

Amazon opens online pharmacy, shaking up another industry

November 17 2020, by Joseph Pisani and Tom Murphy



In this Oct. 1, 2020 file photo, an Amazon logo appears on an Amazon delivery van, in Boston. Amazon opened an online pharmacy Tuesday, Nov. 17 giving shoppers the chance to buy their medication and order refills on their phones and computers and have it delivered to their doorsteps in a couple of days. (AP Photo/Steven Senne, File)

Now at Amazon.com: insulin and inhalers.

The online colossus opened an online pharmacy Tuesday that allows customers to order medication or prescription refills, and have them delivered to their front door in a couple of days.

The potential impact of Amazon's arrival in the pharmaceutical space rippled through that sector immediately. The stocks of CVS Health Corp., Walgreens and Rite Aid all tumbled Tuesday.

The big chains rely on their pharmacies for a steady flow of shoppers who may also grab a snack or shampoo or groceries on the way out. All have upped online services and touted their abilities to deliver prescriptions and other goods as the COVID-19 pandemic has pushed more consumers to stay home. But Amazon.com has mastered these things, and its online store is infinitely larger, with millions of loyal shoppers already buying books, TVs and just about anything else.

"The news represents a disruption to the system and competitive threat that will likely shift scripts away from the retail channel," analysts at Citi Research said in a note.

Amazon has a history of disruption. Launched in 1995 as an online book store, it pushed other booksellers to sell online. But those that couldn't keep up went out of business, like the Borders bookstore chain, which disappeared in 2011.

Its purchase of Whole Foods three years ago sent supermarket stocks spiraling, but many have been able to hold their own against Amazon, offering home delivery and curbside pickup of groceries.

Amazon has also become a threat to shipping companies, delivering more than half of its own packages itself. Vans stamped with the

Amazon logo have become as common a sight as the UPS truck.

The company said its online pharmacy will offer commonly prescribed medications in the U.S., including creams, pills, as well as medications that need to stay refrigerated, like insulin. Shoppers have to set up a profile on Amazon's website and have their doctors send prescriptions there. It won't ship medications that have a high risk of being abused, like some opioids.

Most insurance is accepted, Amazon said. But Prime members who don't have insurance can also buy generic or brand name drugs from Amazon for a discount. They can also get discounts at 50,000 physical pharmacies around the country at Costco, CVS, Walgreens, Walmart and other stores.

That could be appealing to the uninsured or people who have plans that make them pay a high deductible first before their coverage starts, said John Boylan, an analyst who covers Walgreens for Edward Jones.

He said Amazon's move will mostly affect smaller drugstores that don't have either the retail giant's purchasing power or deals that major drugstore chains have with insurers to funnel patients to their stores for prescriptions.

Amazon has eyed the health care industry for some time. Two years ago, it spent \$750 million to buy online pharmacy PillPack, which organizes medication in packets by what time and day they need to be taken. Amazon said that PillPack will continue, focusing on shipping medication to people with chronic conditions.

CVS and Walgreens, which have opened thousands of drugstores nationwide to get closer to customers, have been trying to adjust to the rise of online shopping by offering same-day deliveries in many

markets.

Walgreens also has a partnership with FedEx for a delivery service that takes a day or two. Walgreens CEO Stefano Pessina told analysts in July that the company has seen "unprecedented demand" for both home delivery and online services as the COVID-19 pandemic unfolded earlier this year.

CVS and Walgreens did not respond to requests for comment Tuesday.

Shares of both companies were down 7% and more than 8% respectively in late-morning trading while broader indexes slipped. Rite Aid Corp.'s stock plunged more than 14%. Amazon shares edged up less than 1%.

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