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Why Wal-Mart won't be a player in the PBM marketplace

Question

What impact could Wal-mart potential entry as a PBM (pharmacy? Benefits manager) would have on the industry, especially the sale of Pharmaceuticals, and competitive impact/reaction for Target and Walgreen's and other drugstore retailers. (Impact on traffic, sales, Pricing, etc. for Wal-mart, vs. other drugstore retailers?)

Answer

Although the PBMs have their niche of strong Players I would never bet against Wal-Mart becoming a major Player. Wal-Mart has already laid the ground work with a Successful retail pharmacy business. Their business model of Putting distribution centers close to their retail outlets should help them with their timeliness and availability. This will cut their cost which will ultimately become a cost cutting effort for their customers and you know that every business and every consumer is trying to cut cost.”

Unless something has changed Wal-Mart, CVS & Walgreen's are not considered PBMs. Those companies are strictly retail. Express Scripts & Merck Medco is a PBM”.

It is true that Wal-Mart's entry into the market from this angle will reach a lower income customer base. The Medicare and insurance companies will notify the increasing populous of geriatrics and elderly (baby boomers) in this country, they will be inclined to go to the nearest Wal-Mart particularly in the South and Midwest where there are plenty of Wal-Mart's and Super Wal-Mart's. However in my sales territories around large urban

areas Wal-mart locations are so few-and-far between. They are really in areas like central Illinois.

I don't think they will make as big big impact mainly because of locations.

So in these rural areas it may help there position overall and they could become a force to be reckoned with for Target and Walgreen's.

Secondly, as I recall a number of years back Wal-Mart did not sell their prescription data to the prescription data companies

Historically it was always somewhat hard for major pharma company to track scripts (sales/market share) through this company.

No pricing advantage

Wal-Mart will also not be able to actively compete on price in the PBM market so they won't be able to really affect the pricing of pharmaceuticals. Pharma sets the price companies and the prices do not go down to compete with generic versions that launch typically when patents run out.