Pandemic Pivot: An Analysis of How Retail Pharmacies Diversified Their Offerings During the COVID-19 Pandemic

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Pandemic Pivot: An Analysis of How Retail Pharmacies Diversified Their Offerings During the COVID-19 Pandemic

An honors thesis presented to the Department of Business Administration, University at Albany, State University of New York in partial fulfillment of the requirements for graduation with Honors in Business Administration and graduation from The Honors College

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Abstract

The COVID-19 pandemic significantly impacted the operating strategy of nearly all businesses open in 2020. Businesses were split into two groups, essential and nonessential. Nonessential business, like gyms, shopping malls, and movie theaters, had little choice in their strategy in the beginning of the pandemic. They had to close. As they reopened, they found creative ways to attract customers without amassing large crowds in their storefronts. Essential businesses, on the other hand were faced with a unique challenge. Serving the U.S. population during their most vulnerable time. Retail pharmacies took on key responsibilities, administering COVID-19 tests and vaccines, while also providing medications to a large part of the population. In this work, I examined the offerings of retail pharmacies prior to and throughout the pandemic to portray how and why they pivoted their offerings. My findings included an emphasis on company strategies to lead the direction of the pivot. The pivot starts with assessing the demands of the public and using CEO direction to find the most efficient way to fulfill the demand. In the case of COVID-19 specifically, retail pharmacies prioritized aiding vulnerable groups and improving their technology both online and in stores.

**Keywords:** COVID-19 pandemic, Essential business, Nonessential business, Retail pharmacies, Company strategies, Pivot
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Introduction

Retail pharmacies, in some form, have always been an essential part of society. From apothecaries in the early 1700s, to essential businesses in 2020, pharmacies have consistently evolved to meet the demands of the public. There are many players in the retail pharmaceutical industry. Chain pharmacies take up a large portion of the market share, and compete with mail order pharmacies, supermarkets, mass retailers, and independent pharmacies. The way they can differentiate themselves is key. When the COVID-19 pandemic hit the U.S., pharmacies had to think on their feet. Not only were they expected to continue their existing offerings, supplying medications and household essentials, but they had the responsibility of administering COVID-19 tests and vaccines, both of which have been in high demand since the start of the pandemic. CVS Health, in particular, made numerous pivots throughout their company. By applying strategies with the core focus on helping vulnerable populations and improving necessary technology, retail pharmacies cemented their place in the broader health care sphere. In the future, retail pharmacies are likely to expand their customer base. With many of them establishing virtual care options, they are lessening the burden on doctors’ offices and hospitals while in turn becoming a “one stop shop” for people’s health care needs.

The Evolution of Pharmacies in the U.S.

A. Early Pharmacies (1700s-1800s)

One of the first pharmacies in the United States opened in 1729 in Philadelphia, Pennsylvania. Back then, they were called apothecaries, and relied primarily on using herbs and other natural ingredients to prepare remedies. This particular apothecary, the Marshall Apothecary, “served as a community pharmacy as well as a training ground for aspiring pharmacists” (Sutherby, 2020, para. 3). Across the country, establishments like this were
beginning to open. There was a need for remedies for common illnesses, and a need for people to administer these remedies. With this came the opportunity to train people for the profession we now call a pharmacist. “America’s first licensed pharmacist was Louis Dufilho, Jr., who opened a pharmacy in New Orleans in the early 1800s” (Evans, 2022, para. 1). The medications of the time are different than the medications we are used to now. The medications administered by Dufilho “were often based on Louisiana Voodoo culture, which has its roots in West Africa and was furthered by Haitian immigrants to New Orleans” (Evans, 2022, para. 1). Medications containing narcotics, like tampons dipped in opium and belladonna plants, were also common (Evans, 2022).

A change in medicine came with the forming of the United States Pharmacopeia (USP) in 1820. This group of physicians, “concerned about the poor quality of medicines in America…published the first national, uniform set of guidelines for medicines and medical preparations” (Evans, 2022, para. 2). The USP organization and the standards they set are still widely regarded and adhered to this day. In 1821, America’s first pharmacy organization, the Philadelphia College of Pharmacy, was founded. The purpose of this founding was to distinguish between trained “pharmaceutics” and untrained apothecaries, who did not complete the classwork work and apprenticeship (Evans, 2022). While apothecaries served their purpose well in the later 1700s and early 1800s, the quality of medicine and the training of pharmacists was becoming more and more important. This shift marked an everlasting change in the evolution of pharmacies, increasing the similarities to the modern-day pharmacy we know and utilize today.
B. Modern American Pharmacies

Alex Evans, PharmD, MBA and the author of the article “A Brief History of Pharmacy in the U.S.” indicated that modern American pharmacy that we have come to know today can be divided into four eras. It is important to note that in using the term pharmacy, he is referring to the profession. However, the evolution of both the profession and the retail locations go hand in hand. You cannot have a successful pharmacy without knowledgeable pharmacists.

The first era, from 1920 to 1949, is referred to as the “soda fountain” era. During this time, “rapid advances in pharmaceutical manufacturing reduced the need for compounding,” and as a result, pharmacists suffered from an “identity crisis” and “sought to find their role in healthcare” (Evans, 2022, para. 8). The era was given its nickname because “pharmacies profited from front-end sales of medicinal alcohol, which were exempt from Prohibition laws, and from soda fountains. What began as a device to provide fountain drinks (often with caffeine and cocaine) to cure ailments in the mid-19th century evolved into a central theme of drugstore, especially during Prohibition” (Evans, 2022, para. 8). From this era, we can see how retail pharmacies mold and adapt their offerings based on the wants and needs of the public. There was a “loophole” of sorts from the Prohibition laws, which allowed them to satisfy demand for alcohol. In doing this, they established a central theme of their business.

The second era, from 1950 to 1979, was given the name “the lick, stick, pour, and more” era. The focus of this era was the “divide between nonclinical and clinical activities” specifically “between dispensing and non-dispensing activities” (Evans, 2022, para. 11). “By 1950, only 25% of prescriptions were compounded” (Evans, 2022, para. 12). Compounded prescriptions are mixed and prepared just for you, based on the doctor’s prescription. The compounding is often done by a pharmacist. Since most of the prescriptions of the time were dispensed as
commercially produced products, their role was limited. Pharmacists were also prohibited from discussing medications with patients. Even labeling the vial was seen as a violation of physician patient relationship (Evans, 2022). While pharmacists in hospital settings saw increased responsibility during this time, retail pharmacists, and as a result, retail pharmacies, saw little change.

In the “pharmaceutical care” era from 1980-2009, the role of all pharmacists expanded. “Patient counseling became a more widely adopted and mandated pharmacist activity” and “by 2004, and about 15,000 pharmacists and pharmacy students were trained immunizers” (Evans, 2022, para. 17). Patient counseling and immunizations are two key parts of the retail pharmacy business. People rely on retail pharmacists to make sure the medications they are prescribed will not negatively react with each other. Retail pharmacists are often the last line of defense. If they miss something, a patient could face serious health complications. Because of their success, retail pharmacies are trusted establishments in many communities across the country. Training pharmacists, particularly retail pharmacists, as immunizers has taken the pressure off doctors’ offices and hospitals, while at the same time expanding the role of retail pharmacies. People’s health care planning does not stop at the doctor’s office. Retail pharmacies play a crucial role in the health of the population.

The last era, “the post-pharmaceutical care” era from 2010 to the present, is largely focused on the COVID-19 pandemic. Legislative changes allowed pharmacy technicians, in additions to pharmacists, “to provide both COVID-19 testing and a wide range of immunizations, broadening the capacity of the U.S. healthcare system to respond to the increased pressures it faces” (Evans, 2022, para. 22). This is largely in part due to retail pharmacists and pharmacy technicians, who, as of November 9, 2021, delivered closed to 163 million doses of
the COVID-19 vaccine (Evans, 2022). Much like in the last era, taking the pressure of doctors, nurses and hospital staff allowed retail pharmacies to play a bigger role in healthcare.

Retail Pharmaceutical Industry

There are several major participants in the retail pharmaceutical industry. Arguably the most well-known are the chain pharmacies. CVS, Walgreens, Duane Reade, and Rite Aid are chain pharmacies, that, as of 2017, account for 40% of the market share of retail prescription drug sales. Mail order pharmacies account for 37%, supermarkets for 9%, mass retailers for 7%, and independent pharmacies for 6%. In the U.S., there are roughly 60,000 retail pharmacy locations. Retail chains, supermarkets, or mass retailers account for two-thirds of retail pharmacies, while independent pharmacies account for one-third. Some larger chains, like CVS, expanded their scope in recent years by having a mail order side of their business, in addition to retail locations. In 2019, the estimated prescription revenue from both sides of CVS’s business, retail long-term-care pharmacy and pharmacy services, was $109.4 billion. Because of their size and scope, I will first be examining the offerings of CVS Health, and how they were altered due to the pandemic. Then, I will be taking a broader look at the industry as a whole.

A. CVS Health

If you were asked to think of a pharmacy, CVS would likely to come to mind. “CVS Health is the largest pharmacy services provider in the US comprising of the largest network of retail pharmacy stores nationwide along with pharmacy services such as mail-order pharmacy services, prescription plan management, and claims processing” (Team, 2020, para. 1). They have over 9,900 in retail locations in 49 states, the District of Columbia, and Puerto Rico. They employ approximately 300,000 workers across all 50 states, Washington, D.C., and Puerto Rico (CVS Health, n.d.) They also have a wide consumer base, slightly less than half of all U.S.
shoppers (Reuter, 2021). Over the years, CVS has acquired numerous subsidiaries that have expanded their reach both in the retail pharmaceutical industry and the health care sphere. Understanding these acquisitions gives a clearer picture of how they were able diversify their offerings during the COVID-19 pandemic.

1. MinuteClinic

MinuteClinic was one of CVS’s most influential acquisitions. In 2005, CVS partnered with MinuteClinic to open 3 clinics in existing CVS retail locations. They found this to be a successful venture, and just one year later, CVS acquired MinuteClinic. MinuteClinic clinicians can do it all, screening, diagnosing, and treating customers while also providing follow-up care (CVS Health, n.d.). Immunizations and annual exams can also be completed from a MinuteClinic location. This acquisition allowed CVS, which was known at the time as just a pharmacy, to take a step into healthcare.

The biggest change made to MinuteClinic because of the pandemic was shifting part of their options virtually. While MinuteClinic has had a virtual option since 2018, only minor illnesses were able to be treated. As of April 29, 2020, “the new E-Clinic visit capability offers patients the opportunity to connect virtually with a local MinuteClinic provider via video conferencing on their personal mobile device or computer, between 9 AM and 5 PM local time” (CVS Health, 2020, para. 4). Common injuries, illnesses, and skin conditions, as well as chronic conditions can be evaluated, diagnosed, and treated. Physical MinuteClinic locations continued to stay open on an appointment basis for anyone that needed it. This gave CVS the ability to continue their in-person offerings while at the same time appealing to patients that did not want to leave their homes. They were also able to improve the technology utilized for their online offerings.
2. OmniCare

CVS acquired OmniCare, a leading provider of pharmacy service to long-term care facilities, in 2015 (CVS Health, n.d.). Throughout the year, they deliver more than 70 million prescriptions nationwide. Whether the long-term care resident relies on the facility’s staff or themselves when it comes to managing their medications, cost-effective, exclusive services are offered that supports each member on an individual level.

During the pandemic, long term care facilities were hit hard. The elderly population was extremely vulnerable, and clusters of cases seemed to pop up every week. At the start of the pandemic, deaths in long term care facilities accounted for nearly half of national deaths. Since then, more than 200,000 residents and staff of long-term care facilities have died due to the COVID (Chidambaram, 2022). Since OmniCare plays such a critical role in the wellbeing of these residents, something needed to be done. According to Jim Love, the President of OmniCare, “the facilities we serve rely on us not only to deliver prescriptions, but to serve as a true partner by providing clinical support and pharmacist consultations, as well as educational resources and medication management tools” (Love, 2021, para. 3). In partnership with the U.S. Department of Health and Human Services (HHS), CVS Health became a “key partner in the distribution of COVID-19 vaccines within LTC facilities, as well as to the general public” (Love, 2021, para. 5). “More than 40,000 long-term care facilities have selected CVS Pharmacy as their COVID vaccine provider,” and the OmniCare has continuously communicated with these facilities “to make the roll-out as seamless as possible” (Love, 2021, para. 5). While OmniCare has always had a presence in long-term care facilities, they have taken on an even more integral role. Their offerings now include another vaccine, the COVID-19 vaccine, as well as in increased importance in delivering the flu vaccine.
## 3. Aetna

Aetna is CVS’s newest merger. Aetna offers health insurance, including dental, vision and other plans, to meet the needs of individuals and families, employers, and health care providers (CVS Health, n.d.). This $69 billion merger, which took place in late 2018, received a lot of backlash. The former CEO, Larry Merlo, believed that “By delivering the combined capabilities of our two leading organizations, we will transform the consumer health experience and build healthier communities through a new innovative healthcare model that is local, easier to use, less expensive and puts consumers at the center of their care” (Richman, 2018, para. 3). The main concerns for the merger were antitrust violations, fewer options for customers, and further increasing already rising drug prices (Richman, 2018).

In a similar fashion to MinuteClinic, Aetna expanded their offerings to a new virtual platform. This service was called Aetna Virtual Primary Care. It has been described as a “first-of-its-kind health care solution that provides a simple, affordable, convenient way for eligible members to receive quality primary care from a physician-led care team that knows them and is accessible virtually anywhere” (Minemyer, 2021, para. 4).

In summary, CVS Health used their subsidiaries to their advantage to pivot their offerings during the pandemic. They were able to successfully move many of their visits virtually, further expanding their reach into the health care sphere. If this was not done, their place would likely have been lost. They also took on the role of delivering COVID-19 tests and vaccines to both long-term care residents and the public. This was not an easy feat and required much planning and assistance. As you will see in the next section, this was something that many other pharmacies took on as well, only on a smaller scale.
The Strategies of Retail Pharmacies

To some, the changes made to retail pharmacies appear to occur with astonishing speed. “Stores installed clear dividers to separate cashiers from customers, they pasted stickers on the floor to remind people about social distancing, and they asked shoppers to bag their own groceries if they’d brought reusable bags” (Wing et al., 2020, para. 5). As a part of the broader health care sphere, it was imperative that retail pharmacies set a good example and heeded all guidelines set by city, state, and federal legislature. This started with the presentation of their stores. “Beyond the physical adaptations, many pharmacies created dedicated safe shopping hours for vulnerable people and required sick employees or those considered “high risk” to stay home. Big and small chains alike provided their staff with personal protective equipment and reduced operating hours to allow for dedicated time to clean and restock the store” (Wing et al., 2020, para. 6). By doing this, they increased trust with the public. Those that were slow to make changes suffered. “In an April 2020 survey on customer sentiments related to COVID-19, 36% of customers cited lack of adequate change to these policies as the main reasons driving their negative perception of a company” (Wing et al., 2020, para. 5). As the retail pharmaceutical industry has many players, if a customer saw a company in a negative light, they could switch to a competitor.

A. COVID-19 Tests and Vaccines

An important to change made to retail pharmacies was the administration of COVID-19 tests and vaccines. With the virus running rampant throughout the country, it was imperative that as many people as possible were tested. Lawmakers and pharmacies were quick to collaborate. About a month after the pandemic started, on April 25, 2020, then Governor Andrew Cuomo signed an executive order instructing approximately 5,000 pharmacies in NY State to conduct
diagnostic tests for COVID-19 (Berke, 2020). This allowed pharmacies to take the pressure off hospitals and state-run sites, that began testing at about the same time. Shortly after, many other states followed suit, making the needs for testing in pharmacies a national issue.

When COVID-19 vaccines became available, pharmacies again assisted hospitals and state-run sites. The first vaccine was given in December 2020. By February 2021, pharmacies were being shipped doses by the federal government to administer. The program started with approximately 6,500 retail stores throughout the country, with plans to expand its reach to 40,000 pharmacies (Higgins-Dunn, 2021). As of March 17, 2022, “more than 234.9 million doses have been administered and reported by retail pharmacies across programs in the US, which includes 8 million doses administered onsite to long-term care facilities in the early days of the vaccination program” (Centers for Disease Control and Prevention, 2022, para. 1).

B. Online Offerings: Virtual Visits & Delivery

Given the need for people to stay in their homes and limit exposure, retail pharmacies shifted many of their offerings to an online platform. In a matter of 3 weeks, CVS was successful in launching E-Clinic, which offers virtual care options through MinuteClinic and their providers (CVS Health, n.d.). Patients are able to receive support for chronic and acute illnesses as well as common injuries. This service was well utilized, as MinuteClinic virtual visits saw a 750% increase in the second quarter of 2020, compared to the same period in 2019. Most major pharmacies, including CVS, Walgreens, and Duane Reade, expanded their offerings to 1–2-day delivery on eligible prescriptions. Many health and beauty items can be delivered in the same amount of time, offering customers the same products they would find in their retail locations, without having to leave the home. To handle demand, “companies rapidly ramped up online channels and the related distribution center capacity to handle the increase in e-commerce orders.
Communication to customers (digitally and in-store) about these offerings increased to drive customer awareness of their options” (Wing et al., 2020, para. 18)

C. Company Strategies

While these changes were made quickly and efficiently, those working in the industry, specifically top management teams, knew how much effort went into making these decisions and coming up with strategies to see them through. It all started with a need. Since their inception, pharmacies have provided what the public demanded. When they have pivoted their offerings, they were fulfilling a new desire. Whether it be fountain drinks mixed with caffeine and cocaine during Prohibition, or vaccines during a worldwide pandemic, pharmacies were able to bend and mold to the external environment.

To enact these changes, a strategy needs to be put in place. From the start, CVS’s strategy was working with “local communities to identify the most pressing issues and provide fast relief to seniors, underserved communities, first responders and families” (CVS Health, n.d., para. 8). Their approach was focused on getting the perspective of the community, while prioritizing more vulnerable groups. When it came to testing, their strategy was constantly evolving. As testing increased, labs become overrun, slowing turnaround. To combat this, their strategy changed from relying on certain labs to expanding their search, vetting, and forming relationships with additional labs to meet the growing demand (CVS Health, n.d.). When finding available space became an issue, their strategy pivoted to exploring alternative options to deploy more testing facilities. Empty storefront became the new spot for testing operations. A similar approach was used when taking on the administration of COVID-19 vaccines.
When taking a broader look at CEO statements and reports for major pharmacies, the strategies explained where focusing on helping as many people as possible. There was an emphasis on vulnerable groups and communities. An integral part of their strategies was improving upon the technology used in their virtual offerings. Websites and virtual care platforms were improved as traffic increased dramatically. The government’s rules and regulations dictated a large part of the focus. While the pharmacies themselves oversaw the “how” of handling the pandemic, the CDC and the federal government were in charge of the “what.” What pharmacies were responsible for, what supplies they could give them, and what the timeframe was. While this gave pharmacies some direction, the guidance of top management teams was still necessary.

**Retail Pharmacies: The Future**

The future of retail pharmacies consists of a few different aspects. For one, pharmacies now have an expanded customer base. According to the CEO of CVS Health, Karen Lynch, 8 million customers came to a CVS store for the first time for COVID-19 testing (Frey, 2021). A similar number of new customers is expected for vaccine administration as well. She continued by saying, “We will use this opportunity to shape a health experience that demonstrates the value we bring. It will create the opportunity to expand our customer base while deepening relationships with current customers” (Frey, 2021, para. 4). This will allow CVS, and all other pharmacies that saw an uptick in customers throughout the pandemic, to increase revenues and profit.

In order for retail pharmacies to compete, they have to master new technologies and implement them well into their businesses. According to research done by the accounting firm, Deloitte, “The dynamic pace of today’s innovation cycles is likely to create disruption, not a
gentle evolution” (Deloitte United States, 2021, para. 7). In particular, they note that “Retail pharmacies could become consolidated health destinations with product distribution altered by 3D printing, kiosks, telehealth, and same-day delivery by driverless cars, autonomous bots, and drones” (Deloitte United States, 2021, para. 7).

Conclusion

21st Century pharmacies are sophisticated organizations and have progressed significantly from the early days of apothecaries. Their longstanding success is rooted in their flexible strategies and ability to accurately assess the demands of the public and pivot their offerings to meet such demands. When it comes to the COVID-19 pandemic, retail pharmacies took guidance from the CDC and federal government about what they needed to do to aid the public in their time of need. The steps to get there were dictated by company strategies, decided upon by top management teams of chain pharmacies and independent pharmacies alike. They homed in on the needs of their communities, aiming to protect vulnerable groups while at the same time improving upon their technological offerings. When it comes to the future of retail pharmacies, technology will play as big a role as ever. Retail pharmacies must remain current in the technologies they can offer, both online and in stores, if they want to compete in the industry. While retail pharmacies have certainly cemented their place in the healthcare sphere, their continued work in identifying the demands of the public and quickly pivoting their offerings to meet such demands will determine their success.
References


