

# PROFILING COMMUNITY PHARMACY OWNERSHIP

SUE BURTON



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# PROFILING COMMUNITY PHARMACY OWNERSHIP

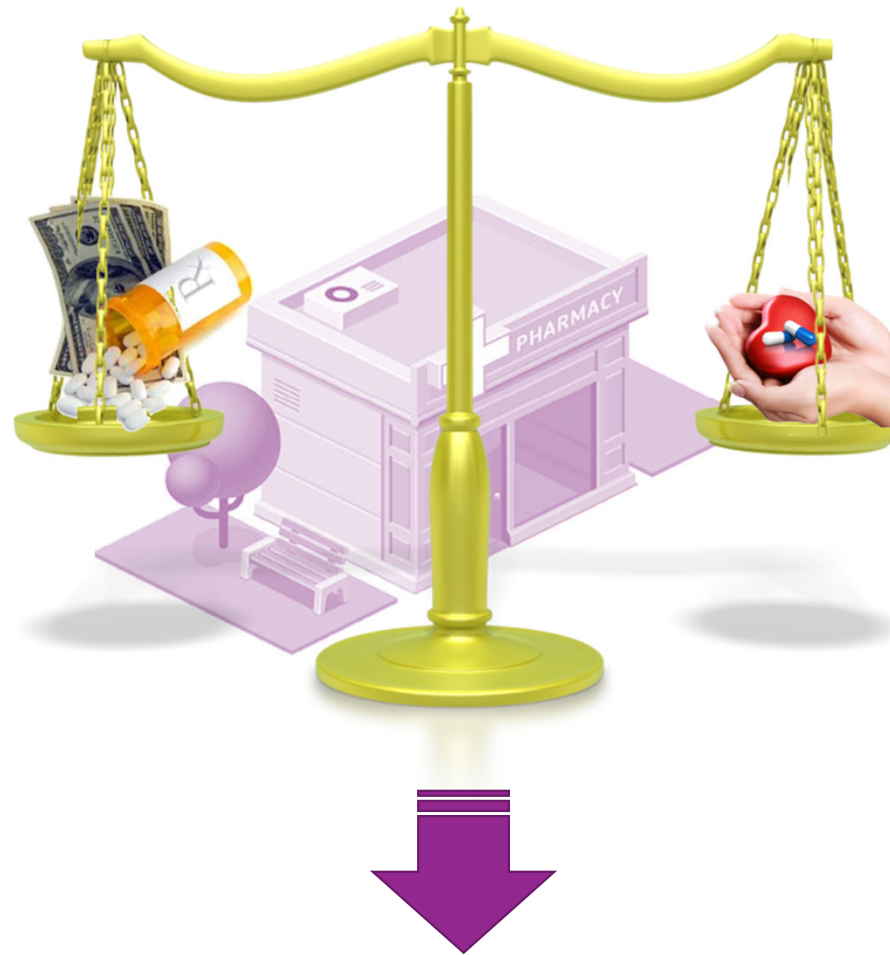
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# OVERVIEW

- Background to deregulation and open ownership
- Open ownership and types of ownership
- Consequences of deregulation
- Way forward



Commercial interests and  
need for profit generation



Altruistic motives of  
providing a healthcare  
service

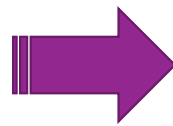
Commercial, business  
or product orientation

Professional, service  
or patient orientation

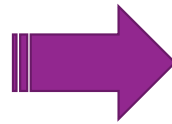
**Struggle for role definition and professional status**



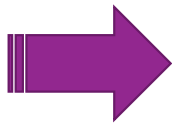




**Ownership – who may own a pharmacy  
and the number of pharmacies they  
may own**



**Market entry and the establishment of  
new pharmacies**



**Operating or opening hours**

## CORPORATE/CORPORATION

An organizational form typically found in business, characterized by clearly articulated corporate objectives, centrally managed, with a separation between senior management and operations



**CORPORATISATION**

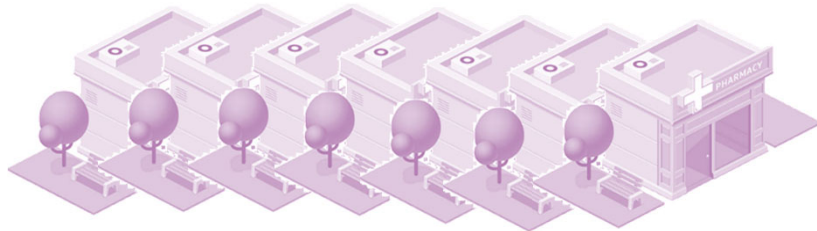
## CORPORATISATION

The shift in community pharmacy ownership, from private independent pharmacies to corporate chain pharmacies



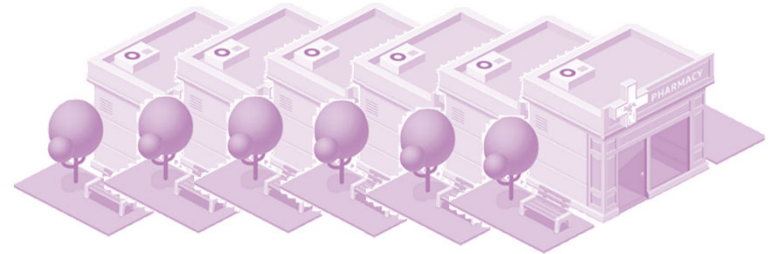
## INDEPENDENT PHARMACY

A retail or community **pharmacy owned by a pharmacist or multiple pharmacists**, who have five or less pharmacy outlets



## CORPORATE PHARMACY

A retail or community pharmacy forming part of a **corporation-owned** small, large, multiple or supermarket pharmacy chain



## CHAIN PHARMACY

A retail or community pharmacy, belonging to a group of more than five pharmacy outlets, owned or co-owned by a pharmacist, multiple pharmacists and/or non-pharmacists, business entities or corporations





**Creation of a free market environment – Competition**



**Access**



**Affordability**



**Consumer  
choice**



**Quality of  
services**



- **South Africa - changes to the Pharmacy Act in 2002, allowing for open ownership, were based on the understanding that prospective entrepreneurs and businesses would be enabled to open pharmacies in underserved areas and provide highly needed pharmaceutical services**
- **Sweden, North Dakota, New Zealand**

## Affordability of medicines to the consumer

**Competition is believed to stimulate efficiency**



Economies  
of scale



Enhanced buying  
power



Lower  
distribution  
costs

**Been cited as the rationale for deregulation by many governments, including Iceland, Norway, Portugal, South Africa and Sweden**

Increased consumer choice and quality of service

Competition



Increase  
range



Improve  
quality



Drive  
innovation

**New Zealand Health Ministry suggests that ‘more flexible ownership arrangements could assist in achieving the mutual goal of the pharmacy profession and the Government of helping the sector move toward better, integrated and consumer centered care’**

# PHARMACY OWNERSHIP

**OPEN  
OWNERSHIP**

**MIXED  
OWNERSHIP**

**PHARMACISTS  
ONLY**

Belgium, Bulgaria,  
England, Iceland,  
Ireland, Italy,  
Netherlands, Norway,  
Portugal, Romania,  
Slovakia, South Africa,  
Sweden, Switzerland,  
Most US states,  
Some Canadian provinces

Austria (51%), Cyprus (51%),  
Latvia (51%), Lithuania (75%),  
Spain (75%), New Zealand (51%)  
North Dakota (51%), Michigan (25%)

Australia, Denmark  
Finland, Germany  
Greece, Luxemburg  
Turkey, India,  
Nigeria, Vietnam,  
Cameroon, Lebanon

**LIMITATIONS ON  
MULTIPLE OWNERSHIP**

**TIGHTLY CONTROLLED  
ENTRY OF NEW PLAYERS**



- In some countries corporate chains are now the norm - Norway 96%, Sweden 86%, US 64%, UK 61%, (South Africa 45%)
- In more regulated countries – franchising or branding has created *de facto* chains or networks of privately owned pharmacies



# IMPACT OF DEREGULATION OF OWNERSHIP LAWS ON THE GLOBAL COMMUNITY PHARMACY MARKET

Access to medicines and pharmaceutical services

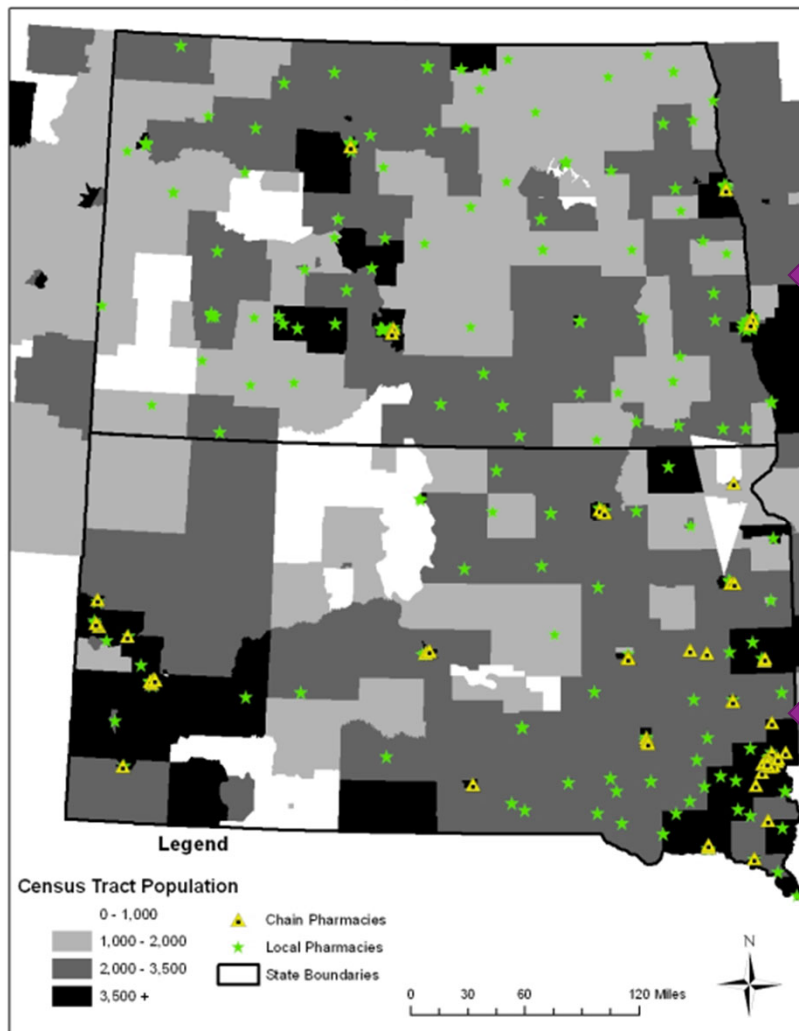


**Initial ↑ in the number of pharmacies and ↓ in the number of inhabitants per pharmacy, but no apparent increase in rural and previously under-served areas**



**Two-tier community pharmacy market – services are provided in suburban and city nodes and rural areas are underserved**

**In Estonia and Hungary – lack of increased access has resulted in the reintroduction of regulatory control of ownership - reregulation**



## North Dakota

More pharmacies per capita and more pharmacies dispersed across rural areas

## South Dakota

## Affordability of medicines and pharmaceutical services



**Anticipated financial savings on medicine costs are not generally realized for either the patient or the government**

**Corporates have the economies of scale and financial muscle to negotiate with governments and third-part agents → designated service providers**

**Trend toward horizontal and vertical integration in the pharmaceutical distribution chain**

Within corporate chains, dispensary operations are frequently not considered to be a significant contributor to profits; and the role of dispensaries is shifting from being a 'profit-driver to a traffic driver'

"... dispensaries ensure greater footfall in stores, thus increasing sales volumes across the brand"

## Consumer choice and quality of services



**Increased consumer choice generally realized soon after deregulation**

**However, with time, vertical and horizontal integration and the formation of oligopolies leads to decreased consumer choice**



**No relationship between pharmacy type and essential pharmaceutical services.  
Enhanced services for which there is no short-term benefits tend NOT to be offered by large chains and supermarket pharmacies while services for which there are reimbursements (eg MURs) are offered**



## Professional implications of deregulation



**Loss of the pharmacists' autonomy, decision-making abilities, and level of control**

European Court of Justice (2009) ruled the restriction of pharmacy ownership was justifiable as necessary for the reliable provision of good quality medicinal products. The safe sale of medicinal products is most probable when a pharmacist has 'genuine professional independence'

International evidence and experience does not necessarily support a claim to superiority of any of the ownership types.

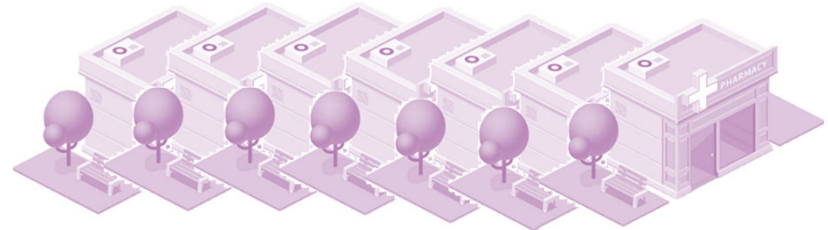
Useful lessons to learn from all types of ownership

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INDEPENDENT  
PHARMACY

**Pharmacist availability,  
Advisory and health promotion role,  
Enhanced services**



CORPORATE  
PHARMACY

**Efficiency and rationalisation**

- Fully integrate into primary care
- Supportive and proactive professional bodies
  - Pharmacy education

