



Supermarket pharmacies

– bad for health



It is claimed by some that incorporating pharmacies into supermarkets (and generally opening up pharmacy ownership to large corporations) would benefit consumers and the Government.

The Pharmacy Guild has consistently opposed the corporate model of pharmacy, opting instead for maintenance of a well distributed network of independently-owned pharmacies. Our world-class pharmacy system is backed by a highly specialised wholesale distribution system and features a strong emphasis on professional health care and the quality use of medicines. The Guild believes that this is the best way of maintaining high levels of professionalism in the practice of pharmacy and is ultimately best for both consumers and Governments.

Supermarket pharmacies

There are numerous reasons for opposing the absorption of yet another small business sector into large corporations, such as Australia's very powerful supermarket chains.

The two major grocery retailers in Australia, Woolworths and Coles, control approximately 80 per cent of the Australian retail grocery market between them. This has been questioned by a great many politicians and commentators in recent years.

Both Woolworths and Coles have openly expressed their desire to include pharmacy in their supermarket operations. Acquisitions in liquor and petrol in recent years have demonstrated how quickly they are able to dominate new markets. In pharmacy, this could lead to oligopolistic control over prices and place Governments under considerable pressure to change the nature of pharmacy, moving it away from its current emphasis on quality use of medicines towards a supply-based model. Much would be lost for the health care system and for the capacity of Governments to utilise pharmacy in meeting their health care priorities.

Corporatisation also poses a threat to the broader community pharmacy network, which is a delicately balanced distribution system. Community pharmacies, spread uniformly throughout the country, are serviced by three wholesalers who make at least daily, often more frequent deliveries of sometimes quite small quantities of pharmaceuticals at equal cost, guaranteeing prompt supply to customers of a huge range of medications even including those which are rarely used or quite obscure.

Any development which leads to large, corporatised chain ownership with the eventual capacity to bypass wholesalers and make bulk purchases directly from manufacturers will damage the distribution network with an immediate impact on the supply of these services to rural and regional centres. It has very little bearing on price, since over 60 per cent of pharmacy business is covered by the Pharmaceutical Benefits Scheme (PBS), with prices being fixed by Government.

Supermarkets should never be allowed to operate pharmacies

Pharmacists care about patients and health outcomes. Supermarkets are legally obligated to put shareholders and profit FIRST.

Pharmacists offer free services (more than 78 million free consultations a year).

In outlining its desires to own and operate pharmacies, Woolworths indicated that it would cut pharmacy staff numbers – yet claims it will improve access to medicines and advice. Is any supermarket pharmacy likely to provide methadone or buprenorphine services or participate in needle supply programs?

Pharmacists will refuse a sale if they believe it might be harmful to the patient.

Four of Woolworths's five biggest selling products are cigarettes and it aims to sell billions of dollars of alcohol each year – two major causes of disease and death. Did you know that treating smoking-related illness costs Australia over \$20 billion per year?

Community pharmacy is a highly-competitive market of 5000 independently-owned businesses and a separate supply chain.

Woolworths claims that allowing it to own pharmacies will increase competition. It has also mooted taking over the wholesale supply chain. That kind of “increased competition” sounds like the level of competition we now see in the supermarket arena – two companies controlling 80 per cent of the market. Both members of Australia’s supermarket “duopoly” have been fined by the competition watchdog for anti-competitive behaviour in the past. Australian patients as individuals pay less for most medicines than in almost any other country in the world thanks to the PBS and the current system of pharmacy.

Woolworths has claimed that Australians are paying too much for medicines and that they would save money if corporate ownership of pharmacies was permitted. Such a system does not deliver cheaper medicines to consumers in the USA, so why would it here? What would a Woolworths pharmacy look like in 10 or 15 years time, after they have driven most of their small business competitors out of business and can exercise all the power that comes with total market dominance?

Health should be left to health professionals.

Different priorities - health vs profit

The simple fact is that non-pharmacist shareholders are driven by different priorities from pharmacist owners. Non-pharmacist shareholders are more likely to:

- engage in price promoting activities to increase sales rather than competing on service;
- reduce the level of those services which contribute to society’s well being, while not contributing to profits;
- be driven by considerations of profit and share value rather than by non pecuniary benefits such as building a good reputation in the community; and
- operate on the basis of high turnover of a limited range of products, with low staff ratios and minimal levels of service.

A pharmacist owner is less likely to place as much value on narrow pecuniary benefit as are shareholders of public companies. This is not because pharmacist owners are necessarily altruistic, but simply because as owner operators they are better able to take advantage of the non-pecuniary benefits of operating their pharmacies.

Pharmacists are educated in professional ethics as part of their training and socialisation into the profession. They tend to see themselves as professionals with particular social obligations, not merely as retailers of medicines. These social obligations include the provision of services which may not be profitable, such as the provision of free advice or the deliberate choice to decline a sale based on a medical concern.

Many pharmacists enjoy ongoing relationships with their customers/patients, often built over long associations. Pharmacist owners have a greater incentive to establish such ongoing relations because there is a direct benefit to them in building good-will. This has the added benefit of building up a knowledge base about regular customers/patients, so that health advice can be more accurate and focussed.