to terminate unfavorable contracts. PBMs can set stringent maximum allowable costs (MACs), a list of the maximum amounts a plan will pay for generic and brand-name drugs.
- Big-box retailers, including Walmart and Costco, will continue to siphon sales away from drug stores and pharmacies as their economies of scale enable them to sell front-end goods at lower prices, in addition to prescription medications.

High competition leads to shifts in industry structure

- The high and increasing level of competition, coupled with lower reimbursement rates, has caused many pharmacies and drug stores to consolidate. Prominent stores will acquire small chains, independent pharmacies and drug stores to strengthen their market share and generate the leverage to negotiate favorable rates with PBMs.
- Many established pharmacies will expand their product offerings to strengthen their wellness services. More pharmacies will enter the general healthcare sector to combat external competition and provide customers with a more comprehensive health management experience.
- Pharmacies will also add more consultation and clinic services, requiring a larger and more diverse staff of pharmacists, nurse practitioners and physician assistants. This will boost wages' total value in the coming years, but the average salary will remain relatively steady.

Life Cycle

Mature

Why is the industry mature?

Contribution to GDP

Pharmacies and drug stores have been crucial to supporting the domestic economy in recent years, mainly as health product sales soared during the pandemic and its recovery. Heightened demand for prescription and nonprescription drugs caused pharmacies to grow their contribution to GDP.

Market Saturation

The market is highly saturated, with pharmacies and drug stores competing internally and against competitors like big-box stores. Fewer stores carry prescription drugs, but some large retailers offer pharmacy services, and most others carry popular products like over-the-counter medicine and cosmetics.

Innovation

Pharmacies are increasingly adopting digitalized systems that aim to streamline operations. Faster claims transmission, central fill stations, central call centers, electronic prescription transfers, product databases and other developments are technological innovations that benefit pharmacies.

Consolidation

Heightened price-based competition has pushed smaller pharmacies out of the industry while large pharmacies like CVS and Walgreens continue to dominate the industry. The growing popularity of online pharmacies and heightened demand for health products have attracted new pharmacies.

Technology & Systems

Stores have benefited from leveraging technologies like computer-scanning cash registers and electronic data interchange (EDI). Pharmacies have also invested in developing online platforms to better manage their relationships with patients, medical professionals and suppliers.

Life Cycle

Indication of the industry's stage in its life cycle compared to similar industries



Products and Markets

Key Takeaways

Brand name prescriptions generate the most revenue. Because these drugs are protected by patents, they often come with higher prices, making them more expensive than generics and ensuring they remain the biggest revenue source for pharmacies.

Consumers 65 and older rely heavily on prescriptions for managing chronic conditions. These consumers use more medications than younger adults; however, the smaller size of this demographic prevents it from accounting for a larger share of revenue.

Largest Market

\$364.6bn

Branded prescription drugs

Product Innovation

Moderate

Products and Services

How are the industry's products and services performing?

Branded drugs generate the largest share of revenue

- Prescription drugs are licensed medicines that require a prescription from a physician or other medical practitioner before a consumer can purchase them. Sales of prescription drugs as a percentage of revenue have expanded as drug stores have responded to competition from mass merchants by strengthening their core product areas.
- Brand name drugs are protected by patents, preventing other pharmaceutical companies from producing a given drug and allowing the original producer to set the price. The higher selling prices of these drugs have largely contributed to the segment's large contribution to revenue.
- As patents continue to expire, generic drug producers can manufacture previously protected drugs and sell them for lower prices. However, the development of new, patented drugs has supported brand name products in generating the largest portion of revenue.
- The high number of consumers with chronic conditions that require prescription medication keeps this segment the largest source of revenue. Instances of chronic health conditions have been on the rise in recent years, keeping demand for this segment strong.

continue to generate higher revenue as they are released, preventing generics from taking over the industry.

Nonprescription medicines provide a steady source of sales

- Nonprescription medicines, or OTC drugs, include medications that can be bought without a prescription. The Federal Food, Drug and Cosmetic Act defines which drugs require a prescription to prevent consumers from accessing unsafe products for self-medication.
- OTC drugs are used to treat conditions that don't necessarily require professional care and have been proven to meet higher safety standards for patient self-medication. Typically, a drug of lower strength will be approved for OTC use. For example, ibuprofen has been widely available as an OTC painkiller since the mid-1980s.
- Pharmacies and drug stores face high competition in the OTC space from external industries, such as big-box stores, supermarkets and gas stations. These stores often offer lower prices and added levels of convenience that attract more buyers, preventing nonprescription medicines from growing as a share of revenue.

Pharmacies expand their offerings of popular consumer goods

- In response to the slim profit margin for mature generic drugs, pharmacies and drug stores have expanded their product and service offerings to include cosmetics and groceries. Large online retailers and big-box retailers continue to expand their consumer goods offerings, typically at lower prices than pharmacies can offer.
- The natural and organic market is one of the most opportune categories for pharmacies and drug stores. Strong demand for these products results from the rise in ethical purchasing and the mainstreaming of natural and organic products.
- Demand for cosmetics and other nonessential products has suffered from heightened inflationary pressures, as many consumers consider these to be discretionary. Unfavorable macroeconomic conditions have pushed consumers to postpone nonessential purchases or to look for more affordable alternatives,

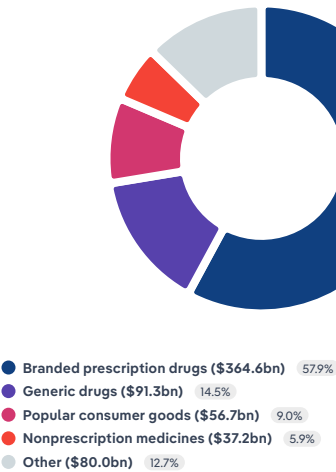
Generic drugs are highly popular among consumers

- Expiring drug patents have allowed generics to become more popular among consumers, as lower prices enable consumers to follow treatment instructions without breaking the bank. The growing popularity of generics has enabled the segment to grow as a share of revenue.
- According to the FDA, generic drugs fill an estimated 91.0% of all prescriptions in the United States, showing consumers' reliance on generic drug producers.
- The FDA states that generics are often sold at 80 to 85% less than brand name drugs. These significantly lower prices prevent generic drugs from generating a larger portion of revenue.
- As patents continue to expire, generic drugs will likely continue to grow as a share of revenue. However, new brand name drugs will

often turning to competitors.

Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



IBISWorld

Source: IBISWorld

What are innovations in industry products and services? Moderate

Pharmacies begin to integrate internet services to better customer service

- Technological advancements are improving efficiency. For example, faster claims transmission, central fill stations, central call centers, electronic prescription transfers, product databases and other technological innovations help pharmacies.
- Smartphones and the internet provide customer convenience. Many larger pharmacies integrate mobile applications, which let customers refill prescriptions, receive notices when their refill is due and perform a slew of other retail-related functions.

Pharmacies use automation to make service more convenient

- Automated medication dispensing systems, including AutoScript III, have continued to reduce operating costs while improving reliability. The computerized dispensing systems enable pharmacists to keep records of a client's conditions, allergies, prescription history, concessional status, the doctor that prescribed the drug and the amount owed to the pharmacy.
- Currently, information on more than 3,000 drugs can be printed out for consumers to access a drug's efficacy, side effects and other information. Touch screens are also being used to match a patient's symptoms with over-the-counter medications.

☆ Key Success Factors

What products or services do successful businesses offer?

Supply a diverse range of products

Pharmacies should supply diverse products to maximize their appeal to a broad customer base and meet varying consumer needs.

Secure access to well-established brand names

Stores should secure access to well-established brand names to enhance their credibility, attract customers and instill trust. Stores can get brand names on shelves by establishing partnerships with reputable brands and negotiating distribution agreements.

Major Markets

What's influencing demand from the industry's markets?

Consumers aged 17 and younger buy fewer health products

- While consumers of all ages purchase prescription and over-the-counter (OTC) medications, consumers in younger demographics are considered healthier, requiring fewer daily, long-term medications, on average.
- In most cases, younger consumers are cared for by their parents or other adults who buy them prescriptions, medications and personal care products, keeping this segment's contribution to revenue relatively low.
- Younger demographics have fewer major medical procedures, which may require costly medications for pre- or post-op recovery. Because pharmacies generate most of their revenue from prescription and OTC medications, younger buyers are unlikely to significantly grow their contribution to revenue.

Consumers aged 18 to 44 years prioritize convenience

- Consumers aged 18 to 44 tend to visit the doctor's office more regularly than consumers aged 17 and younger, as they tend to have steadier income streams than young adults and health insurance policies that allow them to visit healthcare professionals more often.
- People in this age group begin to prioritize their health, with many taking preventative measures to lower the chance of health complications in the future. However, fewer of these consumers have prescriptions or strict health regimes to follow, limiting their contribution to revenue.
- Consumers in this age group look for convenience, so they are more likely to use big-box retailers to satisfy most of their medicine needs. Little-to-no loyalty to a given pharmacy from these consumers has siphoned some sales from this segment.

Consumers aged 45 to 64 years are pharmacies' largest buyers

- Individuals aged 45 to 64 account for the largest share of revenue. More than half of these buyers have more than three prescriptions, while many consumers within this age group have allowed them to generate the largest share of revenue.
- Consumers in this segment are more likely to care for long-term or more severe health conditions that require consistent prescription medications, creating a stable revenue stream.
- Several generic alternatives to popular prescription drugs have been released in recent years. Consumers in this segment have

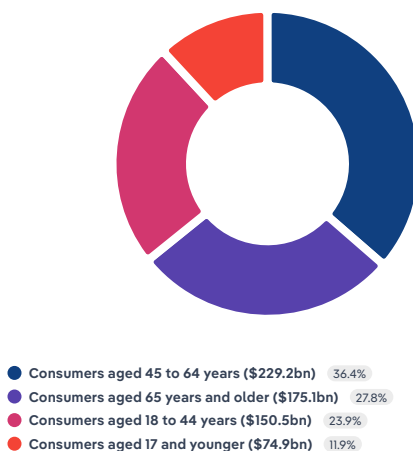
fuelled strong sales volumes for drugs like Atorvastatin and Lisinopril, which help combat high cholesterol and high blood pressure, common health conditions that arise as patients age.

Consumers aged 65 years and older rely on pharmacies for their various prescriptions

- This age demographic has a high demand for prescription drugs since elderly individuals have the highest rate of chronic illness. According to data from IMS Health, individuals aged 65 to 79 used about five times the number of drugs as adults aged 19 to 25.
- The most common ailments for consumers aged 65 years and older are hypertension, arthritis, orthopedic impairments and heart disease, according to the National Academy on an Aging Society.
- Although these consumers rely heavily on prescription drugs, the industry's largest product line, consumers over the age of 65 are a declining population, preventing them from dominating the industry.

Major Markets Segmentation

Industry revenue in 2024 broken down by key markets



IBISWorld

Source: IBISWorld

International Trade

Some industries don't directly import or export goods. See reports at the manufacturing level for international trade data on relevant products.

Geographic Breakdown

Key Takeaways

Pharmacies take advantage of proximity to key downstream healthcare-related businesses. Stores benefit from being near hospitals, nursing homes or healthcare complexes because it reduces customer travel times.

The Southeast, with its dense population and abundant elderly population, accounts for a significant share of pharmacies and drug stores in the US. Rural pharmacies have declined, reflecting the continued slump of independent pharmacies.

Business Locations

State	Establishments Units	Establishments %	Revenue \$m	Revenue %	Wages \$m	Wages %	Employment Units	Employment %
California	9,119	10.2	63,520.7	10.1	6,460.5	11.4	113,182	9.7
New York	9,247	10.3	59,645.9	9.5	4,633.9	8.1	93,763	8.1
Texas	6,156	6.9	46,434.3	7.4	4,009.6	7.1	78,508	6.7
Florida	6,111	6.8	45,203.8	7.2	4,056.7	7.1	83,446	7.2
Pennsylvania	4,304	4.8	28,695.1	4.6	2,619.9	4.6	55,299	4.7
Illinois	3,310	3.7	26,611.3	4.2	2,610.2	4.6	56,927	4.9
New Jersey	3,549	4.0	26,571.0	4.2	1,948.8	3.4	42,437	3.6
Michigan	3,518	3.9	19,958.6	3.2	1,706.5	3.0	36,147	3.1
North Carolina	3,206	3.6	22,338.1	3.5	1,991.3	3.5	41,502	3.6
Ohio	2,722	3.0	18,908.2	3.0	1,881.5	3.3	41,228	3.5
Georgia	2,841	3.2	16,810.8	2.7	1,636.7	2.9	34,383	3.0
Tennessee	1,950	2.2	14,516.7	2.3	1,273.7	2.2	27,189	2.3
Massachusetts	1,875	2.1	15,715.8	2.5	1,515.1	2.7	30,998	2.7
Alabama	1,875	2.1	12,100.8	1.9	1,069.8	1.9	22,239	1.9
Indiana	1,570	1.8	13,942.4	2.2	1,346.4	2.4	26,140	2.2
Virginia	1,864	2.1	13,565.6	2.2	1,246.3	2.2	24,819	2.1
Kentucky	1,800	2.0	11,503.5	1.8	950.9	1.7	19,835	1.7
Arizona	1,139	1.3	10,474.6	1.7	1,075.0	1.9	21,618	1.9
Maryland	1,642	1.8	12,792.1	2.0	1,054.6	1.9	21,127	1.8
Louisiana	1,755	2.0	11,001.9	1.7	1,000.2	1.8	20,976	1.8
Wisconsin	1,236	1.4	10,268.5	1.6	926.3	1.6	21,800	1.9
Missouri	1,529	1.7	11,122.1	1.8	917.7	1.6	20,832	1.8
South Carolina	1,419	1.6	9,490.6	1.5	918.1	1.6	17,735	1.5
Washington	1,374	1.5	8,343.7	1.3	821.0	1.4	16,223	1.4
Minnesota	1,039	1.2	8,612.1	1.4	918.1	1.6	18,417	1.6
Oklahoma	1,199	1.3	7,126.5	1.1	664.6	1.2	13,697	1.2

State	Establishments Units	Establishments %	Revenue \$m	Revenue %	Wages \$m	Wages %	Employment Units	Employment %
Connecticut	968	1.1	9,399.2	1.5	692.7	1.2	14,271	1.2
Mississippi	1,044	1.2	5,706.6	0.9	591.5	1.0	12,015	1.0
Arkansas	1,032	1.2	5,187.4	0.8	546.0	1.0	11,087	1.0
Colorado	786	0.9	5,619.7	0.9	599.1	1.1	12,727	1.1
West Virginia	855	1.0	4,985.8	0.8	448.6	0.8	9,244	0.8
Iowa	776	0.9	4,894.1	0.8	455.3	0.8	10,998	0.9
Nevada	627	0.7	4,708.2	0.7	459.6	0.8	9,771	0.8
Kansas	698	0.8	4,991.3	0.8	426.5	0.8	9,236	0.8
Oregon	614	0.7	3,964.2	0.6	404.6	0.7	8,185	0.7
Nebraska	484	0.5	2,942.7	0.5	287.7	0.5	6,902	0.6
Utah	481	0.5	2,856.9	0.5	294.9	0.5	7,127	0.6
Maine	387	0.4	3,623.9	0.6	240.8	0.4	5,431	0.5
New Mexico	409	0.5	3,106.2	0.5	269.9	0.5	6,347	0.5
Rhode Island	305	0.3	2,962.0	0.5	260.0	0.5	5,850	0.5
North Dakota	363	0.4	1,643.7	0.3	156.1	0.3	3,196	0.3
New Hampshire	350	0.4	2,845.1	0.5	246.8	0.4	5,188	0.4
Delaware	350	0.4	2,619.6	0.4	179.8	0.3	5,090	0.4
Hawaii	295	0.3	2,842.5	0.5	211.2	0.4	4,035	0.3
Idaho	333	0.4	1,734.9	0.3	173.8	0.3	4,123	0.4
Montana	256	0.3	1,144.1	0.2	133.3	0.2	2,630	0.2
South Dakota	239	0.3	1,219.7	0.2	116.2	0.2	2,752	0.2
Vermont	209	0.2	1,515.0	0.2	123.0	0.2	2,610	0.2
Wyoming	121	0.1	583.2	0.1	50.5	0.1	1,049	0.1
Alaska	77	0.1	429.0	0.1	49.6	0.1	929	0.1

Where are industry businesses located?

The Southeast's elderly population makes it a strategic location for industry enterprises

- The establishments in this industry follow the distribution of the US population, with the most populous region, the Southeast, containing the most pharmacies. Florida contains a large share of pharmacies and drug stores, leveraging the state's significant share of people aged 65 and older.
- Chain drug stores with a broad geographic presence have an advantage over independent stores. These stores are more capable of negotiating low prescription prices with comprehensive insurance and pharmaceutical companies.

Pharmacies in the Mid-Atlantic capitalize on proximity to key downstream markets

- Pharmacies take advantage of their proximity to many healthcare-related businesses, including hospitals, nursing homes and healthcare complexes. The Mid-Atlantic region is another popular region for retirees and older individuals, which promotes a high concentration of pharmacies and drug stores.
- Stores are dispersed according to economic and sociodemographic variables. Chain drug stores are more concentrated in urban areas like New York. On the state level, New York has the most stores of any single state, primarily because of its concentrated population.

Rural pharmacies decline as establishments concentrate around urban hubs

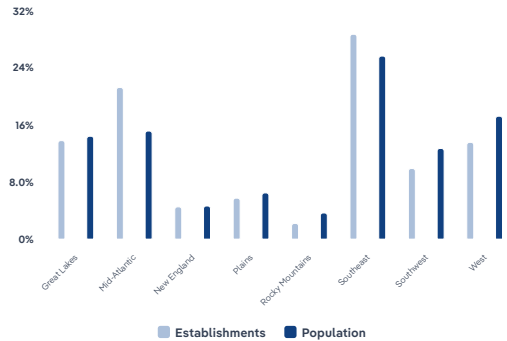
- Like New York, California leverages its large population and key downstream markets to be a prominent home to many pharmacies.

Rural pharmacies have declined as stores have moved closer to population centers and major cities.

- As with most other retail establishments, convenience has become the key to success. A company's location and the ability to provide one-stop shopping are significant marketing factors. Some drug stores aim to accelerate sales by locating in a strip mall near hardware stores, restaurants, liquor stores, dry cleaning and laundromat facilities.

Mid-Atlantic has the largest spread of businesses compared to its population

Share of Establishments (%) vs. share of population (%)



IBISWorld

Source: IBISWorld

☆ Key Success Factors

How do businesses use location to their advantage?

Easy access for clients

Convenience is an important factor for consumers when choosing a pharmacy. Stores should emphasize securing a convenient location and designing a consumer-friendly store layout.

Proximity to key markets

Drug stores and pharmacies should be close to consumers, other stores or service providers, like hospitals, to promote foot traffic.

Competitive Forces

Key Takeaways

Due to low product differentiation, the industry is highly price-competitive. Many pharmacies and drug stores have consolidated in response to this high competition.

External competition intensifies as stores have begun to branch out into e-commerce sales. Supercenters and other large-scale wholesalers, including Walmart and Amazon, represent the biggest threat as these retailers offer convenience and lower prices.

Concentration Moderate	Competition High Increasing	Barriers to Entry Moderate Increasing
Substitutes Moderate Increasing	Buyer Power Moderate Steady	Supplier Power Moderate Steady

Concentration Moderate

What impacts the industry's market share concentration?

Market share concentration diminished as small stores improve efficiency

- Pharmacies and drug stores exhibit a low to moderate market share concentration, with the three largest pharmacies, including CVS and Walgreens, capturing close to 40.0% of the market.
- The market has become less concentrated as smaller pharmacies and drug stores have focused on improving service and offering competitive prices. Growing access to Pharmacy Benefit Managers (PBMs) has allowed smaller stores to lower consumer costs, making them more competitive.

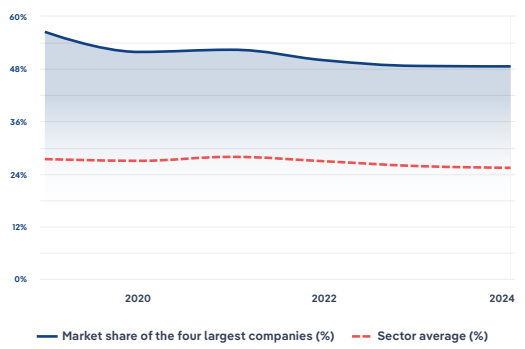
Pharmacies invest in technology and systems to compete with substitutes

- The largest pharmacies and drug stores benefit from long-standing name recognition and integrated systems. For example, CVS's PBM enables them to keep costs low and pivot with consumer sentiment, making them more adaptable to changing consumer behavior.
- Small and medium-sized pharmacies have increasingly offered new and varying products and services to their establishments, encouraging consumers to spend more on medications or small front-end goods.
- CVS and Walgreens began offering clinic services at select stores

and significantly expanded their front-end offerings. These changes came as more big-box retailers and e-commerce platforms, including Walmart and Amazon, began offering similar pharmacy services.

Market Share Concentration

Combined market share of the four largest companies in this industry



☆ Key Success Factors

How do successful businesses handle concentration?

Develop a strong reputation

Cultivating strong relationships with customers fosters trust and loyalty. This ensures repeat business and promotes word-of-mouth referrals, which is crucial in a market where personal service can distinguish one store from another.

Provide superior after-sales service

Offering strong after-sales support enhances customer satisfaction and retention. Helping people understand their medications and addressing concerns makes them feel valued, driving long-term loyalty.

Barriers to Entry

Moderate

Increasing

What challenges do potential industry entrants face?

Legal

- The industry is subject to federal and state laws that make retailing certain products subject to stringent regulations.

Start-Up Costs

- Establishing a pharmacy or drug store in a high-foot-traffic area is costly. Drug stores and pharmacies compete for locations near high levels of shopping traffic, which drives up rental costs and real estate values.

Differentiation

- Product differentiation is relatively low, as most drug stores stock similar products and brands. Most products retailed at pharmacies and drug stores can be purchased from other retailers like supermarkets, supercenters and online merchandisers.

Capital Expenses

- While this industry is not highly technical, considerable levels of capital are required to establish a new store or purchase an existing location. Capital costs include acquiring and maintaining merchandise inventory. Many participants provide drive-through services, which generally require more space than a strip mall store.

Labor Expenses

- While drug stores and pharmacies are not highly technical, significant capital is required to establish a new location or purchase an existing business. Capital costs include acquiring and maintaining inventory.

☆ Key Success Factors

How can potential entrants overcome barriers to entry?

Be part of a franchising chain

Significant changes in manufacturers' and government drug reimbursement rates have occurred in recent years. Large pharmacies benefit from economies of scale that can offset higher input prices.

Develop strong technical product knowledge

Many consumers rely on pharmacists and other store employees to assist them in making health-related purchases. Having employees with strong technical product knowledge can help generate repeat business.

Substitutes

Moderate

Increasing

What are substitutes for industry services?

Online Pharmaceutical Sales in the US

- To attract time-strapped consumers, many pharmacies offer better service, customer-friendly refund policies, knowledgeable staff, product advice and free home delivery. Many larger pharmacies have begun offering online services to capture a growing number of consumers. This is a difficult route for smaller companies to follow, as investments in online platforms are costly.
- Amazon completed the acquisition of PillPack, an online pharmacy. As the online retailer increased its offerings of general front-end goods, pharmacies and drug stores have encountered growing competition for front-end sales. As Amazon expands its presence in healthcare, pharmacies must find new ways to entice customers and lower prices to remain competitive.
- The pharmacy space has been somewhat disrupted by Cost Drug Plus, Mark Cuban's online pharmacy that aims to make prescription drugs more accessible. Although this model is in its early stages, it will likely enhance price-based competition as it becomes more popular.

Pharmaceuticals Wholesaling in the US

- Budget-conscious consumers cut prescription costs by taking lower dosages, differing refills or switching from brand-name prescriptions to generic drugs. According to a recent study by Consumer Reports, generic drug prices are subject to substantial price disparities.
- In response to the intense price competition among pharmacies and drug stores, wholesalers can leverage more affordable prices to cut into the market share of these retailers.

☆ Key Success Factors

How do successful businesses compete with substitutes?

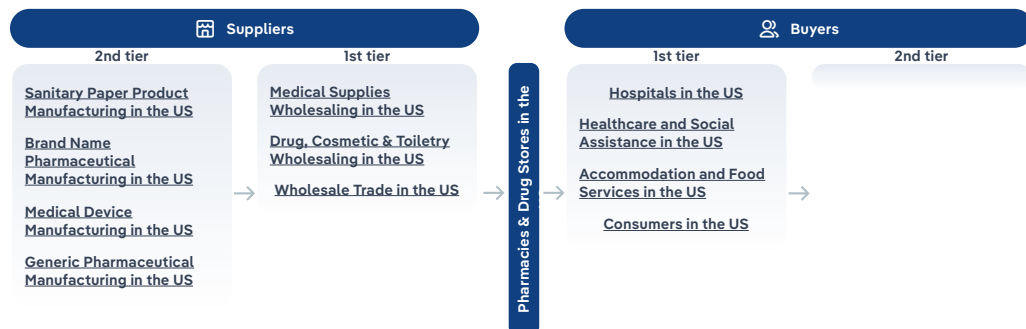
Secure a highly skilled workforce

A knowledgeable and skilled workforce can offer expert advice and personalized service, providing added value that substitutes may not offer and helping pharmacies retain customers.

Present products attractively

The store layout and displays should encourage customers to purchase and reinforce the company image. Merchandising and product placement are key to the success of popular consumer goods.

Buyer & Supplier Power



What power do buyers and suppliers have over the industry?

Moderate

Steady

Buyers: Intense price competition enables consumers to seek out deals

- Convenience is the most cited reason for shopping at a particular pharmacy, pushing store owners to focus on locations and merchandising that will save consumers time without inflating prices. Drug stores should be close to consumers and other stores or service providers (e.g., hospitals) to promote foot traffic.
- Low product differentiation impacting pharmacies encourages consumers to increasingly take advantage of deals and other discounts to get favorable prices. Online shopping has made this easier, as consumers can easily compare prices at home or in the store.

Moderate

Steady

Suppliers: Upstream consolidation lowers the profitability of generic drugs

- Patent cliffs for generic drugs contribute to profitability, with new generic drugs generating significant sales. Profitability also depends on pharmacies' ability to negotiate favorable discounts from drug manufacturers. Because of the industry's standardized products and services, pharmacies and drug stores compete based on price and product selection.
- Revenue constriction may occur as consolidation among generic manufacturers lowers price-based competition among generic drug makers. This would inflate purchasing costs for drug stores and pharmacies.
- As patents for popular brand-name drugs continue to expire, allowing them to enter the generic drug space. As more manufacturers can produce generic prescription drugs, these become easier to buy and more affordable, weakening supplier power.

☆ Key Success Factors

How do successful businesses manage buyer & supplier power?

Leverage brand recognition, referrals and store layout to boost sales

Pharmacies and drug stores mitigate buyer power by providing a unique shopping experience that encourages purchasing. Strong brand recognition and strategic store layouts enhance customer loyalty and repeat business while growing the size of purchases.

Offer competitive pricing for dispensing products, particularly for budget product lines

Offering budget-friendly options caters to price-sensitive consumers, making them less likely to choose substitutes. Competitive pricing can drive volume sales and foster customer loyalty, minimizing the impact of price competition.

Companies

Key Takeaways

Walgreens is boosting its healthcare services through strategic partnerships. By collaborating with companies like VillageMD, they're bringing primary care clinics to pharmacies to offer accessible, community-based health services.

Pharmacies are prioritizing digital innovation. Companies like Walgreens, CVS and Walmers have invested in digital health platforms to enhance the customer experience with online prescriptions, telehealth and personalized apps.

➔ Major Players		
Company	Revenue	Market Share
Cvs Health Corporation	\$121.7bn	19.3%
Walgreens Boots Alliance, Inc.	\$115.8bn	18.4%
Walmart Inc.	\$57.9bn	9.2%
Rite Aid Corp	\$11.1bn	1.8%
Other Companies	\$323.3bn	51.4%

Companies

Company	Market Share (%) 2024	Revenue (\$m) 2024	Profit (\$m) 2024	Profit Margin (%) 2024
Cvs Health Corporation	19.3 ↘	121,689.0 ↗	2,659.1 ↘	2.2 ↘
Walgreens Boots Alliance, Inc.	18.4 ↘	115,778.0 ↗	-11,036.9 ↘	-9.5 ↘
Walmart Inc.	9.2 ↗	57,855.1 ↗	2,494.7 ↗	4.3 ↗
Rite Aid Corp	1.8 ↘	11,072.4 ↗	-283.0 ↗	-2.6 ↗

Cvs Health Corporation

Company Details

Industry Revenue (2024)	\$121.7bn
Industry Profit (2024)	\$2.7bn
Total Employees (2024)	300,000
Industry Market Share (2024)	19.3%

Description

Cvs Health is a public company headquartered in Rhode Island with an estimated 300,000 employees. In the US, the company has a notable market share in at least three industries: Pharmacies & Drug Stores, Health & Medical Insurance, Dental Insurance and Dental Insurance. Their largest market share is in the Dental Insurance industry, where they account for an estimated 26.0% of total industry revenue and are considered an All Star because they display stronger market share, profit and revenue growth compared to their peers.

Brands & Trading Names

- CVS Foreign
 - CVS Pharmacy
- Eckerd
 - PeopleSafe

Other Industries

- Dental Insurance in the US

• Health & Medical Insurance in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2019	20.6	86,608.0	6,705.0	7.7
2020	19.1	91,198.0	6,146.0	6.7
2021	19.9	101,620.0	7,260.0	7.1
2022	19.6	108,596.0	6,531.0	6.0
2023	19.3	116,763.0	5,963.0	5.1
2024	19.3	121,689.0	2,659.1	2.2

What's impacting Cvs Health Corporation's performance?

CVS expands its customer loyalty programs

- CVS has a favorable reputation with many consumers, which is shown through its ExtraCare loyalty program. The company's evolution of the ExtraCare program, with its new ExtraCare Plus tier, offers personalized deals and increased savings, meeting the growing consumer demand for convenience and value. By offering two reward programs, CVS can offer a tailored shopping experience and other added benefits, attracting buyers looking for cost-saving deals.

CVS expands its services to grow primary care offerings

- CVS remains strong in the pharmacy and drug store space by expanding their service offering and offering comprehensive services like vaccination programs, patient care and diagnostics. By offering a growing arrange of healthcare services, CVS can satisfy a growing range of consumer needs, making pharmacies more attractive and supporting performance.

Walgreens Boots Alliance, Inc.

Company Details

Industry Revenue (2024)	\$115.8bn
Industry Profit (2024)	-\$11.0bn
Total Employees (2024)	312,000
Industry Market Share (2024)	18.4%

Description

Walgreens Boots Alliance is a public company headquartered in Illinois with an estimated 312,000 employees. In the US, the company has a notable market share in at least one industry: Pharmacies & Drug Stores, where they account for an estimated 18.4% of total industry revenue and are considered an Incumbent because they display strong market share, but lower profit and revenue growth than some of their peers.

Brands & Trading Names

- Boots
 - Botanics
 - Duane Reade
 - Finest Nutrition
- Liz Earle
 - NICE!
 - No7
 - Soap & Glory
- Walgreens
 - Walgreens Boots Alliance
 - Well Beginnings
 - YourGoodSkin

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2019	24.8	104,532.0	4,149.1	4.0
2020	22.6	107,701.0	867.0	0.8
2021	22.0	112,005.0	1,979.6	1.8
2022	19.7	109,078.0	1,140.1	1.0
2023	18.2	110,314.0	-5,458.6	-4.9
2024	18.4	115,778.0	-11,036.9	-9.5

What's impacting Walgreens Boots Alliance, Inc.'s performance?

Walgreens embraces technology to advance its healthcare services

- Walgreens invests heavily in digital health initiatives to develop advanced platforms that improve customer experience through online prescription services, telehealth consultations and personalized health management apps. These tech partnerships allow Walgreens to optimize its operational efficiency and provide convenient healthcare solutions. This digital evolution aligns with changing consumer preferences as more people seek accessible and seamless care options from the comfort of their homes or via mobile devices.

WBA finalizes acquisition of remaining stake in German GEHE-Alliance Healthcare Joint Venture

- In November 2021, Walgreens Boost Alliances reached an agreement to acquire the remaining 30.0% of McKesson Corporation's stake in GEHE Pharma Handel and Alliance Healthcare Deutschland joint venture. As a result of the transactions, WBA became the sole owner of the combined joint venture. GEHE Pharma Handel and Alliance Healthcare Deutschland combined operations in November 2020 and this recent acquisition is a result of McKesson Corporation's desire to exit the European region. The acquisition strengthened Walgreens Boots Alliance position as a pharmaceutical wholesaler in Germany.

Strategic partnerships support Walgreens' performance

- Walgreens has developed partnerships to broaden its healthcare offerings, emphasizing comprehensive and integrated solutions. Through partnerships with companies like VillageMD, Walgreens is setting up primary care clinics in pharmacies, enhancing its ability to offer accessible and personalized health services directly in communities. Similarly, by partnering with pharmaceutical companies focused on generics and biosimilars, Walgreens can offer affordable drugs, catering to cost-sensitive consumers.

Walmart Inc.

Company Details

Industry Revenue (2024)	\$57.9bn
Industry Profit (2024)	\$2.5bn
Total Employees (2024)	2,100,000
Industry Market Share (2024)	9.2%

Description

Walmart is a public company headquartered in Arkansas with an estimated 2,100,000 employees. In the US, the company has a notable market share in at least nine industries: Retail Trade, Pharmacies & Drug Stores, Warehouse Clubs & Supercenters, Discount Department Stores, BBQ & Outdoor Cooking Stores, Online Home Furnishing Sales, Online Grocery Sales, Online Children's Toy Sales, Online Office & School Supply Sales and Online Children's Toy Sales. Their largest market share is in the Warehouse Clubs & Supercenters industry, where they account for an estimated 65.0% of total industry revenue and are considered a Golden Goose because they display medium to strong market share and strong

profit, but slower revenue growth than some of their peers.

Brands & Trading Names

- Alert Innovation
- Ans Commerce
- ASDA
- Bonobos
- Botmock
- Carezone
- Cleartrip
- Eloquill
- Flipkart.com
- Jet.com
- Joyrun
- Liv.AI
- Phonepe
- Sam's Club
- Walmart Supercenters

Other Industries

- BBQ & Outdoor Cooking Stores in the US
- Discount Department Stores in the US
- Online Children's Toy Sales in the US
- Online Grocery Sales in the US
- Online Home Furnishing Sales in the US
- Online Office & School Supply Sales in the US
- Retail Trade in the US
- Warehouse Clubs & Supercenters in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2019	8.7	36,558.0	1,435.1	3.9
2020	8.1	38,522.0	1,553.4	4.0
2021	8.4	42,839.0	1,940.3	4.5
2022	8.4	46,591.0	1,557.0	3.3
2023	9.1	54,898.0	2,288.0	4.2
2024	9.2	57,855.1	2,494.7	4.3

What's impacting Walmart Inc.'s performance?

Walmart expands pharmacy services to boost convenience

- Walmart has emphasized convenience and accessibility in its pharmacy services. As a response to customers' growing demand, the company has integrated pharmacy pickups or deliveries with other purchases, making shopping at Walmart more convenient. By expanding its offerings to home delivery services, Walmart is able to better appeal to consumers who are strapped on time or have mobility issues. Through the Walmart app and website, customers can order and track medications and other goods with ease, entering the online pharmacy market.

The company has partnered with BEAUTYSPACENK to launch a new collection of beauty products

- On March 7, 2022, Walmart announced its collaboration with Britain-based retailer Space NK to offer exclusive, high quality beauty products on its website and more than 200 of its physical stores. The products are expected to launch on March 15, 2022 on its website and during this summer within its stores. According to Walmart, this collaboration will make it even more convenient for shoppers to purchase specialty beauty items, in addition to staple beauty products, all in one trip to Walmart.

Rite Aid Corp

Company Details

Industry Revenue (2024)	\$11.1bn
Industry Profit (2024)	-\$283.0m
Total Employees (2024)	51,000
Industry Market Share (2024)	1.8%

Description

Rite Aid is a private company headquartered in Pennsylvania with an estimated 51,000 employees. In the US, the company has a notable market share in at least one industry: Pharmacies & Drug Stores, where they account for an estimated 1.8% of total industry revenue.

Brands & Trading Names

- Elixir

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Market Share (%)	Revenue (\$m)	Profit (\$m)	Profit Margin (%)
2019	2.5	10,391.5	-320.3	-3.1
2020	2.2	10,354.3	-221.6	-2.1
2021	2.1	10,915.4	-45.1	-0.4
2022	2.2	12,152.5	-258.4	-2.1
2023	2.1	12,582.6	-375.6	-3.0
2024	1.8	11,072.4	-283.0	-2.6

What's impacting Rite Aid Corp's performance?

Rite Aid Corporation releases new loyalty program

- Rite Aid released Rite Aid Rewards, a new loyalty program that provides more customers with ways to save on products. Rite Aid Rewards allows members to earn points through every purchase, prescription pickup and member-only promotions. Members are able to track their points via the company's mobile application or online at riteaid.com. For every \$1.00 spent, members earn 10 points and with as little as 1,000 points members can convert points into a \$2.00 Rite Aid Rewards BonusCash for redemption at checkout.

Rite Aid emerges from bankruptcy and transitions to private ownership

- Rite Aid has encountered financial restructuring, resulting in a Chapter 11 bankruptcy. The company has emerged from bankruptcy and transitioned to a privately owned entity, allowing it to stabilize its operations and focus on future growth. Despite these financial challenges, Rite Aid's focus has remained on its neighborhood pharmacies. The company has relied on partnerships with key suppliers, such as McKesson, to support operational needs.

Rite Aid and RELEX Solutions partner to improve space and supply chain management

- In January 2022, Rite Aid announced that it had expanded its partnership with RELEX Solutions. RELEX Solutions is a retail optimization software company that assists retailers across all functions through artificial intelligence. Customers typically use RELEX's software to get a better understanding of their supply chain and then use the information to optimizing product allocation, product promotions and markdown strategies. Rite Aid will expand its use of RELEX software to include space and floor planning, as well as product replenishment across its 2,400 store locations.

You can view and download more company details on my.ibisworld.com.

External Environment

Key Takeaways

A growing number of individuals aged 65 and over represents a consistent and steady stream of demand. Older adults are more likely to require medication.

Total healthcare expenditure has climbed, contributing to recent growth for drugstores and pharmacies. The industry has also been supported by federal funding for Medicare and Medicaid, improving consumer healthcare access. Customers are more likely to buy costly prescription drugs with healthcare coverage.

Regulation & Policy

Moderate

Increasing

Assistance

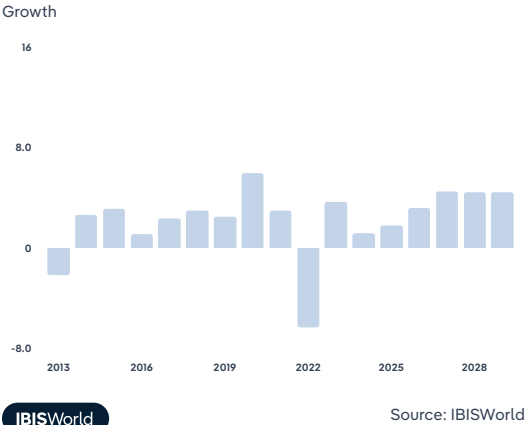
Low

Steady

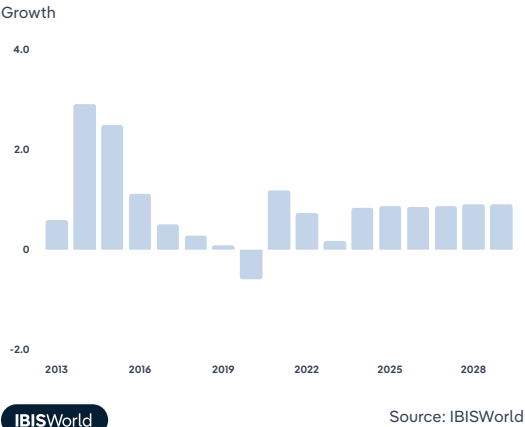
External Drivers

What demographic and macroeconomic factors impact the industry?

Per capita disposable income



Number of people with private health insurance

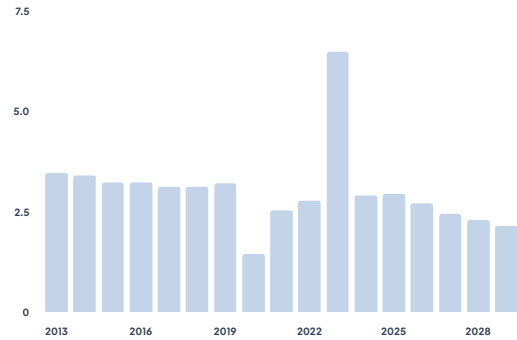


Household income levels determine consumers' ability to purchase products from drug stores and pharmacies. Although need-based demand for prescription drugs is typically less susceptible to consumer discretionary income changes, sales of nonessential, front-end goods are influenced by per capita disposable income fluctuations.

Private health insurance coverage typically lowers the price of pharmaceutical products by reducing individuals' out-of-pocket health expenditures. As private health insurance coverage increases, more individuals can afford their medications; however, managed-care organizations may be able to place downward pricing pressure on drug reimbursement rates, cutting into revenue for drug stores and pharmacies.

Number of adults aged 65 and older

Growth

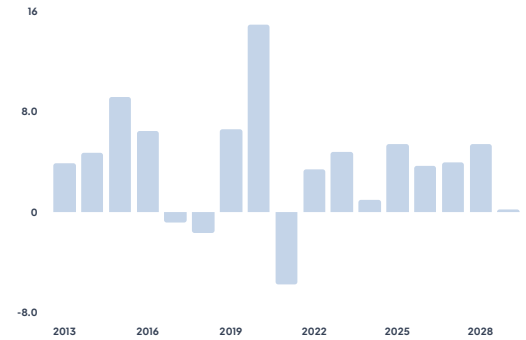


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Source: IBISWorld

Federal funding for Medicare and Medicaid

Growth



IBISWorld

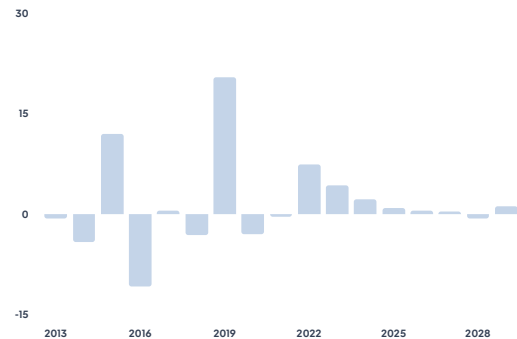
Source: IBISWorld

As the population ages, demand for pharmaceutical products to address health ailments, like chronic illnesses, typically rises. According to data from the CDC, an estimated 84.7% of individuals aged 65 and older used a prescription drug during a 30-day window in 2019 (latest data available). The industry benefits from strong need-based demand for prescription drugs from this age demographic.

Medicare and Medicaid programs assist seniors and lower-income consumers with affording prescription drugs. Due to healthcare reform, Medicare patients in the coverage gap will have some of their prescription costs subsidized, boosting sales of prescription drugs from pharmacies and drug stores. Declines in federal funding for Medicare and Medicaid pose a potential threat to the industry.

Number of physician visits

Growth



IBISWorld

Source: IBISWorld

The number of physician visits will climb as more individuals can afford healthcare services, particularly preventive care. As a result of consumers visiting their doctor more frequently, they become warier about their health issues, thus increasing demand for prescriptions. Growth in the number of physician visits represents a potential opportunity for the industry.

Regulation & Policy

Moderate

Increasing

What regulations impact the industry?

FDA regulations

The US Food and Drug Administration (FDA) regulates the laws relating to pharmaceutical development, testing, manufacturing, marketing and distribution. The FDA has the legal authority to take action against the importation, sale or distribution of an adulterated or misbranded drug; the importation, sale or distribution of an unapproved new drug; illegal promotion of a drug; the sale or dispensing of a prescription drug without a valid prescription; and counterfeit drugs.

The Fair Packaging and Labeling Act

The Fair Packaging and Labeling Act requires all products to be properly labeled with accurate and complete information on their contents. The act also requires manufacturers to disclose the net quantity of the product, information about the manufacturer and any warning labels. The act aims to help consumers make informed decisions before purchasing products.

The Controlled Substances Act

The Controlled Substances Act (CSA) places stringent regulations on the manufacturing, dispensing and distribution of controlled substances. Pharmacies must meticulously track and report transactions involving these regulated medications to comply with DEA requirements. This ensures proper handling and helps prevent drug misuse and illegal distribution. In recent years, the rampant opioid epidemic has intensified scrutiny on dispensing controlled substances.

Medicare Part D

Pharmacies participating in Medicare Part D must comply with CMS guidelines concerning prescription drug plans. This includes proper billing practices, accommodating medication therapy management programs, ensuring access to covered medications for eligible beneficiaries and helping meet the needs of the elderly and disabled.

Assistance Low Steady

What assistance is available to this industry?

Government

Medicare

Many individuals receive prescription drug assistance through federal programs. The increasing cost of prescription drugs has put pressure to control drug spending on federal programs like Medicare Part D, Medicaid and the Federal Employees Health Benefits Program (FEHBP). Medicare prescription drug coverage (Medicare Part D) helps seniors, 65 and older and disabled citizens pay for generic and brand-name prescription drugs at participating pharmacies. Consumers covered under Medicare pay monthly premiums, deductibles and co-payments.

Government

Medicaid

The Medicaid program for low-income adults and children sets guidelines for consumer drug payment. Medicaid does not negotiate drug prices with manufacturers but reimburses retail pharmacies for drugs dispensed to beneficiaries at set prices. If reimbursement rates are lowered, pharmacy revenue could be negatively affected. An essential element of controlling Medicaid drug spending is the Medicaid drug rebate program, under which drug manufacturers are required, by law, to provide rebates for certain drugs covered by Medicaid.

Government

Federal Employees Health Benefits Program (FEHB)

The FEHBP provides health and drug coverage to about 8.0 million federal employees, retirees and their dependents, which has contributed significantly to prescription drug costs and premium growth. FEHBP uses competition among health plans to control prescription drug spending, incentivizing plans to lower costs and leverage their market share to obtain favorable drug prices. Most FEHBP plans contract with pharmacy benefit managers to help administer the prescription drug benefit.

Non-government

The National Association of Chain Drug Stores (NACDS)

The National Association of Chain Drug Stores (NACDS) and the National Community Pharmacists Association (NCPA) protect the interests of pharmacies and drug stores. Founded in 1898, the NCPA represents more than 20,000 independent pharmacies nationwide. The association advocates for community pharmacists on public policy, ranging from Pharmacy Benefit Manager (PBM) issues to state legislature and regulatory agencies. Founded in 1933, the NACDS represents thousands of pharmacies and pharmacists across the United States, strongly focusing on advocacy for suppliers and retailers.

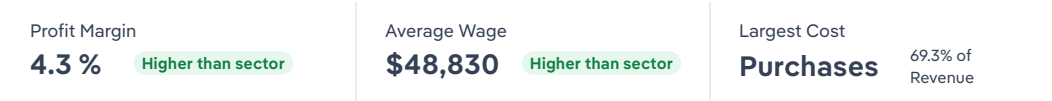
Financial Benchmarks

Key Takeaways

The prevalence of low-priced generic drugs has cut into industry profitability. Consumers recognize the benefits of using generic drugs to keep costs low while granting them access to medication that can improve their lives.

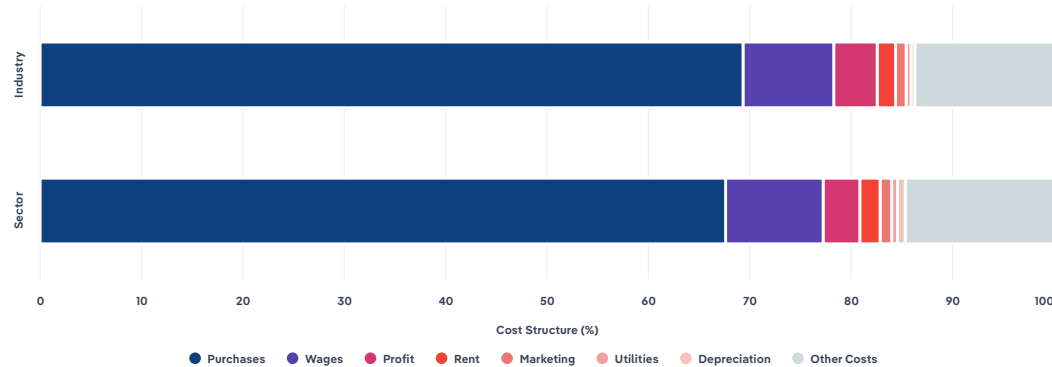
Pharmacies have begun integrating more product offerings into their storefronts to offer more convenience to consumers.

This process has inflated purchase costs, and many stores have streamlined operations to keep costs manageable.



Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2024



What trends impact industry costs?

Profit gains slow as generic drugs grow more prevalent

- Pharmacies and drug stores exhibit varying profit levels depending on the size and scope of their operations. Large pharmacies are more profitable since they can reach more favorable deals with upstream suppliers by leveraging economies of scale.
- Despite significant revenue gains in recent years, pharmacies and drug stores have only become slightly more profitable. Several factors contributed to weak profit gains, including the maturity of many generic drugs, high direct and indirect (DIR) fees and increasing competition.
- The adoption of automated solutions has enabled pharmacies to streamline operations. Although these stores continue to rely on experienced professionals, lower reliance on human labor has supported profit gains.

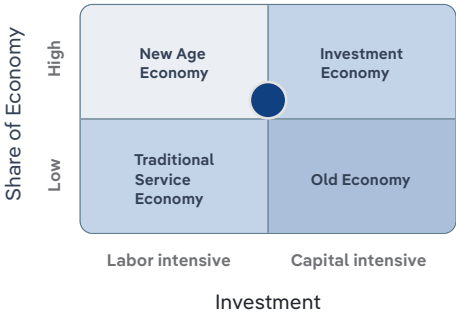
- Pharmacies rely on their workforce, particularly pharmacists and pharmacy technicians, to manage prescription drugs and offer appropriate patient care and customer service. Because of this need for skilled workers, wages account for a significant portion of revenue.
- The growing popularity of self-serve checkout systems has weakened the need for low-skill workers, pushing wage costs down. Leveraging technologies like inventory management and point-of-sale systems have supported stores expanding their businesses without raising wages.
- Larger pharmacies, including CVS and Walgreens, have hired nurse practitioners and physician assistants for ancillary clinic services. Stores offering these services must spend more on labor as the skills and training required for these positions command much higher salaries.

Rising automation drives wage costs down

Purchase costs inflate as stores expand the scope of their product offerings

- Similar to most retail industries, purchases account for the largest revenue share for pharmacies and drug stores. To avoid losing business, stores must ensure that popular consumer products and prescription medications are constantly stocked.
- The growing number of pharmacies and drug stores has pushed them to expand their product offerings in an attempt to compete with big-box retailers. Similarly, pharmacies have increasingly focused on achieving high prescription quotas to compensate for lower selling prices.
- Brand-name prescriptions and over-the-counter medications account for a large share of purchase costs. However, as more drugs enter the generic space, pharmacies have benefited from lower drug prices, causing purchase costs to only inch upward.

Share of economy vs. Investment



Financial Ratios

Days' Receivables
29.5 Higher than sector

Interest Coverage
2.6 Higher than sector

Debt/Net Worth
3.2 Higher than sector

Industry Multiples

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
EBIT/Revenue	8.1	6.8	6.8	4.0	4.6	5.2	6.1	6.6
EBITDA/Revenue	11.3	9.8	10.0	6.7	7.9	8.2	9.1	9.7
Leverage Ratio	5.0	6.4	6.8	11.2	12.6	10.2	8.4	6.9

Industry Tax Structure

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Taxes Paid/Revenue	1.8	1.5	1.5	1.1	1.1	1.2	1.4	1.5

Income Statement

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	96.9	96.8	97.4	48.7	73.4	73.2	82.6	89.9
Cost of goods	67.0	68.8	70.0	75.7	84.6	76.8	73.2	70.1
Gross Profit	33.0	31.2	30.0	24.3	15.4	23.2	26.8	29.9
Expenses								
Salaries and wages	7.6	7.5	6.9	5.4	5.4	5.9	6.6	7.3
Advertising	1.2	1.0	1.0	0.6	0.5	0.7	0.9	1.0
Depreciation	1.9	1.8	1.7	1.6	1.4	1.6	1.7	1.8
Depletion	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Amortization	1.3	1.2	1.2	1.0	1.7	1.3	1.3	1.3
Rent paid	1.5	1.5	1.5	1.4	1.5	1.4	1.5	1.5
Repairs	0.6	0.6	0.6	0.9	0.5	0.7	0.6	0.6
Bad debts	0.9	0.2	0.1	0.1	0.1	0.1	0.3	0.5
Employee benefit programs	1.6	1.5	1.5	1.0	1.4	1.3	1.4	1.5
Compensation of officers	1.8	1.8	1.7	1.0	1.3	1.3	1.5	1.7
Taxes paid	1.8	1.5	1.5	1.1	1.1	1.2	1.4	1.5
Interest Income	0.5	0.5	0.6	0.2	0.3	0.4	0.4	0.4
Other Income								
Royalties	0.9	0.7	0.7	0.4	0.6	0.6	0.6	0.7
Rent Income	0.9	0.8	0.9	0.2	0.1	0.4	0.6	0.7
Net Income	4.5	3.6	3.8	1.8	1.8	2.5	3.1	3.4

Balance Sheet

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Assets								
Cash and Equivalents	3.8	3.6	9.9	3.9	3.9	5.9	5.0	5.4
Notes and accounts receivable	10.2	10.2	8.7	7.3	8.1	8.0	8.9	9.5
Allowance for bad debts	0.6	0.6	1.0	0.6	0.6	0.7	0.7	1.0
Inventories	18.0	20.5	18.9	16.4	18.0	17.8	18.4	17.9
Other current assets	1.9	1.0	2.8	2.8	3.0	2.9	2.3	2.8
Other investments	47.8	46.6	46.9	41.3	33.6	40.6	43.3	42.9
Property, Plant and Equipment	9.1	29.7	27.0	26.9	27.5	27.1	24.0	26.0
Accumulated depreciation	6.4	14.2	13.6	11.2	11.6	12.1	11.4	13.1
Intangible assets (Amortizable)	22.9	24.0	24.0	23.4	21.6	23.0	23.2	24.4
Accumulated amortization	6.0	1.3	2.0	4.3	3.9	3.4	3.5	2.9
Other assets	4.7	7.6	10.8	8.1	7.6	8.8	7.8	5.8
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	2.9	3.8	3.1	2.9	3.5	3.2	3.2	3.6
Liabilities and Net Worth								
Mort, notes, and bonds under 1 yr	6.5	6.0	6.3	7.8	7.9	7.3	6.9	6.3
Other current liabilities	13.7	14.7	11.6	8.5	8.7	9.6	11.4	10.4
Loans from shareholders	7.2	10.6	7.6	8.5	8.1	8.1	8.4	9.6
Mort, notes, bonds, 1 yr or more	39.9	38.6	37.9	25.4	23.6	29.0	33.1	30.0
Other liabilities	15.6	10.7	10.6	5.2	5.5	7.1	9.5	10.1
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	10.4	9.9	8.0	5.6	3.7	5.8	7.5	8.8
Additional paid-in capital	54.3	60.8	54.2	53.9	46.0	51.4	53.8	59.9
Retained earnings, appropriated	0.5	2.5	1.6	0.4	0.4	0.8	1.1	0.8
Retained earnings-unappropriated	12.5	11.0	10.9	11.5	12.3	11.6	11.6	12.0
Cost of treasury stock	6.5	4.8	7.5	7.9	7.6	7.7	6.9	9.0
Net worth	24.2	29.6	29.9	37.3	31.7	33.0	30.5	36.4

Liquidity Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Current Ratio	1.5	1.5	2.1	1.7	1.7	1.8	1.7	1.9
Quick Ratio	0.7	0.6	1.2	0.8	0.8	1.0	0.8	1.0
Sales/Receivables	17.2	15.4	17.0	18.1	12.4	15.8	16.0	17.3
Days' Receivables	21.2	23.6	21.4	20.1	29.5	23.7	23.2	21.9
Days' Inventory	55.8	68.9	66.7	59.7	77.9	68.1	65.8	59.1
Inventory Turnover	6.5	5.3	5.5	6.1	4.7	5.4	5.6	6.4
Payables Turnover	40.6	28.9	33.8	35.0	24.0	31.0	32.5	31.4
Days' Payables	9.0	12.6	10.8	10.4	15.2	12.1	11.6	11.6
Sales/Working Capital	6.6	5.6	5.6	3.0	3.2	3.9	4.8	6.0

Coverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Interest Coverage	4.6	4.1	4.3	3.4	2.6	3.4	3.8	4.1
Debt Service Coverage Ratio	3.9	3.5	4.0	4.3	3.5	3.9	3.8	3.7

Leverage Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	2.0	2.5	2.4	1.9	2.2	2.2	2.2	2.0
Debt/Net Worth	4.1	3.4	3.3	2.7	3.2	3.1	3.3	2.9
Tangible Net Worth	0.2	0.3	0.3	0.4	0.3	0.3	0.3	0.4

Operating Ratios

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Return on Net Worth, %	58.4	36.1	33.9	14.4	14.6	21.0	31.5	31.0
Return on Assets, %	14.1	10.7	10.1	5.4	4.6	6.7	9.0	10.9
Sales/Total Assets	1.8	1.6	1.5	1.3	1.0	1.3	1.4	1.6
EBITDA/Revenue	11.3	9.8	10.0	6.7	7.9	8.2	9.1	9.7
EBIT/Revenue	8.1	6.8	6.8	4.0	4.6	5.2	6.1	6.6

Cash Flow & Debt Service Ratios (% of sales)

Ratio	2018	2019	2020	2021	2022	3-Year	5-Year	10-Year
Cash from Trading	31.0	28.0	29.8	24.6	15.0	23.1	25.7	29.1
Cash after Operations	21.0	18.0	15.4	13.5	5.3	11.4	14.6	17.3
Net Cash after Operations	18.0	15.6	16.3	15.1	6.2	12.5	14.3	16.5
Debt Service P&I Coverage	2.6	2.3	2.2	1.8	0.6	1.5	1.9	2.7
Interest Coverage (Operating Cash)	10.2	9.6	10.2	12.6	3.6	8.8	9.2	10.3

Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ Million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/ Revenue (%)	Estab. per Enterprise (Units)	IVA/ Revenue (%)
2005	351,921	11.8	17.6	33.6	38,042	10.8	1.9	14.0
2006	332,279	12.2	18.7	36.8	40,300	12.1	2.0	15.1
2007	364,428	11.9	16.7	32.7	44,923	12.3	2.0	14.9
2008	393,119	12.3	16.0	31.4	46,003	11.7	2.0	14.6
2009	417,186	12.7	15.3	30.5	48,225	11.6	2.0	15.3
2010	417,663	12.6	15.2	30.1	47,477	11.4	2.0	14.4
2011	442,627	12.6	14.1	28.6	49,440	11.2	2.0	14.7
2012	426,319	12.1	14.5	28.5	45,920	10.8	2.0	14.6
2013	435,964	11.9	14.0	27.2	47,013	10.8	1.9	14.7
2014	449,572	12.0	13.9	26.8	47,037	10.5	1.9	16.3
2015	458,587	12.2	13.9	26.6	46,794	10.2	1.9	14.6
2016	471,916	12.5	12.9	26.5	44,149	9.4	2.1	13.6
2017	501,433	12.7	12.1	25.4	49,281	9.8	2.1	14.0
2018	490,389	12.8	13.5	26.0	46,908	9.6	1.9	13.9
2019	500,950	12.6	13.0	25.2	48,016	9.6	1.9	14.1
2020	536,436	13.6	13.1	25.3	48,757	9.1	1.9	13.8
2021	536,655	13.5	13.0	25.2	48,760	9.1	1.9	13.8
2022	535,068	13.4	12.9	25.0	48,732	9.1	1.9	13.8
2023	540,976	13.6	13.0	25.2	48,836	9.0	1.9	13.7
2024	540,647	13.6	13.0	25.2	48,830	9.0	1.9	13.8
2025	543,460	13.8	13.1	25.4	48,881	9.0	1.9	13.7
2026	544,435	13.8	13.1	25.4	48,898	9.0	1.9	13.8
2027	545,319	13.9	13.1	25.5	48,914	9.0	1.9	13.8
2028	548,033	14.0	13.2	25.6	48,963	8.9	1.9	14.0
2029	545,432	13.9	13.1	25.5	48,916	9.0	1.9	14.0
2030	545,670	13.9	13.2	25.5	48,921	9.0	1.9	14.0

Key Statistics

Industry Data

Values

Year	Revenue (\$ Million)	IVA (\$ Million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (\$ Million)
2005	339,756.7	47,599.4	54,938	28,771	965,434	36,727.3
2006	364,559.8	55,151.5	58,705	29,853	1,097,149	44,214.8
2007	369,294.4	55,124.7	60,736	31,006	1,013,354	45,522.9
2008	378,184.0	55,223.0	60,234	30,672	962,009	44,255.8
2009	390,672.6	59,614.6	61,385	30,740	936,448	45,159.8
2010	399,919.9	57,457.8	62,911	31,760	957,518	45,460.2
2011	414,961.2	60,873.9	66,356	32,834	937,496	46,350.3
2012	416,545.8	60,696.1	67,371	34,307	977,075	44,867.3
2013	414,069.2	60,800.9	67,758	34,939	949,778	44,652.3
2014	426,556.2	69,368.9	68,117	35,459	948,805	44,628.7
2015	451,729.5	65,970.2	70,670	37,067	985,046	46,094.1
2016	467,317.0	63,345.6	76,987	37,341	990,255	43,718.3
2017	473,210.8	66,381.7	77,708	37,218	943,716	46,506.9
2018	481,952.4	66,825.3	73,055	37,769	982,797	46,101.4
2019	505,724.6	71,063.0	77,568	40,021	1,009,531	48,474.0
2020	565,845.1	78,020.1	80,824	41,674	1,054,823	51,429.7
2021	577,716.6	79,606.6	82,787	42,692	1,076,513	52,491.2
2022	585,339.9	80,675.9	84,674	43,684	1,093,955	53,310.4
2023	618,163.0	84,978.7	87,953	45,311	1,142,680	55,804.3
2024	629,742.7	86,620.2	89,661	46,230	1,164,794	56,876.8
2025	657,447.3	90,255.2	92,384	47,640	1,209,743	59,133.1
2026	682,099.1	94,068.2	95,665	49,324	1,252,856	61,262.5
2027	706,848.3	97,433.3	98,801	50,928	1,296,210	63,403.0
2028	739,231.4	103,676.9	102,338	52,717	1,348,880	66,045.0
2029	751,707.8	105,545.0	104,919	54,075	1,378,189	67,416.0
2030	777,321.6	109,136.3	108,308	55,815	1,424,526	69,688.7

Note

Figures are inflation adjusted to 2024

Industry Data

Annual Change

Year	Revenue %	IVA %	Establishments %	Enterprises %	Employment %	Wages %
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	7.3	15.9	6.9	3.8	13.6	20.4
2007	1.3	0.0	3.5	3.9	-7.6	3.0
2008	2.4	0.2	-0.8	-1.1	-5.1	-2.8
2009	3.3	8.0	1.9	0.2	-2.7	2.0
2010	2.4	-3.6	2.5	3.3	2.2	0.7
2011	3.8	5.9	5.5	3.4	-2.1	2.0
2012	0.4	-0.3	1.5	4.5	4.2	-3.2
2013	-0.6	0.2	0.6	1.8	-2.8	-0.5
2014	3.0	14.1	0.5	1.5	-0.1	-0.1
2015	5.9	-4.9	3.7	4.5	3.8	3.3
2016	3.5	-4.0	8.9	0.7	0.5	-5.2
2017	1.3	4.8	0.9	-0.3	-4.7	6.4
2018	1.8	0.7	-6.0	1.5	4.1	-0.9
2019	4.9	6.3	6.2	6.0	2.7	5.1
2020	11.9	9.8	4.2	4.1	4.5	6.1
2021	2.1	2.0	2.4	2.4	2.1	2.1
2022	1.3	1.3	2.3	2.3	1.6	1.6
2023	5.6	5.3	3.9	3.7	4.5	4.7
2024	1.9	1.9	1.9	2.0	1.9	1.9
2025	4.4	4.2	3.0	3.0	3.9	4.0
2026	3.7	4.2	3.6	3.5	3.6	3.6
2027	3.6	3.6	3.3	3.3	3.5	3.5
2028	4.6	6.4	3.6	3.5	4.1	4.2
2029	1.7	1.8	2.5	2.6	2.2	2.1
2030	3.4	3.4	3.2	3.2	3.4	3.4

Note

Figures are inflation adjusted to 2024

Key Success Factors

How do successful businesses overcome volatility?

Superior financial management and debt management

Financial management in any retail store can signify a company's health. Understanding and monitoring cashflow can enable a business owner to anticipate future needs and evaluate growth options.

An experienced workforce

Successful pharmacies and drug stores must staff employees with the accreditation to give medication advice to consumers. A knowledgeable front-end staff is also essential for efficient transactions and consumer product advice.

What products or services do successful businesses offer?

Supply a diverse range of products

Pharmacies should supply diverse products to maximize their appeal to a broad customer base and meet varying consumer needs.

Secure access to well-established brand names

Stores should secure access to well-established brand names to enhance their credibility, attract customers and instill trust. Stores can get brand names on shelves by establishing partnerships with reputable brands and negotiating distribution agreements.

How do businesses use location to their advantage?

Easy access for clients

Convenience is an important factor for consumers when choosing a pharmacy. Stores should emphasize securing a convenient location and designing a consumer-friendly store layout.

Proximity to key markets

Drug stores and pharmacies should be close to consumers, other stores or service providers, like hospitals, to promote foot traffic.

How do successful businesses handle concentration?

Develop a strong reputation

Cultivating strong relationships with customers fosters trust and loyalty. This ensures repeat business and promotes word-of-mouth referrals, which is crucial in a market where personal service can distinguish one store from another.

Provide superior after-sales service

Offering strong after-sales support enhances customer satisfaction and retention. Helping people understand their medications and addressing concerns makes them feel valued, driving long-term loyalty.

How can potential entrants overcome barriers to entry?

Be part of a franchising chain

Significant changes in manufacturers' and government drug reimbursement rates have occurred in recent years. Large pharmacies benefit from economies of scale that can offset higher input prices.

Develop strong technical product knowledge

Many consumers rely on pharmacists and other store employees to assist them in making health-related purchases. Having employees with strong technical product knowledge can help generate repeat business.

How do successful businesses compete with substitutes?

Secure a highly skilled workforce

A knowledgeable and skilled workforce can offer expert advice and personalized service, providing added value that substitutes may not offer.

and helping pharmacies retain customers.

Present products attractively

The store layout and displays should encourage customers to purchase and reinforce the company image. Merchandising and product placement are key to the success of popular consumer goods.

How do successful businesses manage buyer & supplier power?

Leverage brand recognition, referrals and store layout to boost sales

Pharmacies and drug stores mitigate buyer power by providing a unique shopping experience that encourages purchasing. Strong brand recognition and strategic store layouts enhance customer loyalty and repeat business while growing the size of purchases.

Offer competitive pricing for dispensing products, particularly for budget product lines

Offering budget-friendly options caters to price-sensitive consumers, making them less likely to choose substitutes. Competitive pricing can drive volume sales and foster customer loyalty, minimizing the impact of price competition.

Call Prep Questions

Role Specific Questions

Sales & Marketing

How has the shift to online pharmacies (external competition) impacted demand for your business?

- Heightened competition from online pharmaceuticals will continue to threaten traditional pharmacies and drug stores.
- Many larger stores have begun offering online services to combat external competitors.
- Online pharmacies are gaining traction among consumers as they offer safe and convenient services.

How is demand for pharmaceutical services impacted by periods of volatile economic performance?

- During periods of economic volatility, many consumers switch to generic medications rather than brand name due to the relatively lower costs.
- Consumers generally decrease medical visits when economic conditions are unfavorable, resulting in a declining need for prescription medications.

Strategy & Operations

Does your company pursue mergers and acquisitions in an attempt to reduce costs through economies of scale?

- The most effective way for pharmacies and drug stores to grow their business is through acquisitions, which can gain their company access to new clientele.
- The industry's largest companies have completed multiple mergers and acquisitions.

Have you renegotiated purchasing contracts to reduce purchasing costs?

- Operators' profitability partially depends on their ability to negotiate favorable discounts from drug manufacturers.
- Larger players are better suited to develop favorable supply contracts with manufacturers.
- Purchase costs continue to account for the largest share of revenue. A store's inability to lower purchase costs can negatively impact demand.

Technology

How has your company leveraged point-of-sale (POS) systems to reduce purchasing errors and reduce overall operational costs?

- Advances in computerized retail point-of-sales (POS) systems enable pharmacies and drug stores to more accurately manage stock levels and improve inventory turnover.
- POS systems are incredibly valuable and widely used to ensure costs are kept in check.

How does your company utilize new technology, like automated medication dispensing systems, in its operations?

- Computerized dispensing systems enable pharmacists to keep records of a client's conditions, allergies, prescription history, concessional status, the doctor who prescribed the drug and the amount owed to the pharmacy.
- Such technologies ensure the legality of all prescriptions filled and save the pharmacy in costs associated with improperly filled prescriptions.

Compliance

How does your company ensure all health and safety requirements are met?

- Pharmacies and drug stores must comply with various employee health and operation regulations, particularly those set by the Occupational Safety and Health Administration.
- These stores must also ensure their locations are accessible to consumers with disabilities.

In a highly regulated industry, how does your company stay abreast of an ever-evolving regulatory environment?

- Few industries are subject to as much regulation as the pharmaceutical industry due to safety concerns.
- The government designs cost-containment programs that can encourage consumption, and it also controls the drug approval process.
- Regulations regarding the drug approval process can either raise supply or reduce it, leading to profit margin fluctuation, especially when pertaining to newer generic medications.
- Operators can remain abreast of changes in regulations or policies through several high-profile national industry associations, including the National Association of Chain Drug Stores and the National Community Pharmacists Association.

Finance

In an industry with high market share concentration and rising internal and external competition, how does your company's profit margin compare with your major competitors?

- Profit in this industry varies depending on the size and locations of the store, with the major players generally experiencing the highest profit.
- Demand for pharmacies and drug stores will continue to grow, as older consumers tend to generate higher demand for these stores and the US population is aging.

How have you adjusted to rising purchase costs to maintain profitability?

- Pharmacies and drug stores work to keep operational costs low to ensure profitability.
- A key method many operators use is to rely on part-time employees and self-checkout technologies to reduce wage costs.
- While operators can lower front-end wage costs relatively easily, it is difficult to lower pharmacy-specific wage costs, due to the higher salaries commanded by more skilled workers.

External Impacts Questions

Federal funding for Medicare and Medicaid

How does the change in federal funding for Medicare and Medicaid impact your pharmacy's revenue and customer base?

- Many consumers rely on Medicare and Medicaid to be able to afford access to healthcare and medication.
- If funding for these programs falls, consumers will have fewer resources to purchase prescription drugs and other medications carried by these stores, harming revenue.

Number of adults aged 65 and older

How reliant is your business on older demographics?

- However, consumers 65 and older account for the second largest market, proving to be an important market for pharmacies.
- Older consumers are more at risk of catching serious virus and other diseases. This has encouraged many to switch to online or otherwise contactless pharmacy services.

Per capita disposable income

How has the rising disposable income affected your company's performance? Do disposable income levels impact your business during periods of relative normalcy?

- Although need-based demand for prescription drugs is typically less susceptible to changes in consumers' discretionary income, sales of nonessential, front-end goods are influenced by fluctuations in disposable income.

Internal Issues Questions

Participation in pharmacy benefit management (PBM) networks

How has your company leveraged its relationship with its pharmacy benefit management networks? How does your network compare to that of your competitors?

- A PBM is a third-party administrator of prescription drug programs responsible for contracting with pharmacies and directing clients to certain stores.

- Pharmacies and drugstores must operate within PBM networks to gain customers.

Ability to control stock on hand

Have you experienced supply chain disruptions? How has this impacted your ability to control your stock on hand?

- Stock controls must be used to manage ideal inventory levels and increase sales.
- Inventory management can help retailers track the items customers are demanding and ensure these goods are available for purchase.

Experienced work force

What training does your work force undergo to ensure all staff is highly knowledgeable of products and services?

- Successful stores must staff employees with the accreditation to give medication advice to consumers.

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