

# How Strong are the Pharmacy Chains within the EU?

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**Abstract:** *The retail pharmaceutical market is undergoing a long-term change in structure. Pharmacies, formerly owned almost exclusively by pharmacists, are becoming part of the chain thanks to the liberalization of operating conditions. Chains are expanding successfully due to economies of scale and superior purchasing power. The aim of this paper is to create an up-to-date overview of the number of pharmacies, chain pharmacies, and shares of the largest chains in individual EU countries. Comparing the data obtained with older sources will indicate what future market development could be.*

*Data sources are state authorities, national associations, and professional bodies, international organizations associating entities and companies active in the distribution of pharmaceuticals and the World Health Organization. Data were subject to a cross-country comparison and comparison with previously published data (2003 - 2015).*

*Out of 160 thousand EU community pharmacies, 16.7 % is wholly owned by Retail Pharmacy chains. James Dudley Management (2015) study which covers 20 European countries states 13.3 %. There is no single chain active in 11 member states. Pharmacy chains own 80% of community pharmacies and more in 4 EU countries.*

**Key words:** Pharmacy · Chain · Community · EU

**JEL Classification:** I11 · F15 · F23

## 1 Introduction

Over the past 15 years, the conditions for opening and operating pharmacies have been liberalized in some of EU member countries. Consolidation we have seen in many of retail segment. In 2016, Starks's study "Structural change in food retailing" states: "Tesco is dominant in UK grocery retailing with 28 % share." Top 3 grocery chains in the UK share more than 50 % of the market. A similar situation can be observed in Germany where: "Consolidation, market saturation, strong competition and low prices are key characteristics of the German retail food market. The market leaders are Aldi, Edeka, Lidl and Rewe." (Wortmann, 2004)

In Taylor, Mrazek, and Mossialos (2004) described pharmaceutical distribution as follows:

"In much of Europe, only pharmacists can purchase or establish pharmacies, and in many instances, a pharmacist cannot own or be responsible for more than one pharmacy. Such regulations inhibit the formation of large managed pharmacy chains such as those most typically found in the UK and North America." (Taylor et al., 2004)

Vogler, Arts, and Habl (2006) state:

"In the last few years, deregulation of public services has taken place in the several Member States of the European Union. One of the sectors targeted is health care, and, among others, the pharmacy business. Pharmacy is, by tradition a strictly regulated sector, in order to guarantee the high quality of and broad accessibility to pharmaceuticals. Typical regulations in the pharmacy sector concern the establishment of new pharmacies (often based on the assessment of the public's needs), ownership issues (pharmacies owned by independent pharmacists, prohibition of pharmacy chains), as well as the quality of the training of pharmacists and other staff working in community pharmacies. The rationale behind deregulation in the pharmacy sector is the expectation that liberalization will increase competition and thus succeed in lowering, or at least containing, (public) expenditure, while accessibility to and quality of pharmacy services will be, at least, kept stable or even be improved by the opening of new outlets." (Vogler et al., 2006)

In 2011, Kanavos, Schurer, and Vogler elaborated a comprehensive study for the European Commission where, among other things, they claim:

"Greater efficiencies can be achieved by joint procurement and this can materialize through a horizontally or a vertically integrated structure or a cooperative. Countries, where horizontal or vertical integration are limited by current legislation, are taking advantage of the 'cooperative solution', e.g. Spain, France, and Greece." (Kanavos et al., 2011)

Background document for Senato della Repubblica (2015) that provides Pharmacy chain overview contains detailed information of chains in full ownership with brands, owners, and number of shops for 15 EU countries (except Italy and Malta). The list includes 91 pharmacy chains with 13,605 branches.

According to the study of James Dudley Management (2015) which covers 20 main European markets is 13.3 % of all community pharmacies grouped in wholly owned retail pharmacy chains. The study also states: “Celesio, WBA, and Phoenix are the main players in the development of wholly owned retail pharmacy chains in Europe. The three companies between them control 35% of pharmacies in wholly owned chains“. Celesio became McKesson Europe from September 12, 2017. WBA is an abbreviation for Walgreens Boots Alliance Company.

## 2 Methods

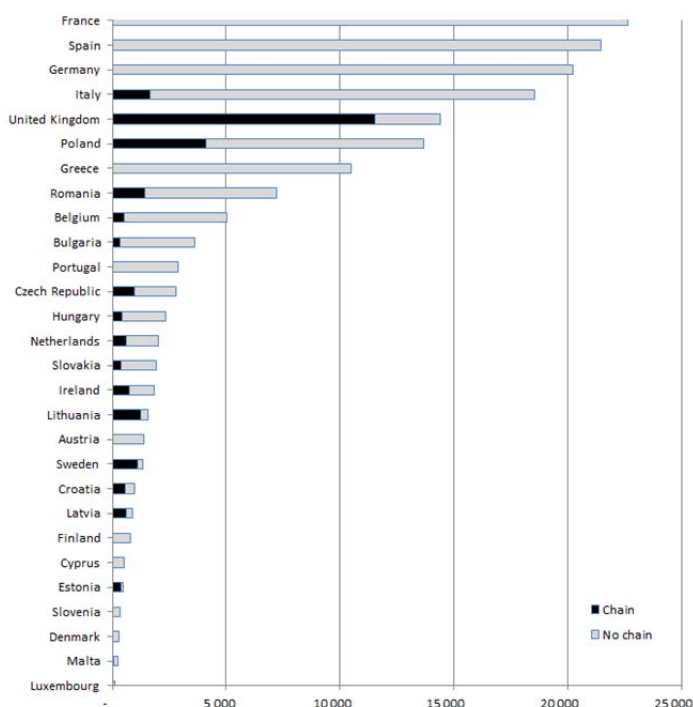
Data source by country: Austria (Österreichische Apothekerkammer, 2017), Belgium (Algemene Pharmaceutische Bond, 2017), Bulgaria (Groupement International de la Répartition Pharmaceutique, 2017), Croatia (Hrvatska ljekarnička komora, 2017), Cyprus (Ministry of Health Cyprus, 2017), Czech Republic (Státní ústav pro kontrolu léčiv, 2017), Denmark (Danish Medicines Agency, 2017), Estonia (WHO Collaborating Centre, 2017), Finland (The Association of Finnish Pharmacies, 2016), France (Ordre National Des Pharmaciens, 2017), Germany (ABDA – Bundesvereinigung Deutscher Apothekerverbände, 2017), Greece (Groupement International de la Répartition Pharmaceutique, 2017), Hungary (Groupement International de la Répartition Pharmaceutique, 2017), Ireland (The Pharmaceutical Society of Ireland, 2017), Latvia (WHO Collaborating Centre, 2017), Lithuania (WHO Collaborating Centre, 2017), Luxembourg (Groupement International de la Répartition Pharmaceutique, 2017), Malta (Government of Malta, 2017), Netherlands (Groupement International de la Répartition Pharmaceutique, 2017), Poland (Groupement International de la Répartition Pharmaceutique, 2017), Portugal (Groupement International de la Répartition Pharmaceutique, 2017), Romania (Groupement International de la Répartition Pharmaceutique, 2017), Slovakia (Szalayová, Skybová, Kandilaki & Szalay, 2014), Slovenia (Pharmaceutical Group of the European Union, 2017), Spain (European Pharmacist Forum, 2017), Sweden (Läkemedelsverket, 2017), United Kingdom (General Pharmaceutical Council, 2017).

We compared the data obtained country by country with figures from several studies (Paterson, Fink, Ogus, Merz, Fink, & Berrer, 2003; Taylor, Mrazek, & Mossialos, 2004; Vogler, Arts, & Habl, 2006; Kanavos, Schurer, & Vogler, 2011; James Dudley Management, 2015) and a list of chains of pharmacies for hearing of the Italian Senate on the amendment to the Competition Act (Senato della Repubblica, 2015).

## 3 Research results

Of the total number of 160,087, EU 28 pharmacies 16.7 % is wholly owned by Retail Pharmacy chains. 10.4 % is a share of chain pharmacies if we exclude UK data from the study.

**Figure 1** EU 28 member states – number of pharmacies grouped in chains and outside of chains.



Source: Authors' elaboration. List of data sources is in the chapter 2 Methods.

Paterson et al. (2003) states 117 thousands of community pharmacies in “old“ EU 15. Table 1 is a comparison of Paterson's data with recent figures.

**Table 1** EU 15 member states – number of pharmacies 2003 and 2017.

	No of pharmacies 2003	No of pharmacies 2017
Austria	1,086	1,380
<b>Belgium</b>	<b>5,273</b>	<b>5,017</b>
Denmark	1,556	314
Finland	795	810
France	22,689	22,655
Germany	21,590	20,249
Greece	8,348	10,500
<b>Ireland</b>	<b>1,186</b>	<b>1,836</b>
<b>Italy</b>	<b>16,382</b>	<b>18,549</b>
Luxembourg	79	95
<b>Netherlands</b>	<b>1,600</b>	<b>2,000</b>
Portugal	2,778	2,900
Spain	19,439	21,458
<b>Sweden</b>	<b>1,889</b>	<b>1,339</b>
<b>United Kingdom</b>	<b>12,311</b>	<b>14,405</b>
Total	117,001	123,507

Note: Countries with chains in bold.

Source: Authors' elaboration. Data sources are Paterson et al. (2003) and sources listed in the chapter 2 Methods.

### 3.1 Pharmacy chains

23,853 community pharmacies are members of wholly owned pharmacy chains. Top 3 pharmacy chains operate 6,385 EU pharmacies (and 619 in Norway). Walgreens, McKesson, and Phoenix own 26.8 % of chain pharmacies in EU.

Penta, the owner of Dr.Max chain, is very active in acquisitions into the healthcare segment. Dr.Max operates pharmacies in the Czech Republic, Slovakia and Poland (Penta Investments, 2017).

**Table 2** Top owners of pharmacy chains in EU (number of pharmacies).

	Dudley (2015)	2017
Walgreens Boots Alliance	2,846	2,845
McKesson Europe	2,184	over 2,100
Phoenix Group	1,880	2,059
Penta Investments	850	1,024

Source: Authors' elaboration. James Dudley Management (2015), Celesio (2017), Penta Investments (2017), Phoenix Group (2017), Walgreens Boots Alliance (2016).

**Table 3** Pharmacy chains and their shares by countries.

Country	% of chain pharmacies	% of Top country chains out of total chain pharmacies			Name and owner of chain		
		No. 1	No. 2	No. 3	No. 1	No. 2	No. 3
Sweden	84	37	34	29	Apoteket (state owned)	Apotek Hjärtat	Kronans Droghandel
Estonia	80	25	22	9	Terve Pere (Magnum)	BENU (Phoenix)	Eurovaistine
Lithuania	80	24	23	22	Camelia	Gintarine	Eurovaistine
United Kingdom	80	20	16	9	Boots (Walgreens)	Lloyds (McKesson)	Well (Bestway)
Latvia	70	27	17	9	Recipe Plus	a.Apotheka (Magnum)	Benu (Phoenix)
Croatia	60	13	8	6	Primapharme	Atlantic	Jadran
Ireland	40	13	11	4	Unicare (McKesson)	Boots (Walgreens)	Hickey's
Czech Republic	35	43	20	3	Dr.Max (Penta)	BENU (Phoenix)	IPC
Netherlands	30	83	13	11	Brocacef (Phoenix McKesson)	VNA	Boots (Walgreens)
Poland	30	21	8	5	DOZ	Dr.Max (Penta)	Farmacol
Malta	20	48	0	0	Brown's		
Slovakia	20	60	15	14	Dr.Max (Penta)	City Farna	Farmacol
Romania	20	39	35	21	Catena	Sensiblu	Dona
Hungary	19	31	18	13	Benu (Phoenix)	Hungaropharma	Drogerij med, Eli (Teva)
Belgium	10	54	20	20	Multipharma	Lloyds (McKesson)	EPC Group
Bulgaria	9	61	34	0	Mareshki	CSC	
Italy	9	11	0	0	Lloyds (McKesson)		

Source: Authors' elaboration. List of data sources is in the chapter 2 Methods.

## 4 Conclusions

The share of pharmacy chains remains relatively small especially when we exclude UK data (10.4 %). Our total EU 28 result of 16.7 % of chain pharmacies shows increase more than 3 % in two years in comparison with James Dudley Management's (2015) 13.3 % but data is not fully comparable. Dudley survey includes 18 EU countries, Norway, and Switzerland.

Data from the comparison of EU 15 shows 5.6 % of the increase in the number of all community pharmacies between 2004 and the last available figures. Recently the conditions for operating of pharmacies were liberalized in Greece (2015) and Italy (2017). Consolidation in “new” member states will bring probably an increase in a number of chain pharmacies although some of the countries try to reestablish limits for newly opened pharmacies (Hungary, Estonia). Penta announced to enter pharmacy retail market in Serbia, Romania and Italy (Penta Investments, 2017).

Horizontal integration in the pharmaceutical retail segment continues relatively slowly, which is probably due to the very varied conditions for the operation of pharmacies in the Member States and the problems of health financing in some of the countries.

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