

## **CELESIO / SAINSBURY'S PHARMACY BUSINESS MERGER INQUIRY**

### **Summary of hearing with ASDA Stores Limited on 15 February 2016**

#### **Background**

1. ASDA said it had over 600 stores, and within those it had 255 in-store pharmacies. 156 of those were 100 hour contract pharmacies, and the remaining were traditional contracted pharmacies. [✂] So since 2013 ASDA said it had not added any new pharmacies to its estate.
2. ASDA said its pharmacies mainly dispensed prescriptions for its existing grocery customers. It added that it provided both national services and local services, that is, services that it is contracted to do in a specific local area. ASDA stated that it also provided over-the-counter medications.
3. ASDA stated that originally the pharmacy business in ASDA was a leased arrangement to a number of different pharmacies, but the majority were leased to Moss Chemist. ASDA later purchased this business from Moss Chemist; it said this was a strategic decision to enhance customer service.
4. [✂]
5. ASDA said that there was no preferred location of a pharmacy within its stores; it was dependent upon where there was space.
6. ASDA stated that it assumed that the majority of its pharmacy customers came to the store for grocery shopping and happened to visit the pharmacy at the same time. However, ASDA highlighted that this was merely an assumption. It added that it believed that the pharmacy had a benefit to the grocery service.
7. ASDA stated that with the introduction of electronic prescriptions, customers would perhaps change where they fulfil their prescriptions, as customers were less likely to collect prescriptions randomly.

#### **Market definition**

8. ASDA said it identified four different types of pharmacy, namely: community pharmacies; secondary care pharmacies; online pharmacies; and hospital

pharmacies. It said it considered itself as a community pharmacy. It added that prisons and care homes were serviced by community pharmacies.

9. ASDA said it had not made a great deal of differentiation between supermarket pharmacies and high street pharmacies. It said the only difference between these groups of pharmacies were ownership – whether it was one individual, an independent or a chain.
10. ASDA said the two main pharmacy customer groups were acute patients and chronic patients. Acute patients referred to those who had a one-off ailment and required their medication immediately. These patients were more inclined to fulfil their prescriptions at the pharmacy closest to the GP surgery. Chronic patients referred to those who were on medication long-term for certain medical conditions. Notwithstanding these different customer groups, ASDA stated that it looked at all customers together and did not have different strategies in place to attract different customer groups.
11. ASDA acknowledged that its store locations were probably better suited for chronic patients as opposed to acute patients. It stated that some of its stores were located within close proximity to GP surgeries, but the vast majority were not necessarily near city centres or high streets.

## **Competition and competitors**

12. ASDA said that it had not actively monitored volumes of prescriptions it received from GPs. Tied into that, ASDA stated that it believed customers were generally willing to travel about a mile to get to its store pharmacies. It added that a new entrant within a locality would have anticipated a catchment area of roughly one mile.
13. ASDA stated that with prescriptions there was less point of difference between pharmacies in England, as the price was the same everywhere.
14. [✂]
15. ASDA stated that the range in its pharmacy differed from store to store, in accordance with the space available. It added that opening hours for each pharmacy differed from store to store based upon the pharmacy contract. ASDA highlighted that stores under the traditional contract were opened longer than contracted, to adhere to the wider store opening times.
16. In terms of quality of personnel and other standards, ASDA said it applied the same standards to every store. ASDA said the only offering that varied was services. So, locally commissioned services that were agreed between one of

its pharmacies with a local commissioner differed from what might be offered in a different locality.

17. ASDA stated [redacted] recognised that good customer service locally could ensure customer loyalty.
18. ASDA said it believed that both supermarket pharmacies and traditional pharmacies competed closely with one another. It added that it felt both types of pharmacy aimed to have acquired the maximum number of prescriptions from its respective customer bases.
19. ASDA said that any pharmacy within its localities, regardless of said pharmacy being a multiple chain or independent, were competitors in its opinion.
20. ASDA stated that it had not considered hospital pharmacies as competitors. Nor had it considered pharmacies in different localities to be competitors. However, it recognised that the competitive landscape would change dramatically in the future, with electronic prescriptions having been introduced and distance selling becoming a more viable option for patients.

## **Outpatient dispensing**

21. ASDA said it [redacted].

## **Barriers to entry**

22. The main barrier to entry that ASDA had observed was that it was incredibly difficult to prove a need in a local area.
23. ASDA stated that the Department of Health released a paper that concluded that there were too many pharmacies, and introduced funding cuts to pharmacies. ASDA said that this could hinder expansion within the industry.
24. ASDA acknowledged that despite this, some expansion opportunities could arise, but these would be availed to those pharmacies that have a specific team who sought such openings. It stated that it would not know about those openings.

## **Counterfactual**

25. ASDA said it was not opposed to the merger and had not viewed the merger as a major risk to competition. ASDA said it dealt with all its competitors in the same manner, so a change in ownership made very little difference to it.