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The impact of Dis-Chem's acquisition of independent retail pharmacies on competition in the market for retail pharmacy services in South Africa

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EXECUTIVE SUMMARY

i. This impact assessment study was conducted following the acquisition of 72 independent retail pharmacy stores by Dis-Chem Pharmacies Limited (Dis-Chem) since 2016. Out of the 23 transactions facilitating these acquisitions, only three were notifiable to the Competition Commision South Africa (Commission). In the last merger transaction that was considered by the Commission, it noted that Dis-Chem may be engaging in a merger creep strategy. The Commission understands that incremental acquisitions by large firms can, cumulatively, have a lasting effect on the structure of the market. Academic literature shows that a singular acquisition of a grouping of independently owned firms (who may pose a competitive constraint at a national, regional or localised level) may have more negative impact on market structure and potentially market concentration, with concomitant negative competition outcomes.

ii. The impact assessment established that competition for the supply of retail pharmacy services is characterised by differentiation. In this respect, retail pharmacies compete on several dimensions, including price, service quality, location and convenience, participation in designated service provider (DSP) and/or preferred service provider (PSP) networks and loyalty programs, among other factors. The analysis adopted a cumulative impact assessment approach given that while the acquisitions occurred across separate local markets, the competitive and entry conditions are broadly similar. The analysis also considered that while each transaction may have had limited impact on competition when considered in isolation, cumulatively they may strengthen Dis-Chem's competitive position across many local markets and contribute to broader structural shifts in the market.

iii. From a pricing perspective, the analysis showed that different competitors are competitively priced with respect to the type of customer served i.e., customers insured by medical schemes and cash paying customers. The analysis further demonstrated that price competition in the retail supply of medicines is influenced by various factors, which appear to confer upon corporate-owned retail pharmacies particular competitive advantages that are not available to independent or pharmacist-owned pharmacies. These include vertical integration and the business model driving the structuring of retail operations. In terms of the business model, it was found that while independent pharmacies typically focus their retail operations on dispensary, the corporate-owned retail pharmacies tend to have a larger front shop component. This enables these competitors to enhance their profitability through the sale of unregulated and typically high margin front shop products while dispensary is subject to price regulations and serviced by comparatively high-cost and highly skilled labour such as pharmacists.

iv. The assessment of the impact of Dis-Chem's acquisitions on vertical integration shows that integration into wholesale and distribution confers important competitive advantages to the integrated firms. These include, inter alia, demand-driven scale economies that are reflected in improved procurement efficiencies and bargaining power, distribution efficiencies, better stock availability, and lower costs. The analysis showed that demand-driven economies of

scale at the wholesale level are driven by the growth in the number of retail pharmacies in the Dis-Chem network, The Local Choice (TLC) franchise and independents. As such, Dis-Chem's ability to leverage its wholesale scale is, in part, dependent on the captured demand from its and TLC stores as well as the contestable share of the demand from independent pharmacies. It is within this context that Dis-Chem's acquisition of independent pharmacies attains significant competitive relevance. The cumulative enhancement of its demand-driven economies of scale from these acquisitions becomes an important source of competitive advantage at both wholesale and retail levels.

v. At the wholesale level, the demand-driven economies of scale are deployed to, among others, extract favourable supplier terms and these are in turn used to offset the cost of sales downstream in its retail operations. The cost reductions emanating from supplier terms have implications for price competition, particularly relative to independent and smaller rivals, in the downstream market. Moreover, the distribution efficiencies, better stock availability, among others, also enable Dis-Chem to maintain a competitive advantage relative to its unintegrated rivals, specifically independent and smaller competitors.

vi. The analysis showed another intrinsic link between Dis-Chem's vertical integration and its acquisitions of independent pharmacies. The demand-driven economies of scale at the wholesale level are realised through the growth in Dis-Chem's retail network (both in terms of greenfield expansion and acquisition of independents) as well as the conversion of independents into the TLC brand. This had an impact at the wholesale level in that Dis-Chem's store network growth necessitated investments to increase its wholesale space and capacity. This was achieved, in part, through the acquisition of independent wholesalers. As a result, this has led to the drive towards market consolidation at both the upstream wholesale distribution and retail levels of the value chain. In essence, this created a self-reinforcing virtuous cycle of consolidation at both levels of the value chain.

vii. The competitive advantages attained as a result of a vertically integrated business model and the associated acquisition of independents, to shore up these benefits, has meaningful implications for the long-term ability of independent firms to participate and compete effectively in the market. The analysis suggests that while these advantages can improve consumer welfare outcomes in some respects, they may also raise barriers for independents that lack similar scale or integrated supply arrangements. In this way, vertical integration may strengthen large chains while making competition more difficult for smaller rivals.

viii. The analysis also showed that location, and the resulting convenience for consumers, is also an important driver of competition in the supply of retail pharmacy services. In this regard, it is observed that retail pharmacies compete strongly for high-footfall sites, such as shopping centres, and convenient access points in order to ensure ease of access and convenience for customers. As such, accessing conveniently located sites is an important part of the retail pharmacies' competitive strategies.

ix. In line with the foregoing, the analysis showed that corporate-owned pharmacies are largely concentrated in primary cities, which are typically densely populated and characterised by relatively high-income levels. Notably, Dis-Chem's acquisition of independent pharmacies has also followed the same location strategy, primarily focused on the main cities in the Gauteng, Western Cape, Kwa-Zulu Natal and Eastern Cape provinces. The independent pharmacies, on the other hand, tend to have a larger presence in the secondary cities and rural towns.

Within the primary cities, the corporate-owned pharmacies have a preference for locating their stores within the shopping centres as they typically serve to aggregate foot traffic and ultimately demand.

x. The competition implications of this dynamic extend beyond the limitation on the independent retail pharmacies' ability to compete and serve demand that resides within these shopping centres. Given the differentiated nature of the retail pharmacy services market, the inability to access shopping centres locations by independent pharmacies reduces the range of products and services available to consumers, leading to consumers losing access to the distinct price and non-price offerings that independent pharmacies provide. Within this context, Dis-Chem's acquisition and displacement of independent pharmacies within shopping centres reinforces its status as a "must-have" tenant for property developers. This, in turn, increases the likelihood that corporate pharmacies will be prioritised for prime shopping centre locations across a wide range of areas, thereby placing independent pharmacies at a competitive disadvantage.

xi. Other factors relevant to competition include participation in DSP and/or PSP networks which provide access to a secured customer base in exchange for negotiated terms such as dispensing fees. One of the key considerations for enrolment into such networks include having a wide geographic reach and a broad category of services rendered by the prospective pharmacy group. In this respect, retail pharmacy groups with the widest presence are more likely to acquire a 'must-have' status with medical schemes. The analysis showed that independent pharmacies are generally less able to participate in these networks. On the other hand, the cumulative impact of Dis-Chem's acquisitions is the enhancement of its 'must have' status within these networks, thus increasing its customer base at the retail level. As a result, participation in these networks by the corporate-owned pharmacies gives them an advantage in terms of attracting insured customers, which can further entrench their position in the retail market.

xii. The analysis also showed that service quality is another important dimension of competition, although it remains difficult to assess given the lack of standardised and measurable information in South Africa. By way of illustration, while independent pharmacies largely compete on personalised service, tailored customer care, and innovation; corporate-owned pharmacies compete on price, convenience, and a wider product range, among others. The convergence of competition between these different types of rivals is also seen in respect of dispensary and in-store clinic services as well as technology-based customer engagement.

xiii. Lastly, the evolution in the nature of competition in the retail pharmacy services market points to an increased focus on spatial and income positioning going forward. In terms of income growth, the move towards a reconceptualising of store offerings is aimed at capturing residual growth in the affluent and middle-class customer segments where Dis-Chem and other corporate-owned pharmacies are already strong contenders. From a spatial repositioning perspective, corporate-owned pharmacies are expanding into the lower-income, underserved geographic segment where independent pharmacies typically compete. This move signals a shift from non-price competition in these areas to an increased focus on price competition, which is underpinned by the provision of low-cost offerings that draw from the scale economies addressed earlier. This has implications for the ability of independents to compete in the long-term given their lack of scaled vertical integration capabilities and a limited ability to access sites in preferred locations.

xiv. In addition to the observed changes in the competition dynamics referred to above, there an increased focus on the provision of primary healthcare services going forward. This is consistent with the focus of the National Health Insurance (NHI) which places primary healthcare at the core of its strategy for the delivery of health services in South Africa. Accordingly, the focus on primary healthcare services by Dis-Chem and other corporate-owned pharmacies likely places them in prime position to compete for the provision of such services to the State upon the implementation of the NHI.

xv. Further, the observed changes also point to a likely persistent appetite for consolidation at both the upstream and downstream levels. By way of illustration, Dis-Chem's planned expansion of its TLC footprint appears to further strengthen its demand-driven scale economies to shore up its competitive advantages in both the wholesale distribution and retail markets. The likely impact of these changes is a change in market structure, tending towards oligopoly and a loss of differentiated service quality and innovation offered by independent pharmacies.

xvi. Taken together, the analysis shows that the acquisition of the Pure Pharmacy Holdings Proprietary Limited group of independent pharmacies (PPH) and a series of individual pharmacies has strengthened the Dis-Chem Group in terms of expanding its retail footprint and increased its wholesale scale. This has enhanced its competitiveness at both the wholesale and retail level. This competitiveness has strengthened Dis-Chem's various dimensions of competition such as price, the ability to enter into DSPs and other partnership programmes as a result of its increased demand-driven scale economies. The impact on the non-price dimensions of competition such as quality of service could not be determined. The acquisitions have also resulted in incremental store investment and have enabled a more rapid rollout of healthcare services pioneered by PPH to a larger group of pharmacies within the Dis-Chem network. The pricing analysis also shows a likely consumer benefit at the acquired stores as a result of lower dispensing fees for scheduled medicines, the prices of unscheduled medicines and wider choice on front shop products.

xvii. However, concerns remain regarding the trajectory of consolidation at the retail and wholesale levels of the pharmacy sector and that such consolidation is likely to entrench the dominance of the vertically integrated firms such as Dis-Chem (and Clicks Group Limited (Clicks), leading to potential detriment to consumers in the long run. This consolidation is likely, given the operational advantages of the scaled vertically integrated groups and the limited ability of the independents to compete against these players. These advantages include lower operational costs, the ability to negotiate preferential trading terms, must-have status in DSP and/or PSP networks across medical schemes, the leveraging of the existing customer base for loyalty schemes and partnership deals, and preferred tenant status in shopping malls.

xviii. Independent pharmacies are more competitive on other dimensions of competition such as personalised service and tailored offerings, and their current locations may offer a localised advantage if they can retain these. They also benefit from higher dispensing fees paid by medical schemes, which assists their financial viability given their greater reliance on the dispensing business. Despite this, for independent pharmacies to remain competitive, particularly in dense urban locations targeted by the pharmacy groups, it is essential that they realise the advantages of scaled vertically integration. This could be achieved through various options, including consolidation into the smaller independent groups or joining franchise arrangements and wholesale groups as this will enable them to replicate some of the identified

structural benefits. In rural and less dense urban areas, independents are likely to survive in the short-term given the current lack of interest from the pharmacy groups. However, given that the developments in the sector show that the corporate-owned pharmacy groups are looking to expand into these areas as part of their growth strategies, the sustainability of independent pharmacies is not clear.

xix. The need for the independent pharmacies to find mechanisms to harness the benefits of vertical integration is also necessitated by the fact that the pharmacy groups have already moved into the franchise and wholesaling space to scale their own operations with considerable success. Both Clicks and Dis-Chem have their own franchise operations which increase their presence amongst the independent pharmacies and provide wholesale services to an even larger group of independents. Dis-Chem exerts a degree of control over TLC stores, including in respect of store ownership conversion of TLC franchisees, and benefits from the wholesale sales to TLC stores. Dis-Chem already has 240 TLC franchisees and is targeting 500 TLC stores or a 50% share of independent pharmacies.

xx. While smaller corporate groups seek to replicate the Clicks and Dis-Chem model, the evidence suggests that they currently lack the scale of the large pharmacy groups and are less competitive across the full product range and services. These smaller corporate pharmacy groups include national grocery retailers, which offers potential strengths around store locations, landlord bargaining power and centralised operations. However, the disadvantage is that dispensary is not core to their operations and dispensing does not benefit from the broader grocery scale.

xxi. While merger control remains an available option to curtail what appears to be a trajectory towards an oligopolistic or duopoly market structure, it has its limits as Dis-Chem has continued to grow its store numbers, including in the dense urban areas occupied by the independents. One reason for this is that independent stores in shopping malls are often displaced by Dis-Chem (or Clicks) as landlords terminate leases to allow in the corporate-owned pharmacy groups. This displacement has implications for the continued participation and effective competition by independent pharmacies in this sector. The termination of leases, in preference of the corporate pharmacies, presents a Hobsons Choice for independents of either selling to the pharmacy groups or simply being displaced by the landlord without an alternative licence location within the statutory 500m radius. Another limitation of the merger control regime is that franchisees are added to the franchise network without oversight from the merger control regime.

xxii. The analysis raises the following issues for further consideration:

a. First, the pharmacy licencing regime may need to be reviewed to assess what is optimal for ensuring a competitive future retail pharmacy market. The combination of the licence restrictions and the property developers' preference for the corporate pharmacy groups in shopping malls may entrench the dominance of the pharmacy groups in the market. By way of illustration, the granting of licences does not consider competition in the assessment of licence transfers and may not be stringent enough in greenfield locations, resulting in a densification of the pharmacy groups in urban areas and the gradual removal of alternative constraints from independents or smaller groups. It is important to note that licencing may be a more useful tool than competition law in dealing with the identified market structure problems given the difficulties in proving a substantial lessening of competition on a single store merger transaction. The Commission is

engaging the NDoH on the licensing regime and its competition implications.

b. Second, merger control in pharmacy retail needs some reconsideration too. Often the competition assessment is mainly reduced to a market share-based assessment on store numbers within local areas, where the mere existence of alternatives is used to suggest competitive constraints will remain. However, more consideration needs to be given to whether the two large vertically integrated pharmacy groups have a degree of market power stemming from their broader retail network and its resulting demand-driven scale economies, loyalty programmes, DSP positioning in medical schemes, corporate partnerships and scaled wholesale operations. This would inform whether revenue share is more appropriate than store count, and whether independents can still offer sufficient constraints where densification in local areas occurs.

c. Third, more consideration needs to be given to the competitive implications of the franchise operations of the two large pharmacy groups. By way of illustration, given that Dis-Chem does exert some control over aspects of the TLC franchisees, including in respect of store ownership conversion of TLC franchisees , the franchise operations should form part of any merger or conduct assessment given their impact on size, reach and market power. Additionally, greater scrutiny is required of the franchise and licensing arrangements and whether these have implications for restrictive practices, merger notification and coordinated conduct.

d. Fourth, consideration needs to be given to how smaller corporate groups, and independent franchisors can be strengthened to ensure a stronger competitive constraint in the pharmacy retail services market. Wholesale arrangements enable bulk purchases across individual pharmacies or franchisees, but it is not clear whether this also extends to joint negotiation of DSP arrangements or other corporate partnerships and technological integration for compliance with DSP requirements, for example. To the extent that this does not include such joint negotiations, it would be beneficial to consider whether such joint initiatives, facilitated through an exemption process, could enable the realisation of the geographic and service scale typically required by medical schemes in such arrangements. A more permissive merger control or licensing regime for smaller groups is another aspect that could be explored.

e. Fifth, DSP arrangements, corporate partnerships and loyalty schemes need greater scrutiny to determine if they are exclusionary and are reinforcing the consolidation behind the two large vertically integrated pharmacy groups. For DSPs this may include whether the dispensing fee discounts of the groups to gain selection are predatory or the practice in selection effectively has sidelined the smaller groups or independents. The Commission is currently investigating a complaint from the Minister of Health on whether the loyalty schemes apply to dispensed drugs with regulated SEPs and the implications of such conduct on competition in the market.

1. INTRODUCTION

1. Section 21A of the Competition Act, No. 89 of 1998 (as amended) (Competition Act), empowers the Commission to conduct an impact study (impact assessment) of any decision, ruling or judgement of the Commission, the Competition Tribunal of South Africa (Tribunal) or the Competition Appeal Court (CAC). The Competition Act also stipulates that the Commission must submit its report to the Minister (Minister of Trade, Industry and Competition) and publish its report in the Gazette within 15 business days after submitting it to the Minister. The Competition Act further stipulates that the Minister must table in the National Assembly any impact study report within 10 business days after receiving the report from the Commission and, if Parliament is not sitting, within 10 business days after the commencement of the next sitting.

2. The purpose of such impact assessments may include one or both of the following:

    2.1. to understand the impact, on the market, of the decision in question including aspects such as the impact on competition, the impact on consumer welfare, and the impact on market dynamics more broadly. This could focus on any aspect of the decision such as, for instance, conditions imposed on a merger; and

    2.2. to consider the nature and accuracy of the decision of the relevant authority or the investigation of the Commission. The purpose of the impact assessment is reflective in nature with the purpose of better understanding the performance of the Commission and relevant competition bodies in the decision-making process. The goal of this reflective exercise is to identify learnings and improve the Commission's future decision-making in similar cases.

3. This impact study considers 23 acquisitions of independent retail pharmacies by Dis-Chem between 2016 and 2025, some of which were notified and approved, and assesses the competitive landscape in the market for retail pharmacy services, post these acquisitions. The study relies on submissions from Dis-Chem, competing retail pharmacies and other stakeholders. The assessment considers the impact on various aspects of competition, including pricing, service quality, investments and vertical integration. The impact study can assist in informing pharmacy-related decisions moving forward, including both merger control and conduct investigations.

1.1. BACKGROUND

4. The South African pharmaceutical industry is the largest and most advanced in sub-

Saharan Africa.[1] In 2024, the industry was valued at approximately R67.1 billion.[2] The industry has been growing steadily over the years, driven by research and development, innovation in biopharmaceuticals, public-private partnerships, and investment in local production, particularly in antiretrovirals, vaccines, oncology therapies, and treatments for chronic diseases.[3] South Africa has a high demand for pharmaceutical products and is one of the few countries on the African continent with active pharmaceutical ingredient (API) manufacturing capabilities.[4] However, whilst more than 70% of pharmaceutical products sold in SA are formulated and packaged locally (turning imported raw materials into tablets, capsules, and liquids), approximately 98% of Active Pharmaceutical Ingredients (APIs) used in local formulation are imported. [5]

5. The country's demand is driven, in part, by a complex, quadruple burden of diseases, mainly HIV/AIDS, Tuberculosis (TB), non-communicable diseases (NCDs) and incidences of trauma (e.g. injuries).[6] South Africa has the largest anti-retroviral therapy (ARV) programme in the world.[7] Consequently, South Africa's ARV tender is the largest in the world.[8] The retail pharmacy industry is an important part of the healthcare system in South Africa. It plays a significant role in ensuring accessibility of pharmaceutical products and services for the population.[9]

1.2. PROBLEM STATEMENT

6. South Africa spends a large proportion of its GDP on health services compared to countries with similar income levels.[10] The distribution of healthcare services to the population in South Africa is carried through the public and private healthcare systems. The public healthcare system is financed by the government and supports approximately 84% of the population.[11] The private healthcare system, on the other hand, is funded through individual contributions to medical aid schemes (health insurance) and out of pocket payments and serves the 16% remainder of the population.[12] There are also citizens who make use of both public and private health systems, although this is to a limited extent.[13]

7. While the public sector serves the majority of the population, its pharmaceutical expenditure is significantly less compared to the private sector.[14] In 2019, the South African pharmaceutical sector generated a total revenue of around R56.4bn, with the private sector contributing R45.2bn and the public sector R11.2bn.[15] Notably, the public sector accounts for around 80% of total pharmaceutical sales by volume, but only 20% of sales in value-terms.[16] The lower expenditure in the public sector can be attributed to the tender procurement process undertaken by the National Department of Health (NDoH) that results in

1 WhoOwnsWhom. 2025. The Pharmaceutical Industry in South Africa 2025. Available at South Africa Pharma Sector 2025: Growth, R&D and Retail Shifts, p.1.
2 *Ibid*.
3 *Ibid*, p. 15.
4 Department of Trade, Industry and Competition. 2017. Pharmaceutical Industry: Department of Health & DTI Parliamentary briefing. Available at: DTIC Portfolio Committee.
5 WhoOwnsWhom. 2025. The Pharmaceutical Industry in South Africa 2025. Available at South Africa Pharma Sector 2025: Growth, R&D and Retail Shifts, p.5; Malimba, N., Mutambara, T.E. and Marire, J., 2024. Measuring intra-industry trade and productivity in the South African pharmaceutical sector. South African Journal of Economic and Management Sciences, 27(1), pp.1-16.
6 Government Technical Advisory Centre. 2018. Jobs Summit Colloquium Paper Local Pharmaceutical Industry. Available at GTAC.
7 Jones, M. and Ngcobo, K. 2025. US Aid Cuts Send South Africa's HIV Treatment "off a cliff". BBC, 28 February 2025. Available at: Jones, M. and Ngcobo.
8 Government Technical Advisory Centre. 2018. Jobs Summit Colloquium Paper Local Pharmaceutical Industry. Available at GTAC .
9 Theron, E. and Pelser, A. 2020. Trust in independent community pharmacies: Do employee-related factors matter?. Health SA Gesondheid 25(0), a1344. Available at Theron, E. and Pelser. p. 1.
10 Council for Medical Schemes. 2025. Annual Report 2024/25. Available at CMS Annual Report. p. 39.
11 Modisakeng, C. et al., 2020. 'Medicine shortages and challenges with the procurement process among public sector hospitals in South Africa; findings and implications'. Available at Modisakeng, C. et al., p.2.
12 The Presidency South Africa. 2024. One step closer to affordable quality health care for all. Available at One step closer to affordable quality healthcare for all.
13 *Ibid*.
14 WhoOwnsWhom. 2020. The Pharmaceutical industry in South Africa December 2020.
15 African Competition Forum. 2023. Competition In The Generic Pharmaceutical Industry. Available at African Competition Forum, p.52.
16 *Ibid*.

government purchasing medicines directly from the manufacturers at a lower price than the private sector. In its 2026 financial year annual performance plan, the NDoH estimated that it will spend approximately R39.7 billion on its affordable medicines and this was projected to increase to R41.6 billion in the 2027 financial year.[17]

8. The private healthcare system primarily caters to the medical aid covered, as well as the insured population.[18] In the last two decades, this population has remained almost stagnant. The percentage of individuals who were covered by medical aid scheme declined by 0,2%, from 15,9% in 2002 to 15,7% in 2023.[19] The total healthcare expenditure on benefits on the other hand has been growing more rapidly, from R84,9 billion in 2010 to R239 billion in 2023.[20] Medicines constitute a relatively small proportion of the total claims. For instance, in 2023 medicines expenditure accounted for 14,49% of medical schemes claims.[21]

9. Healthcare services account for a considerable proportion of expenditure among low-income and poverty-stricken households in South Africa.[22] In 2024, the aggregated retail sales of pharmaceutical products and other medical goods, cosmetics, and toiletries amounted to R112.35bn, according to StatsSA.[23] Despite having medical aids and free public health services, South Africans spent approximately R7.2 billion on Out-Of-Pocket (OOP) payments in 2019.[24] This is largely a result of the employed but uninsured accessing the private primary healthcare market which is predominately provided by pharmacies. Affordability of healthcare remains a significant access barrier for the population at large and pharmacy services are key to affordable private primary healthcare.

10. A study by the National Planning Commission (NPC) in 2020 highlighted concentration in retail pharmacy services towards Dis-Chem and Clicks as a matter of concern and a threat to affordability of medicines in South Africa.[25] In its Concentration Tracker Report, the Commission similarly found that the retail pharmacy services market is highly concentrated, although without a presumptively dominant firm. It further observed that "*..the two largest pharmacy chains, Clicks and Dischem, have rapidly grown their market share over the past five years through the acquisition of licensed independent pharmacies and the granting of new pharmacy licenses, often in shopping malls or convenience centres.*"[26] While the prices of medicines are regulated in South Africa, competition in retail pharmacy still matters for consumers. Competition still impacts on actual dispensing fees especially in the context of dispensing fee price caps, the price of unscheduled or over-the-counter drugs and clinical services, the extent of product range, service and quality levels.

11. The competitive interaction between independents or pharmacist-owned pharmacies and corporate-owned national pharmacy chains stems from

17 The objectives of the affordable medicines sub-programme to develop systems to ensure sustainable availability of and equitable access to medicines, and this includes, among others, the administration and management of pharmaceutical tenders. See National Department of Health. 2025. Annual Performance Plan 2025 – 2026. Available at National Department of Health Annual Performance Plan. pp. 43, 46.
18 In addition to medical cover, households can procure additional health insurance products such as gap cover, accident cover and other medical insurance plans. See WhoOwnsWhom. 2025. The Pharmaceutical Industry in South Africa 2025. Available at South Africa Pharma Sector 2025: Growth, R&D and Retail Shifts, p.33.
19 Council for Medical Schemes. 2025. Annual Report 2024/25. Available at CMS Annual Report 2024/25. p. 39.
20 Council for Medical Schemes. 2023. Industry Report 2023. Available at CMS Industry Report. p. 12.
21 Council for Medical Schemes. 2023. Industry Report 2023. Available at CMS Industry Report. Page 12.
22 National Planning Commission. 2020. Medicine Pricing Policies Position Paper. Available at Medicine Pricing Policy Position Paper _April 2020.pdf. p. 1.
23 Statistics South Africa. 2025. 'Retail trade sales (Preliminary)'. Available at Statistics South Africa.
24 *Ibid*.
25 *Ibid*, p.5.
26 Competition Commission South Africa. 2021. Measuring Concentration and Participation in the South African Economy: Levels and Trends. Available at Concentration-Tracker-Summary-Report-1.pdf. p. 12. para. 37.4. See also Buthelezi, T., Mtani, T. and Mncube, L., 2019. The extent of market concentration in South Africa's product markets. *Journal of Antitrust Enforcement*, *7*(3), pp.352-364.

the amendments to the Pharmacy Act[27], which allowed for non-pharmacists to own pharmacies, provided that a pharmacist is employed at all times. This facilitated the entry of corporate entities in the retail pharmacy services market, and these players have grown over time, largely as a result of greenfield investments in new locations as well as the acquisition of independents or pharmacist-owned pharmacies. The Commission's Concentration Tracker Report observes that the acquisitions of independents or pharmacist-owned pharmacies by the corporate-owned national pharmacy chains typically escape regulatory scrutiny as the transaction sizes are generally below the merger notification thresholds.

12. While creeping acquisitions may have implications for the competitive dynamic in the retail pharmacy services market, it is difficult to ascertain their impact on competition given that they are not required to be notified or in instances where notification is required, their singular impact on competition is not necessarily substantial. However, considered cumulatively, these creeping acquisitions may have an impact on market structure, the nature and dynamic of competition between independents or pharmacist-owned pharmacies and corporate-owned national pharmacy chains.

13. Academic literature observes that independents or pharmacist-owned pharmacies (the so-called community pharmacies) have an important role to play in the retail pharmacy services ecosystem, particularly in the context of differentiated and personalised service offerings to consumers.[28] As will be demonstrated further below, community pharmacies also contribute to the development of technological and other types of innovations as a means of improving health outcomes for customers, an important element of competition in this market. Recent academic literature also points to the importance of integrating community pharmacies, through leveraging their accessibility and trust-based connections with patients, in order to optimise clinical trial research outcomes.[29]

14. Lastly, it has been observed that the share of community pharmacies in the provision of retail pharmacy services has been declining while that of corporate-owned national chain pharmacies has been increasing.[30] This observed trend, coupled with the creeping acquisitions strategy engaged in by the corporate-owned national chain pharmacies, gives rise to questions about the competition implications of such acquisitions and the likely impact on consumer welfare (choice and innovation) as well the public interest in respect of the participation of small and medium enterprises in the retail pharmacy services market.

15. In recent years, Dis-Chem undertook a series of acquisitions of independent retail pharmacies, many of which were non-notifiable to the Commission and only three met the notification thresholds. In the last large transaction that was notified, where Dis-Chem acquired Pure Pharmacy Holdings Proprietary Limited (Dis-Chem/PPH merger), the Commission observed that Dis-Chem may have potentially engaged on a creeping mergers strategy and that such acquisitions could, cumulatively,

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27 According to de Nobrega (2012), these amendments were ratified in 2003. See De Nobrega, C., 2012. *An assessment of the entrepreneurial orientation of pharmacists in Gauteng* (Doctoral dissertation, North-West University), available at De Nobrega, C.

28 De Nobrega, C., 2012. *An assessment of the entrepreneurial orientation of pharmacists in Gauteng* (Doctoral dissertation, North-West University), available at De Nobrega, C; Community Pharmacist Sector of the PSSA, available at Greetings from the new CPS President : pharmaceutical practitioner; Goode, J.V., Owen, J., Page, A., and Gatewood, S. Community-Based Pharmacy Practice Innovation and the Role of the Community-Based Pharmacist Practitioner in the United States. Pharmacy (Basel). 2019 Aug 4;7(3):106. doi: 10.3390/pharmacy7030106. PMID: 31382690; PMCID: PMC6789634; Smulders Y (2024) The Basic Role of Community Pharmacies beyond the Provided Medications. Journal of Applied Pharmacy. 16:400

29 Etter, E., Confeld, M., Schlecht, T. and Liberi, P.D., 2024. The Evolving Role of the Community Pharmacist: An Opportunity to Bring the Study to the Patient, available at OPERATIONS-Whitepaper-Community-Pharmacists-In-Clinical-Trials.pdf.

30 Lowe, R.F. and Montagu,D. (2009). 'Legislation, regulation and consolidation in the retail pharmacy sector in low-income countries'. *Southern medicine review*, 2(2): p.38.

have implications for competition in the market for the supply of retail pharmacy services.[31] The Commission, therefore, recommended to the Competition Tribunal that the merger be approved with the condition, among others, that Dis-Chem will inform the Commission of any small merger or acquisition it engages in, in the retail pharmacy services market.[32] In light of this condition, this impact study will assess the extent to which the Dis-Chem's transactions have shaped the current state of the retail pharmacy services market, particularly the impact on competition in the market.

1.3. SCOPE AND RESEARCH METHODOLOGY

16. In conducting the impact assessment, the study relied on both quantitative and qualitative information collected from various stakeholders in the retail pharmacy services market, including submissions by market participants, information obtained through desktop research as well as nonconfidential information ascertained from the Commission's merger records. Considering the information and data gathered, the analysis assessed the following issues:

    16.1. the market structure of the pharmacy sector and the business models of corporate and community pharmacies;

    16.2. price competition between competitors;

    16.3. the impact of vertical integration on competition between retail pharmacies;

    16.4. the importance of location placement for competition between retail pharmacies; and

    16.5. other factors relevant to competition, including participation in designated service provider (DSP) and preferred service provider (PSP) networks and service quality, and their implications for competition between retail pharmacies.

17. The approach to the impact assessment is dealt with in greater detail in section 5 of this report.

31 Dischem Pharmacies Limited v Pure Pharmacy Holdings Proprietary Limited (LM181Jan21) [2021] ZACT 70 (19 October 2021), p.7.
32 Dischem Pharmacies Limited v Pure Pharmacy Holdings Proprietary Limited (LM181Jan21) [2021] ZACT 70 (19 October 2021), p.7.

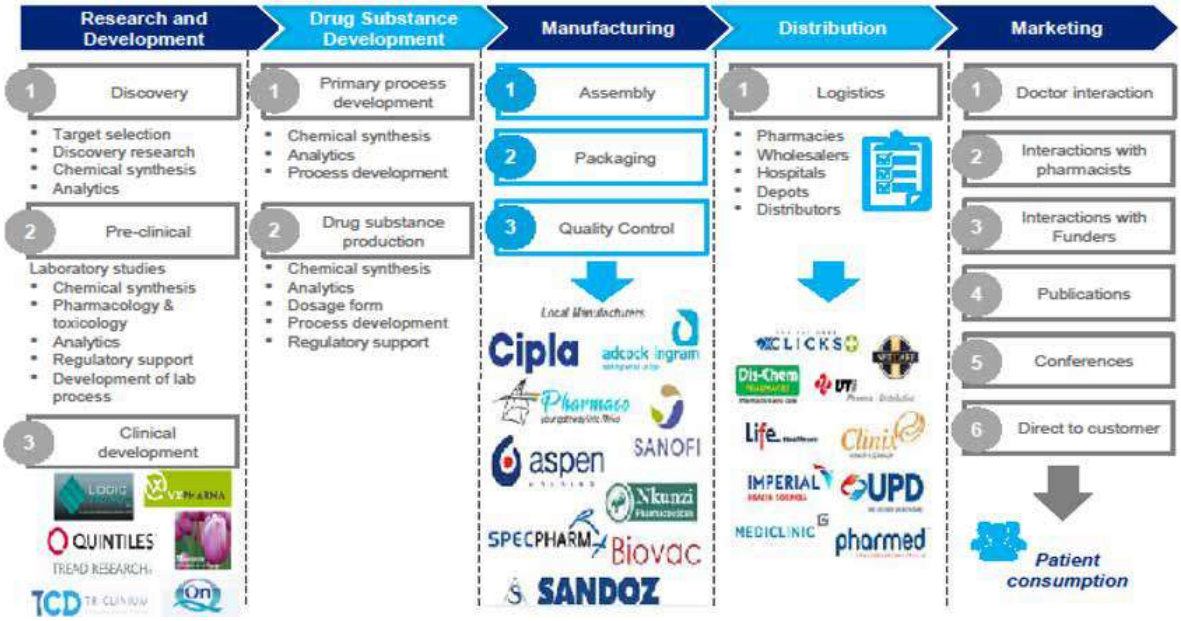
2. SOUTH AFRICAN RETAIL PHARMACY INDUSTRY OVERVIEW

18. The discussion below sets out the pharmaceutical sector value chain, with a particular focus on the retail pharmacy services market. The discussion of the retail pharmacy services market identifies the various players that are active and how the market has evolved over time. The discussion concludes by briefly setting out the regulatory framework governing the sector and its implications for competition in the retail pharmacy services market.

2.1. PHARMACEUTICAL SECTOR VALUE CHAIN

19. Figure 1 below shows the pharmaceuticals value chain and the key stakeholders within the different stages.

Figure 1: South Africanz pharmaceuticals value chain



Source: Department of Trade, Industry and Competition, 2017

20. Product development and pharmaceutical manufacturing is the first stage of the medicine supply chain, and it involves researching and developing new drugs, obtaining regulatory approvals, and final commercialisation before the medicine is introduced into the market. In South Africa, this role is led by large multinational pharmaceutical companies that also operate domestically. Some collaborate with local universities on research and development projects and drug trials.[33] In addition to multinational and local pharmaceutical manufacturers, several manufacturing

33 WhoOwnsWhom. 2025. The Pharmaceutical Industry in South Africa SIC Codes: 33530, 61394a & 62310a; Aitken, M. 2016. Understanding the pharmaceutical value chain. Pharmaceuticals Policy and Law, 18(1-4), pp.55-66.

pharmacies formulate, test, and package medications before they are distributed to hospitals, clinics, and retail pharmacies. Some produce private-label pharmaceutical products under contract for pharmaceutical companies.[34]

21. Wholesale and distribution is the second stage of the value chain, and it involves bulk purchases of pharmaceutical products from manufacturers and delivery of medicines to the next stage of the value chain. Wholesalers and distributors distribute medicines to both the private sector and the public sector.[35] The South African Health Products Regulatory Authority's (SAHPRA) Guideline on South African Good Wholesaling Practice for Wholesalers describes distribution as "*the procurement, purchasing, holding, storing, selling, supplying or movement of pharmaceutical products from the premises of the manufacturer of such products, or another central point, to the end user thereof, or to an intermediate point by means of various transport methods, via various storage and/or health establishments, except for the dispensing or providing pharmaceutical products directly to a patient or his/her agent;*"[36]. It further states that "*Wholesalers are responsible for the effective, efficient and safe handling, storage and distribution of such products ensuring the quality and identity of these during all aspects of the wholesaling and distribution process...*"[37] As discussed later in the report, there are several registered wholesalers and distributors in South Africa, some of whom are vertically-integrated entities owned by the national retail pharmacy chains.

22. The last stage of the value chain is the retail and patient access through community pharmacies, hospitals, and designated service providers. The distribution of medicines to patients is regulated through the Pharmacy Act No. 53 of 1974. The legislation provides the key elements of the scope of practice for retail and distribution of medicines to patients, including (i) evaluation of a patient's medicine related needs by determining the indication, safety and effectiveness of the therapy; (ii) dispensing of any medicine or scheduled substance on the prescription of a person authorised to prescribe medicine; and (iii) furnishing of information and advice to any person with regard to the use of medicine.[38]

2.2. THE RETAIL PHARMACY SERVICES MARKET

23. Retail pharmacies serve as the last mile distribution leg and clinical service point for medicines and healthcare information dispersal. They provide some primary healthcare services, including screening, family planning, and emergency care for minor ailments, for those clients that are willing to pay for such services.[39] They bridge the gap for those who do not have easy access to public clinics or cannot afford to queue by providing cheaper, faster, and more accessible care, often with more convenient opening hours and shorter waiting times than public sector clinics and private doctors. The legislation distinguishes between five types of pharmacies.[40] These are:

    23.1. **Community pharmacy:** means a pharmacy which provides services to the general public but excludes an institutional pharmacy. Market dynamics have created a distinction between independent and corporate pharmacies within this category. Independent pharmacies are typically those owned by a sole proprietor whereas a group or

34 *Ibid*.
35 Pampel, G. 2013. Factors Affecting the Profitability of Pharmacies. University of Witwatersrand. Available at Factors affecting the profitability of pharmacies.
36 South African Health Products Regulatory Authority. 2022. Guideline on South African Good Wholesaling Practice for Wholesalers. Available at SAHPGL-INSP-03_v5-Guideline-on-South-African-Good-Wholesaling-Practice-for-Wholesalers.pdf. p. 6.
37 *Ibid*, p. 10.
38 Pampel, G. 2013. Factors Affecting the Profitability of Pharmacies. Available at Factors affecting the profitability of pharmacies.
39 Malangu, N. 2014. The Future of Community Pharmacy Practice in South Africa in the Light of the Proposed New Qualification for Pharmacists: Implications and Challenges. Global Journal of Health Science; Vol. 6(6). p. 1.
40 See Section 22 of the Pharmacy Act No. 53 of 1974, read with Chapter VI of the Regulations Relating to The Practice of Pharmacy.

chain of pharmacies is considered a corporate pharmacy.

23.2. **Consultant pharmacy:** means a pharmacy where a pharmacist renders a pharmaceutical service which does not involve the sale of a product (e.g. pharmacokinetic services whereby a blood sample is drawn, tested and the dosage of a particular drug recommended).

23.3. **Institutional pharmacy:** means a pharmacy situated in a public or private health facility wherein pharmacy services are provided to the public which require pharmaceutical services, medical or surgical treatment, nursing or other health care from or at that health facility. Institutional pharmacies only service hospital patients (in-patients). Hospital staff, out-patients or walk-in customers cannot purchase products directly from institutional pharmacies.

23.4. **Manufacturing pharmacy:** means a pharmacy involved in the manufacture, purchase, supply and distribution of any medicine or scheduled substance to a wholesale, institutional, or community pharmacy.

23.5. **Wholesale pharmacy:** means a pharmacy involved in the wholesale distribution of any medicine or scheduled substance to a wholesale, institutional or community pharmacy or to persons who are authorised to purchase medicines in terms of the Medicines Act or to an organ of state.

24. The focus of this study is on community pharmacy services. Dis-Chem is active in two categories, in the community pharmacy and wholesale pharmacy segments. The study seeks to understand the impact of the acquisition of independent pharmacies and the growth of Dis-Chem in the retail pharmacy services market.

25. The South African retail pharmacy sector is the biggest in Sub-Saharan Africa, supported by a sizable population, investment in healthcare, and relatively well-developed local manufacturing and distribution.[41] The market is segmented into three ownership structures, including corporate-owned pharmacies (some of which also have franchise brands), franchise and/or independently owned pharmacy groups, and pharmacist-owned independent pharmacies.[42] The corporate-owned pharmacies include Dis-Chem Pharmacy, Clicks Pharmacy, Medirite (a subsidiary of the Shoprite Holdings Limited, which includes both Medirite in-store dispensaries and Medirite Plus) and Pharmacy at SPAR. The Local Choice and Link Pharmacy are franchise brands owned by Dis-Chem and Clicks, respectively. The independently owned pharmacy groups, in the main, include Alpha Pharm SA Proprietary Limited (Alpha Pharm), and Arrie Nel Pharmacy Group Proprietary Limited, which also includes Mopani Pharmacy, (Arrie Nel).

26. Dis-Chem styles itself as South Africa's leading retail healthcare group with *"…a primary focus on the retail sale of pharmaceutical products, health and beauty products, and complementary wellness services…"* Dis-Chem operates a nationwide network of retail pharmacy stores which offer prescription medicines, over-the-counter pharmaceutical products, health supplements, personal care and beauty products, selected front-shop convenience items, and healthcare services through in-store clinics. It also owns private-label and exclusive product ranges, which, it indicates, forms part of its strategy to enhance customer value, differentiate its offering, and support margin sustainability. Dis-Chem is backward vertically integrated

41 This number excludes public sector and private institutional pharmacies. WhoOwnsWhom. 2025. The Pharmaceutical Industry in South Africa.
42 Medirite submitted that *"The retail pharmacy sector in South Africa consists of independent pharmacies, chain pharmacies (such as Dischem, Clicks), and franchise outlets…."* See submission by Medirite dated 31 July 2025, p. 1, para. 1.

though its centralised distribution and wholesale operations (CJ Wholesalers and Dis-Chem Distribution businesses) and other supporting services, which provide support to its retail store network and external customers.[43] Furthermore, it operates a specialist retail brand, Baby City, which focuses on the supply of mother and baby essentials.[44] As of 31 August 2025, Dis-Chem's retail footprint comprised 302 Dis-Chem stores, with plans to open a further 15 stores by the end of its 2026 financial year, bringing its total store count to 317. In addition, its Baby City stores were approximately 44.[45]

27. Clicks similarly styles itself as "*South Africa's leading, pharmacy, health and beauty retailer with over 990 stores and 780 in-store pharmacies…*" Its target customers includes the middle to upper income segments (LSM 6-10), and it offers the largest loyalty programme with 12.6 million active members. Its other retail brands include (i) Clicks Baby, which offers a range of mother and baby essential products, (ii) The Body Shop, which supplies naturally inspired beauty products to the middle to upper income customers, and (iii) Sorbet, a beauty salon chain. It also operates UniCare, a specialised 24-hour pharmacy services which offers diabetic clinic, travel clinic and wounds management services. It is backward vertically integrated, through UPD, its full-line pharmaceutical wholesale and distribution operation, which supplies its network of retail pharmacy stores as well as third-party retail pharmacies, private hospitals, dispensing doctors and retail health stores.[46]

28. Medirite focusses on accessible and affordable healthcare services which are provided through its Medirite+ in-store dispensaries that are located in more than 140 selected Shoprite/Checkers supermarkets. In addition, the group has about 22 stand-alone Medirite Plus pharmacies.[47] Medirite appears to be focussed on servicing customers in previously disadvantaged communities where affordable pharmacy services are not always readily available. The group is vertically integrated into the wholesaling of pharmaceutical, front shop and veterinary products, through Transpharm.[48]

29. Pharmacy at SPAR is the pharmaceutical business of the SPAR Group. It comprises more than 125 in-store and standalone family pharmacies offering a comprehensive range of dispensary and health-related products and services, including in-store family care clinics.[49] In 2025, the SPAR Group indicated that it was on course to expand its network to 250 stores by 2028. Through its acquisition of Aptekor, the group vertically integrated into the wholesaling of pharmaceutical products and courier services.[50]

30. Alpha Pharm was formed as a distribution channel for a group of independent community pharmacies to leverage their collective buying power. Alpha Pharm styles itself as "*the only true Independent Pharmaceutical Group in South Africa with the largest Community Pharmacy Franchise Network and national footprint*." It currently comprises more than 400 franchise pharmacies, who offer a wide range of pharmaceutical products and in-store clinic services. It is vertically integrated into pharmaceutical product wholesaling and also offers various proprietary technology

43 In the FY2025, these were listed as Dis-Chem Distribution Pty Ltd; CJ Pharmaceutical Enterprises Ltd; Evening Star Trading 204 Pty Ltd (t/a Nelspruit Pharmaceutical Wholesaler); CJ Marketing Pty Ltd; The Pharmacy Development Academy Pty Ltd; Bemax International Pty Ltd; Brandwacht Marketing Pty Ltd; Finamics Accounting Services Pty Ltd; Eleadora Pty Ltd; CT Distribution Centre Pty Ltd; KZN Warehouse Pty Ltd; Columbia Falls Properties 7 Pty Ltd.
44 Dischem Group. Available at overview - Dis-Chem group.
45 Dischem Group. 2025. Interim Consolidated Financial Results for the six months ended 31 August 2025. Available at Dis-Chem Interim Results FY2025.
46 Clicks Group. Available at Our brands - Clicks Group.
47 Medirite. Available at Our footprint | Shoprite Holdings; Medirite | Home.
48 Medirite, Available at Reports and Documents | Shoprite Holdings.
49 SPAR Group. Available at Unpacking the four territories - SPAR Group website.
50 SPAR Group. 2025. The SPAR Group Ltd Annual results 2025. Available at Results Presentation, p. 18.

solutions through its AlphaConnect Mobile, AlphaConnect Web, and Alpha300+ platforms.[51]

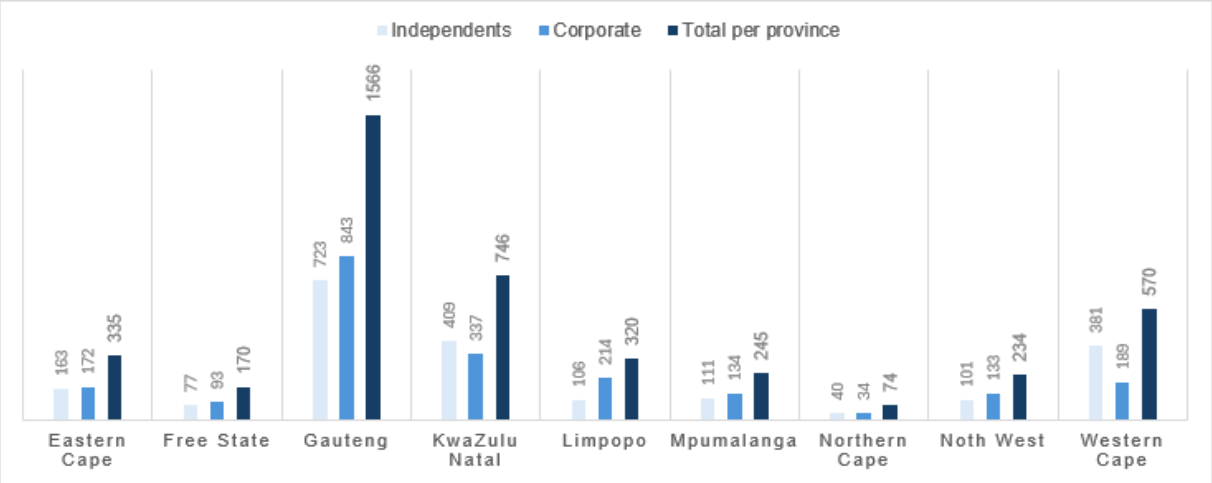
31. Arrie Nel is a collective of independently owned pharmacies operating under the Arrie Nel brand. The group comprises over 130 pharmacies and is vertically integrated into the wholesaling of pharmaceutical products, through Pharmed. Its retail pharmacy services include pharmacy, health and beauty, as well as in-store clinics.[52]

32. In addition to the above market participants, there are numerous independent community pharmacies, many of which are pharmacist operated. The list of dispensing license holders is published by the NDoH.[53]

33. In terms of geographic distribution, Gauteng has the highest number of pharmacies with a total of approximately 1566, followed by KwaZulu Natal with approximately 746 and the Western Cape with 570.[54] The remaining provinces individually account for less than 10% of the total registered pharmacies in the country. Northern Cape has the least number of pharmacies, with approximately 72 pharmacies.[55]

34. Figure 2 below shows the distribution of retail pharmacies in South Africa by type and province. Independent pharmacies account for the largest number of retail stores in all provinces. However, over the years the market equally saw a significant number of independent pharmacies closing down. For instance, of the 1624 independent retail pharmacies that were operational in 2004, before the legislative amendments, 622 had closed down by 2014.[56] In addition to those, 327 more retail pharmacies that were registered post the legislative amendments had closed down during the same period, including 43 new corporate pharmacies.[57]

Figure 2: South African retail pharmacies by province



Source: Commission's own compilation based on data from MedPages

51 Alpha Pharm. Available at About - Alpha Pharm Group.
52 Arrie Nel. Available at ABOUT US – Arrie Nel Pharmacy Group.
53 The list of licensed dispensing holders, as of 17 March 2025, is available at Dispensing-Licence-Holders_17-March-2025.pdf.
54 IQVIA data, available at Med Pages, Accessed on 29 May 2025.
55 *Ibid*.
56 Moodley, R. and Suleman, F. 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice, 13(1), p.3.
57 Nyamuzihwa, T., Tembo, A., Martyn, N., Venter, F., Maimin, J., Houghton, J. and Lalla-Edward, S.T., 2023. The South African community pharmacy sector—an untapped reservoir for delivering HIV services. Frontiers in Reproductive Health, 5, 1173576. p. 2.

2.3. RETAIL PHARMACY REGULATORY FRAMEWORK

35. In South Africa, retail pharmacy services are regulated through the Pharmacy Act 53 of 1974 (Pharmacy Act). The legislation establishes the South African Pharmacy Council (SAPC), a regulatory body that oversees the practice and ensures compliance to the Pharmacy Act. The Pharmacy Act governs various aspects of retail pharmacy operations, including ownership, licencing and practice standards, amongst other things.

Ownership regulations

36. One of the most transformative amendments of the Pharmacy Act relate to the ownership of retail pharmacies. Previously, the legislation restricted the ownership of retail pharmacies exclusively to registered pharmacist and prevented black pharmacists from owning pharmacies in the urban areas.[58] In 2003, the Pharmacy Act was amended to allow for laypersons to own retail pharmacies. The motivation for such amendments was to reduce the price of medicines, promote competition, expand access to retail pharmacy service and create more jobs.[59] The amendments lowered the barriers to ownership of retail pharmacies, fuelling the emergence of corporate retail pharmacy chains and expansion in the number of pharmacies in the country.[60]

Licencing regulations

37. The Pharmacy Act provides that a person who is entitled to own a pharmacy must apply for a licence for the premises in which the pharmacy business is to be conducted.[61] The applications are submitted to the SAPC and evaluated by the Pharmacy Licencing Committee. The NDoH determines the requirements for assessment, and the final approval is granted by the Director-General.

38. In evaluating new applications, the NDoH considers, among others, the population size, as proxy for demand, in the area where the retail pharmacy services will be provided, and the proximity of such premises to other retail pharmacies in the area. In urban areas, the ratio applied is one pharmacy per 5000 population. In rural sub-districts the ratio is one pharmacy per 2500 population. However, in rural sub-districts, exceptions to the population norm may be considered where the proposed pharmacy is more than 20 kilometres from an existing pharmacy.[62] In terms of location, the proposed retail pharmacy may not be located less than 500 metres from an existing community pharmacy. Once again, in rural sub-districts, exceptions may be considered based on the availability of premises for commercial purposes. In shopping malls, the NDoH only permits one pharmacy in a small shopping centre, two pharmacies in a large shopping centre with up to 100 retail establishments, three pharmacies in a large shopping centre with up to 150 retail establishments, with one additional pharmacy permissible for each additional 100 retail establishments thereafter.

Pricing regulations

39. Prices for pharmaceutical products are determined and set differently in the public and private sectors. In the public sector, medicines are procured through a competitive tendering process, governed by the Constitution of the Republic of South Africa and the Public Finance Management

58 Moodley, R. and Suleman, F., 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice, 13(1). p.2.

59 Moodley, R. and Suleman, F., 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice. 13(1). pp. 2 – 3; Helen Suzman Foundation. 2016. Pharmaceuticals in South Africa - An Enquiry. Available at https://hsf.org.za/publications/special-publications/pharmaceuticals-in-south-africa/pharmaceuticals-in-south-africa-an-enquiry-2. p. 20. It is noted that the date of publishing of the report, Pharmaceuticals in South Africa - An Enquiry, is found at Executive Summary of Report of Supply of Pharmaceuticals in South Africa – Helen Suzman Foundation.

60 Mosiane, T., Nkonde, K., Mahlatsi, G. and Mncwangi, N.P., 2022. A review on pharmacy practice in South Africa–a higher education perspective. Pharmacy, 11(1), p.3; Lowe, R.F. and Montagu, D., 2009. Legislation, regulation, and consolidation in the retail pharmacy sector in low-income countries. Southern Med Review, 2(2), p.40.

61 See Section 22 of the Pharmacy Act.

62 National Department of Health. Pharmacy Licensing Guidelines. Available at NDoH.

Act (PFMA). In the private sector, prices are regulated through the Single Exit Price (SEP) prescribed in the Medicines and Related Substances Act (previously Drugs Control Act) 101 of 1965 (Medicines Act). The process is administered by a Pricing Committee that makes recommendations to the Minister of Health in line with the Regulations Relating to a Transparent Pricing System for Medicines and Scheduled Substances (Pricing Regulations), published under Notice No. 1102 (28214) of 11 November 2005.

40. The objective of the SEP is to enforce price transparency and prevent price differentiation by manufacturers to different private sector customers. This is because prior to the amendments to the Medicines Act, pharmaceutical companies charged customers (i.e., retail pharmacies) different prices for the same drug based on the maximum price they were willing to pay.

41. The SEP is the regulated maximum price at which manufacturers can sell scheduled medicines and substances irrespective of the volumes purchased, and effectively the price that patients should pay for their medicines.[63] The price is reviewed and adjusted on an annual basis and comprises the manufacturer's exit price (ex-manufacturer price) plus a distribution or logistics fee and 15% value-added tax (VAT). The ex-manufacturer price is the proposal put forward by the manufacturer for new drugs. The final price charged by retail pharmacies to the end-user includes a dispensing fee (capped according to regulations), which is charged in addition to the SEP, for services rendered by pharmacists. Summarily, the SEP and final price are calculated as follows:

SEP = ex-manufacturer price (excl. VAT) + logistics fee + 15% VAT

Final price to end-user = SEP + dispensing fee (excl. VAT)

42. The SEP methodology allows for the pricing of medicines to be controlled throughout the pharmaceutical value chain by setting ex-manufacturer price, as well as the dispensing fees charged by pharmacists. The dispensing fees that pharmacies charge is a percentage of the SEP. These professional dispensing fees are capped according to regulations and are determined based on a tiered scale that considers the price of the product. The dispensing fee is intended to ensure that pharmacists are fairly remunerated for their services and operational costs.

43. The Medicines Act mandates the Minister of Health to review dispensing fees annually to determine sector-appropriate fees as outlined in Section 22G. This review process is governed by the Pricing Regulations. According to Regulation 10(2) of the Pricing Regulations, the Minister must consider factors such as ensuring the availability and affordability of quality medicines, annual inflation rates, data submitted by pharmacists, and other relevant information when determining dispensing fees.

Recent regulatory amendments

44. The public policy objective for the healthcare system in South Africa is for all citizens to have access to affordable, equitable and good quality healthcare. Recent developments include the National Health Insurance Bill (2019) and National Health Insurance Act (2024), that aim to improve the overall functioning of the healthcare system, including increasing the affordability and accessibility of medicines in South Africa.

63 National Planning Commission. 2022. Research on Pharmaceutical Pricing Policies. Available at National Planning Commission Page iii-iv.

3. MARKET STRUCTURE AND CONCENTRATION TRENDS

45. Over the past decade the structure of the retail pharmacy services market has changed, showing an increase in the number of corporate-owned pharmacies, as a proportion of the total number of community pharmacies in South Africa. It is important to note that in conducting its assessment, the Commission did not have access to a single data source that provides a complete list of pharmacies split by type of ownership over time. Various data sources were obtained, some of which contained varying estimates of the number of pharmacies over the review period. These differences notwithstanding, the analytical insights drawn from the various data sources provide a consistent perspective regarding the changes in market structure over time. Further, it is also important to note that due to lack of data, the assessment could not be conducted in respect of the identified local market areas in which the Dis-Chem acquisitions took place. Accordingly, the assessment focussed on the dynamics in respect of market structure and concentration trends nationally.

46. Moodley and Suleman (2020) assessed the impact of opening up ownership of pharmacies in South African and found that there has been a steady growth in corporate pharmacy ownership.[64] Table 1 provides a reconstructed illustration of the change in the market structure dynamic in the period between 2004 and 2014 based on the data provided in Moodley and Suleman (2020). The data provides the total number of registered active pharmacies in 2004 and the number of active pharmacies in 2014, and the 2014 data is further split by type of ownership.

Table 1: Active registered community pharmacies between 2004 and 2014

Number of pharmacies	Active independents (2004)	Remaining Active 2004 independents by (2014)[65]	New registrations post 2004 (2014)		Total Active pharmacies 2014	
			Independents	Corporate	Independents	Corporate
	1624	1 002	1 303	716	2 305	716
Total	**1624**	**1 002**	**2 019**		**3 021**	
% share of total pharmacies					76%	24%

Source: Commission's calculation based on data from Table 3 in Moodley and Suleman (2020)

47. The above shows that by 2014, the number of active pharmacies had doubled from the 2004 levels, growing from 1 624 to 3 021. The largest growth in this period came from the independents, which grew by an additional 1 303 from the 2004 numbers. By 2014, corporate-owned pharmacies accounted for approximately 24% of the total registered community pharmacies (outside hospitals) while the independents

64 Moodley, R. and Suleman, F., 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice, 13(1). p.1.

65 It must be noted that approximately 622 independent pharmacies were subsequently closed in the period post 2004, up to 2014. As a result, while there were 1624 active independents in 2004, only 1 002 remained in 2014.

accounted for 76%. In essence, this period was characterised by an expansion in the total number of active pharmacies.

48. The above proportionate shares are also consistent with other studies that have assessed the evolution in the ownership trends in the retail pharmacy services market. The Helen Suzman Foundation's assessment in early 2015, based on pharmaceutical distribution sites and ownership type, estimated that corporate pharmacies were approximately 710 and independent pharmacies were about 2 475. This translated to 22% and 78% proportionate shares respectively.[66]

49. The Commission also assessed the proportionate share of pharmacies by type of ownership in the period 2018 to 2020. The results are set out in Table 2 below.[67]

Table 2: Retail stores by pharmacy group (2018 – 2020)

Pharmacy group	Dis-Chem	Clicks	Spar	PnP	Medirite	Total Corporate[68]	Total Independents	Total pharmacies
2018	129	510	101	31	145	916	2 452	3 368
2019	149	545	120	35	144	993	2 412	3 405
2020	170	585	132	34	144	1 065	2 353	3 418
% share of total pharmacies								
2018						27%	73%	100%
2019						29%	71%	100%
2020						31%	69%	100%

Source: Commission's calculation based on data from Figure 1 in Thibane (2021)

50. As is clear from the above, the consistent view, similar to that expressed in the earlier studies, is that corporate-owned pharmacies have increased their share over time while the share of independent pharmacies has been incrementally declining. In this period not only did the relative share of independent pharmacies decline but also the absolute number of these pharmacies. This reflects a change from the earlier period where both corporate and independent pharmacies grew, to a situation where corporate pharmacies continue to grow while independent pharmacies are beginning to decline in real terms. Further, Moodley and Suleman (2020) observed that post 2004 there were 284 independent pharmacy closures and 43 corporate-owned pharmacy closures, indicating a far higher rate of exits for independents when compared with corporate pharmacies.

51. Data obtained from Medpages provided a comprehensive list of the number of pharmacy stores by firm. The Commission utilised this data to estimate market shares, based on the number of stores, for each of the competitors in this broad national market (see Table 3 below).[69] The Dis-chem and Clicks store counts include their franchise brands, The Local Choice and Link, respectively given that there is a degree of control over these entities. [70] When the franchisees are included, it shows

66 Helen Suzman Foundation. Undated. Pharmaceuticals in South Africa - An Enquiry. Available at https://hsf.org.za/publications/special-publications/pharmaceuticals-in-south-africa/pharmaceuticals-in-south-africa-an-enquiry-2. p. 65.
67 It is noted that the pharmacy numbers do not include the franchise arrangements for Clicks and Dis-Chem.
68 Ibid, p. 61. The Helen Suzman Foundation Report noted that the following entities as corporately owned pharmacies, Clicks, Dis-Chem, Medirite, Medicross, Pick n Pay, and Spar.
69 As noted later in the report, reliance on store numbers as an indicator of concentration and market power dynamics does not take into account the differentiated nature of competition in these markets and thus is not an appropriately indicator to use. Notwithstanding, in the absence of revenue data, the Commission has relied on store numbers as the next best alternative.
70 As previously noted in the PPH acquisition, the Commission is of the view that the TLC pharmacy group is part of Dis-Chem for competition purposes given the nature of the Franchise Agreement governing the relationship between TLC and its franchisees.

a far greater concentration of the pharmacy sector in the hands of Clicks and Dis-Chem with an estimated 41% market share. Along with Medirite and Spar, the top four corporate groups hold 48% market share by store numbers and likely much higher in revenue terms. Total pharmacy numbers have grown from 3418 in 2020 to 4106, whilst pharmacies independent of the four groups have continued to decline to 2150.

Table 3: Estimated national market shares, based on the number of stores

Pharmacy Group	Number of pharmacies	Estimated market share (%)
Independent	1101	26,81
Clicks	1074	26,16
Dis-chem	592	14,42
Alpha-Pharm	368	8,96
WeCare	240	5,85
RingPharm	163	3,97
Spar	145	3,53
Medirite/Shoprite	142	3,46
Arrie Nel	132	3,21
Van Heerden Pharmacy	27	0,66
Klinicare	21	0,51
Kalapeng	18	0,44
Health and Home Pharmacy	17	0,41
Pharmaclin	15	0,37
Sondelani	11	0,27
Sparkport	9	0,22
Medicare	8	0,19
Pharmacynet	7	0,17
Essential Health	6	0,15
Pick n Pay	3	0,07
Hyperpharm (PMA)	3	0,07
Pharma Valu	2	0,05
Pro Group	2	0,05
Total	**4106**	**100**

Source: Commission's calculation based on data from MedPages, available at MedPages, and company websites

52. The above shows that Clicks (26,16%) and Dis-Chem (14,42%) are the first and second-largest players in the market, based on their number of stores, followed by Alpha Pharm (8,96%), WeCare (5,85%), and RignPharm (3,97%). Other corporate-owned pharmacy brands who possess relatively lower market shares include Spar (3,53%) and Medirite (3,46%). Arrie Nel, a group of independent pharmacies, holds a comparable estimated market share to the smaller corporate-owned pharmacy brands, at approximately 3,21%. A large number of independent pharmacies, who have store numbers ranging from two to 27, account for significantly lower market shares. In addition, there is a collection of independent pharmacies who are not specified in similar fashion to those competitors who generally have more than one location. These independents are estimated to cumulatively account for an approximate 26,81% market share.

53. Medirite submitted that "*….Large chains tend to dominate market share, benefitting from economies of scale, brand recognition, and extensive distribution networks.*"[71] Submissions by other market participants indicated that while they have no reliable source of data available to precisely estimate their market shares and those of their competitors[72], their perspective is that the independent pharmacies constitute no more than 45% of the market share by revenue for both scheduled and unscheduled medicines.[73]

54. Clicks provided estimated market shares for the national supply of pharmaceutical products (schedules 1 – 6) for various competitor categories, based on revenue and volumes for the period 2019 to 2023 (see Table 4 and Table 5 below).

Table 4: Pharmaceutical products (schedules 1 – 6) revenue market share estimates, 2024

Competitor categories	2019	2020	2021	2022	2023
Independent pharmacies and small independent groups	39.95%	40.11%	42.02%	41.08%	40.87%
National managed chain pharmacies	19.61%	19.24%	20.90%	22.13%	22.11%
Clicks	21.35%	20.06%	20.96%	21.27%	21.80%
Mail order / Courier pharmacies	13.99%	15.78%	10.33%	10.11%	9.26%
Private hospital and pharmacy buying group	0.02%	0.00%	0.00%	0.46%	0.02%
Private hospital groups	0.51%	0.32%	0.48%	0.01%	0.40%
Supermarket group pharmacies	4.58%	4.48%	5.32%	4.94%	5.54%

Source: Submission by Clicks dated 18 November 2024, p. 6, para 23.

Table 5: Pharmaceutical products (schedules 1 – 6) volume market share estimates, 2024

Competitor categories	2019	2020	2021	2022	2023
Independent pharmacies and small independent groups	49.81%	50.66%	51.53%	49.98%	49.76%
National managed chain pharmacies	16.43%	16.24%	16.77%	17.95%	17.59%
Clicks	22.25%	21.12%	21.35%	22.33%	23.04%
Mail order / Courier pharmacies	4.49%	5.44%	3.10%	2.97%	2.44%
Private hospital and pharmacy buying group	0.01%	0.01%	0.00%	0.40%	0.05%
Private hospital groups	0.49%	0.34%	0.42%	0.01%	0.32%
Supermarket group pharmacies	6.52%	6.19%	6.82%	6.36%	6.81%

Source: Submission by Clicks dated 18 November 2024, p. 6, para 23.

55. Given that Clicks' estimates are based on estimated shares of competitor categories, they provide limited insights about the level of competitive interaction between rivals in the market. Notably, however, it estimates that it is the single largest player, both on volume and value, second to the combined share of the independent pharmacies and small independent groups. It also shows that independents have a stagnant share

71 Submission by Medirite dated 31 July 2025, p. 1, para. 1.
72 Submission by Independent Community Pharmacy Association (ICPA) dated 17 June 2025, p.4. Notes of the meeting between Alpha Pharm and the Commission dated 08 July 2025. Submission by Clicks Group dated 18 November 2024, pp. 5-7, para. 20-25.
73 *Ibid*.

whilst other nationally managed chains that include Dis-Chem are growing.

56. In 2020, the Commission's assessment of the *Dis-Chem/PPH* merger[74] noted that Clicks and Dis-Chem were the leading firms in the market by revenue, in both scheduled and unscheduled medicines with more than 45% combined market share. The other corporate pharmacies accounted for no more than 5% market share each. Clicks and Dis-Chem also report their market shares in their annual reports, and it is observed that both firms have continued to retain their estimated market share, with slight fluctuations between 2018 and 2025. Table 6 below shows Dis-Chem's and Clicks' market shares by pharmacy income between 2018 and 2025. During the period under review, Clicks has increased its market share in all categories. However, it realised only a marginal gain in the dispensary category. Similarly, Dis-Chem's market shares increased in all categories, although the firm realised some marginal declines between 2022 and 2025. In terms of dispensary, the two firms have almost equal market share and command 48,3% of the market, combined.

Table 6: Dis-Chem and Clicks' share of total estimated retail pharmacy income

Category	2018	2020	2022	2024	2025
Clicks					
Dispensary	23,3%	24,2%	23,7%	24,2%	24,0%
Front Shop Health	30,8%	31,2%	32,4%	34,2%	33,1%
Baby	15,1%	16,8%	19,2%	22,5%	23,1%
Skincare	36,1%	40,1%	42,7%	43,8%	43,8%
Haircare	28,2%	30,4%	32,0%	33,1%	32,8%
Dis-Chem					
Dispensary	23,2%	22,2%	26,3%	24,6%	24,3%
Healthcare and Nutrition	46,6%	47,1%	48,7%	46,9%	44,3%
Baby care	10,3%	10,2%	10,8%	10,9%	15,2%
Personal Care and Beauty	16,9%	17,3%	19,1%	19,0%	17,3%

Source: Commission's own compilation based on Clicks and Dis-Chem Annual Reports

57. The Commission further sought to measure the concentration levels in the retail pharmacy services market, using concentration ratios. This method is commonly used in competition assessments, and it measures the aggregate market share of a small number of the leading firms in a market (e.g., the three-firm concentration ratio, or CR3, shows the proportion of the market supplied by the three leading firms).[75] The ratios are absolute in value and take no account of differences in the relative size of the firms that make up the leading group. The results of the measurement are used as

74 Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd Merger Investigation Report, Commission Case No.: 2020Dec0043, pp. 39 - 40, Table 3 and Table 4.

75 Buthelezi. T, Mncube. L, and Mtani. (2020). 'The extent of market concentration in South Africa's product markets'. Available at Buthelezi. T, Mncube. L, and Mtani, p. 4.

an indicator of the degree of concentration in a market.[76]

58. Table 7 below shows the concentration ratios for the retail pharmacy services market.

Table 7: Retail pharmacy services concentration ratios

Level	Ratio	Interpretation
CR2	40,57%	Highly concentrated
CR3	49,54%	Moderately concentrated
CR4	55,38%	Moderately concentrated
CR5	59,35%	Moderately concentrated

Source: Commission's compilation based on the Medpages data

59. The results of the assessment indicate that the pharmacy retail market is highly concentrated towards the two leading players at CR2, with a ratio of 40,57%. From CR3 – CR5 the market is moderately concentrated, with ratios ranging between 49,54% and 59,35% due to the much smaller size of the next 3 corporate groups.

60. The changes in the market structure and concentration observed above are consistent with the views expressed in various studies which indicate that the retail pharmacy services market is characterised by high levels of concentration, with Dis-Chem and Clicks collectively accounting for a significant share of the market.[77]

76 Competition Commission (2021). 'Measuring Concentration and Participation in The South African Economy: Levels and Trends: Summary Report of Findings and Recommendations'. Available at Competition Commission, p.6.

Classification of Concentration Based on Concentration Ratios

Level	Unconcentrated	Moderately concentrated	Highly Concentrated
CR2	<26%	26%-35%	>35%
CR3	<37%	37.5%-50%	>50%
CR4	<45%	45%-60%	>60%
CR5	<52.5%	52.5%-70%	>70%

Source: Competition Commission (2021), Table 1.

77 National Planning Commission. 2020. Medicine Pricing Policies Position Paper. Available at Medicine Pricing Policy Position Paper_April 2020.pdf, p. 5; Competition Commission South Africa. 2021. Measuring Concentration and Participation in the South African Economy: Levels and Trends. Available at Concentration-Tracker-Summary-Report-1.pdf, p. 12. para. 37.4; Buthelezi, T., Mtani, T. and Mncube, L., 2019. The extent of market concentration in South Africa's product markets. *Journal of Antitrust Enforcement*, *7*(3), pp.352-364.

4. DIS-CHEM'S MERGERS AND ACQUISITIONS

61. Before 2003, Dis-Chem operated two retail pharmacies in Johannesburg and by 2016 the group had opened its 100th store, with a geographic footprint in all the major metropolitan cities in Gauteng, Western Cape and KwaZulu Natal. By 2025, Dis-Chem had a total 317 retail pharmacies nationwide.[78] This growth was both organic and acquisitive, as Dis-Chem acquired some of its stores from independent pharmacy retailers.

62. Dis-Chem submitted a list of acquisitions it undertook in relation to the retail segment of its business between 2016 and 2023, and this totalled 13 acquisitions (translating to about 62 stores acquired). Out of these transactions, only three were notifiable to the Commission. The rest were classified as small acquisitions and did not meet the threshold to be notifiable, in line with the Competition Act.[79]

63. In addition to the above acquisitions, Dis-Chem's strategic documents show further acquisitions which were not notifiable. These amounted to nine acquisitions of single stores each, and these are included in the assessment as per the tables below. Further, Dis-Chem acquired various businesses active in the supply of pharmacy wholesale services and adjacent or complementary services and/or products. These are set out further below. Table 8 below shows Dis-Chem's acquisitions of retail pharmacy stores from independents.

Table 8: Dis-Chem's retail pharmacy acquisitions from 2016-2023

Target firm	Year	Store numbers	Current Retail Pharmacy Name	Outcome
Dis-Chem Glen Acres (repurchased 50% of its issued share capital from M Kruger Investments Pty Ltd	2016	1	Dis-Chem Glen Acres	Approved without conditions
Springbok Pharmacy	2016	1	Dis-Chem Springbok Pharmacy	Approved without conditions
Platinum Park Pharmacy	2016	1	Dis-Chem Platinum Park Pharmacy	Not notifiable
Terrace Pharmacy	2016	1	Dis-Chem Rynfield Terrace Pharmacy	Not notifiable
Japie Visser Pharmacy	2017	1	Dis-Chem TLC Market Street Pharmacy	Not notifiable
Heidelberg Apteek Pharmacy	2017	1	Dis-Chem Voortrekker Street Pharmacy	Not notifiable

78 Dis-Chem. 2025. Interim Consolidated Financial Results. Available at Dis-chem, p.35.
79 Submission by Dis-chem dated 14 June 2024, Table 1.

Target firm	Year	Store numbers	Current Retail Pharmacy Name	Outcome
Northlands Pharmacy	2017	1	Dis-Chem Northlands Pharmacy	Not notifiable
Peli Botha Botes Gouws and Kruger CC	2018	1	Dis-Chem TLC De Wiekus Pharmacy	Not notifiable
TLC Medi-Park	2019	1	Dis-Chem TLC Medi-Park Pharmacy	Not notifiable
Culemborg Pharmacy	2019	1	Dis-Chem Culemborg Pharmacy	Not notifiable
Molemo Pharmacy	2019	1	Dis-Chem Mega City Pharmacy	Not notifiable
A. Retief Pty Ltd t/a York Street[80]	2019	1	Dis-Chem York Street Pharmacy	Not notifiable
TLC Kungwini Pty Ltd	2020	1	Kungwini Pharmacy	Not notifiable
Suca Pharmacy Holdings	2020	1	Dis-Chem Glenfair Pharmacy	Not notifiable
TLC Scott Street Pty Ltd[81]	2020	1	–	Not notifiable
Pure Pharmacy Holdings Pty Ltd	2021	50	–	Approved with conditions
Ferngate[82]	2021	1	–	Not notifiable
Northlands[83]	2021	1	–	Not notifiable
Howick[84]	2021	1	–	Not notifiable
GC Shnell (Westville Junction)[85]	2022	1	–	Not notifiable
Delta Blue Trading 371 Pty Ltd[86]	2023	1	–	Not notifiable
B Anderson Pty Ltd[87]	2023	1	-	Not notifiable
Watson Proprietary Limited[88]	2025	1	-	Not notifiable

Source: Submission by Dis-chem dated 14 June 2024, Table 1 and Dis-chem annual reports 2016 - 2026.

Note: Dis-Chem did not undertake any acquisition in 2024[89]

80 Dis-chem Pharmacies. 2019. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2019. Available at Annual Financial Statements FY2019, p.28.
81 Dis-chem Pharmacies. 2021. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2021. Available at Annual Financial Statements FY2021, p.37.
82 Dis-chem Pharmacies. 2022. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2022. Available at Annual Financial Statements FY2022, p.33.
83 Ibid.
84 Ibid.
85 Dis-chem Pharmacies. 2023. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2023. Available at Annual Financial Statements FY2023, p.36.
86 Dis-chem Pharmacies. 2024. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2024. Available at Annual Financial Statements FY2024, p.25.
87 Dis-chem Pharmacies. 2024. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2024. Available at Annual Financial Statements FY2024, p.25.
88 Dis-chem Pharmacies. 2026. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2026. Available at Annual Financial Statements FY2026 p.26.
89 Dis-chem Pharmacies. 2025. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2025. Available at Annual Financial Statements FY2025 p.25.

64. The above shows that over the period 2016 to 2025, Dis-Chem engaged in about 23 acquisition transactions[90]. At the end of Dis-Chem's 2026 financial year, these acquisitions cumulatively added to Dis-Chem's store count an approximate 72 independent pharmacy stores. This represented 23% of Dis-Chem's corporately-owned 317 store count for the 2026 financial year.[91]

65. In addition to the above acquisitions, Dis-Chem makes reference to associate businesses in which it has an interest. Dis-Chem describes associate business as follows: "*An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The company's investments in its associate are accounted for at cost in the separates…..*"[92] In 2017, it stated that it has a 40% interest in Dis-chem Bothamed Pty Ltd, an associate entity.[93] In 2019, Genoib Pty Ltd was listed as an associate entity in which Dis-Chem had a 50% interest.[94] Both these firms are retail pharmacy operations.

66. Further, in the 2020 financial year, Dis-Chem indicated a change in its acquisitions strategy, extending this to the TLC franchise brand as well. It noted that "*…We have also made a strategic decision to embark on a corporate TLC model, which allows us to purchase smaller stores that would not normally be suitable for a Dis-Chem store format….*"[95] In line with this strategy, in 2022, Dis-Chem informed the Commission of its intention to acquire four TLC stores (TLC Kanonkop, TLC Dagbreek, TLC Witbank, and TLC Olifants).[96] More recent announcements indicate that Dis-Chem has first right of refusal on TLC stores for conversion to corporate ownership. It is reported that "*He said that if an opportunity arises, Dis-Chem retains first rights of refusal on TLC franchise sales, giving the retailers a pipeline of potential future corporate store conversions. "There could be that opportunity", Morais said when asked whether some TLC stores could eventually become fully fledged Dis-Chem stores.*"[97] This effectively wards off other potential suitors such as the smaller groups or Clicks from acquiring these pharmacies as part of their growth strategy.

67. In respect of the notified transactions, Dis-Chem's stated rationale for the acquisitions was to expand its reach and, in turn, provide customers more convenience and product range, given that the independent pharmacies were small, with limited operations. Market participants indicate that acquisitions are a more efficient method of entry into the retail pharmacy services market.[98] This is largely due to the regulatory requirements and processes required to facilitate entry. The market participants submitted that an application for a new premises retail pharmacy licences requires the applicant to have secured ownership or a lease for the identified premises and thus, the applicant incurs costs, such as rental, from the beginning of the process, before filing of the application. Further, they

90 It must be noted that these acquisitions exclude Dis-Chem's acquisitions of TLC pharmacy stores.
91 Dis-chem Pharmacies. 2026. Analyst Presentation for the financial year ended 28 February 2026. Available at Analyst Presentation FY 2026, p.25.
92 Dis-chem Pharmacies. 2017. Annual Financial Statements for the financial year ended 28 February 2017. Available at Annual Financial Statements FY2017, p. 37.
93 *Ibid*.
94 Dis-chem Pharmacies. 2019. Annual Financial Statements for the financial year ended 28 February 2017. Available at Annual Financial Statements 2019, p. 28.
95 Dis-chem Pharmacies. 2020. Integrated Report for the financial year ended 29 February 2020. Available at Integrated Annual Report FY2020, p. 88.
96 Submission by Dis-Chem Pharmacies dated 24 January 2022, pp.1 – 2, para. 3.1 – 3.3.
97 Mochiko, T. 2026, May 30. Dis-Chem sees room for 500 TLC franchise pharmacies. Business Times. Available at Dis-Chem sees room for 500 TLC franchise pharmacies.
98 Notes of the meeting between Alpha Pham and the Commission dated 08 July 2025. Also see notes of the meeting between Medirite and the Commission dated 30 July 2025.

submitted that the process can take up to 12 months to conclude.[99] The application for change of ownership on the other hand is said to be less consuming and quicker. In addition to the simpler processes, acquiring an existing pharmacy allows the acquirer to harness existing clientele and their historical data to improve operations.[100]

68. In addition to the retail pharmacy acquisitions, Dis-chem also undertook acquisitions in adjacent or complementary markets which either facilitated vertical integration or diversification of its services. Similar to the acquisitions in the retail pharmacy services, some of the mergers in the adjacencies or complementary markets were small and not notifiable to the competition authorities. Out of the 11 transactions concluded, five did not meet the merger filing thresholds. Table 9 provides a list of the acquisitions.

Table 9: Dis-chem's acquisitions 2017-2023

Financial Year	Acquisition	Principal activity	Outcome
2017	Evening Star Trading Pty Ltd	Pharmaceutical wholesaler	Approved without condition
	The Pharmacy Development Academy Pty Ltd	Training	Small-not notifiable
2018	Optipharm Pty Ltd	Pharmaceutical courier	Small-not notifiable
2019	Quenets and Brandwacht Pty Ltd	Wholesaler of pharmaceutical and retail products	Approved without conditions
	Bemax Pty Ltd	Import wholesaler of retail products	
2020	Differenza Pty Ltd	Pharmaceutical adherence business	
	Health Window Pty Ltd	Pharmaceutical adherence business	
2021	Somerset Baby Hyper and Fairy Tales Boutique Pty Ltd	Baby retailer group	Approved without conditions
	Kaelo Holdings Pty Ltd	Wholesaler of pharmaceutical and retail products	Approved without conditions
2022	Healthforce	Clinic management software	Approved with conditions
2023	Superstike Investment 56 Pty Ltd trading as Baby Boom	Baby retailer group	Approved with conditions

Source: Dis-Chem's Annual Financial Statements, available here.

69. As is clear from the above, the bulk of the acquisitions by Dis-Chem related to pharmaceutical wholesale services, which enabled it to realise scale economies at this level of the value chain. This is line with Dis-Chem's strategy which seeks to, among others, expand its wholesale market share through sales to its downstream retail pharmacy operations and independents.[101]

99 *Ibid*.
100 *Ibid*.
101 Dis-Chem. Undated. About Us – Strategy. Available at Strategy - Dis-Chem group.

5. IMPACT ASSESSMENT

70. In assessing the impact of Dis-Chem's acquisitions, the analysis first sets out the nature of competition amongst retail pharmacies to determine which competitive variables should form part of the assessment, before delving deeper into the different competitive variables.

71. While the acquisitions by Dis-Chem occurred in separate localised markets, the assessment considered both the local and cumulative impact of these creeping acquisitions, given the relative similarities in competitive and entry conditions within these local markets. These separate local markets show similar features that lend themselves amenable to cumulative analysis, both from a demand-side and supply-side perspective. By way of example, from a demand-side perspective, consumer purchasing decisions are influenced by common factors such as price, availability, and convenience within their local areas while on the supply-side, retail pharmacies are subjected to similar regulatory requirements for entry and compete on similar dimension such as product range, service quality and price. It is important to note that the aggregate analysis is for the purposes of drawing cumulative insights and analytical ease and is not meant to imply the presence of substitution such that markets could be considered to be wider than local.

72. In considering the local dimension of competition, the Commission focused on those areas where the acquired stores are located. The Commission identified and requested information from some of the retail pharmacies that directly compete with the acquired Dis-Chem pharmacies in the respective local areas. The identified pharmacies include independent pharmacies, franchised pharmacies and other corporate pharmacies. Originally, the Commission sought to conduct the assessment using pre and post acquisitions data and information, to capture the changes in competition dynamics before and after the acquisitions. However, Dis-Chem submitted that the data in its records is from 2021 onwards.[102] As a result, the assessment is based on limited information and captures the acquired pharmacy stores' price competitiveness by pharmaceutical segment from 2021 – 2024.

73. The assessment below considers how the acquisitions made by Dis-Chem have impacted on (i) the nature of price competition in the various local markets given the conversion to Dis-Chem's pricing; (ii) the extent of vertical integration within Dis-Chem and its effect on wholesale economics and competition between retail pharmacies; (iii) the footprint of Dis-Chem corporate pharmacies and TLC franchise nationally and in comparison to rival groups; (iv) the participation in DSP and PSP networks; (v) developments in respect of investments and extension of innovation from the acquired pharmacies; and (vi) competition dynamics in respect of service quality between retail pharmacies. The impact assessment focuses on why we are seeing the trajectory towards the growing share of the large corporate pharmacies and

102 Email from Dis-Chem dated 1 August 2025; Dis-Chem's submission dated 14 June 2024, p.8 and para 2.10.3.

decline in independent pharmacies through the lens of these competitive variables.

74. Ultimately, the impact assessment shows how the current situation is tilted in the favour of corporates and the implications this has for a continued trajectory towards consolidation unless actions are taken to level the playing field whilst still benefiting from the efficiencies that the corporate model has provided. As Dis-Chem noted in 2018 already[103], the constraints on independent pharmacies provide fertile ground for an acquisition strategy as Dis-Chem can improve store profitability through its integrated corporate model.

5.1. NATURE OF COMPETITION IN THE RETAIL PHARMACEUTICAL SERVICES MARKET

75. In assessing the impact of Dis-Chem's acquisitions and the trajectory towards consolidation within retail pharmacy that this represents, the assessment considered the factors that drive competition in the market for retail pharmaceutical services. The Independent Community Pharmacy Association (ICPA) indicated that the factors driving competition between independent and corporately owned pharmacies to include pricing, customer service quality, marketing, product range offering, location, and regulatory compliance.[104] ICPA further submitted that competition between corporately owned pharmacies occurs through loyalty programmes, discounts and rewards and partnerships with banks and wellness partners. In addition, large pharmacy groups can tender for DSP, which is generally not accessible to independent pharmacies due to requirements relating to national footprint, centralised patient records, centralised purchasing, courier pharmacy wing and national call centres.[105]

76. According to retail pharmacy market players, the South African retail pharmacies operate in a highly competitive and evolving landscape.[106] However, the different types of pharmacies compete on unique terms. For instance, competition between corporate pharmacies has a national dimension, whilst independent pharmacies compete within specific local areas. Corporate pharmacies also boast a wider product range and service offering, including front shop products, scheduled and unscheduled medicines. The franchise brands seek to mimic the corporate chain's business model, with centralised distribution and branded stores in different locations, although owned by a sole proprietor. Thus, while corporate-owned and franchise pharmacies leverage economies of scale and national reach, independent pharmacies, to survive, have had to strengthen traditional pharmacy offerings including personalized services and patient-centric approaches.

77. Market participants also submitted that corporate pharmacies compete more closely with one another for front shop products, as well as other general and specialist retailers that offer the same products. Retail pharmacies, including independent pharmacies compete more fiercely in offering unscheduled and scheduled medicines, as well primary healthcare services. Competition between retail pharmacies manifests in various dimensions, including pricing, customer service quality, marketing and customer retention and innovation. Some of these factors are briefly discussed further below.

Price competition

78. In terms of price, it appears that competition occurs at both national and local levels. The geographic dimensions to price competition appear to be informed by the

103 Dis-Chem. 2018. Reviewed Interim Condensed Consolidated Results for the six months ended 31 August 2018. Available at Annual Results Presentation FY2019. pp. 14, 16.
104 See Submission by ICPA dated 22 April 2025, pp.1-2, Question 1; Submission by Medirite dated 31 July 2025, pp.1-2. Submission by Arrie Nel dated 17 July 2025, pp.1-2. and Submission by Clicks dated 18 November 2024, p.2.
105 Submission by ICPA dated 22 April 2025, p.2, Question 1, pp.8-9, Question 5.4.
106 Submission by Arrie Nel, dated 17 July 2025, p.1. Submission by Clicks dated 18 November 2024, pp.5-6, para. 21. Submission by ICPA dated 22 April 2025, p.2, Question 1, pp.8-9, Question 5.4.Submission by Medirite dated 31 July 2025, p.1, Question 2.

fact that for corporate-owned pharmacies, pricing decisions, including national promotional and advertising campaigns, are centrally managed for all their services and product offerings.[107] This is not the case for independent pharmacies, against whom these national chains compete in localised markets. Notwithstanding the submission regarding centralised pricing, the Commission observed localised price differentials, for the same types of medicines, in the price data submitted by Clicks and Dis-Chem. Requests to these firms to clarify these differentials did not yield any useful outcomes. As such, the assessment of price competition below is considered to be reflective of prevailing local market dynamics. Regarding price competition on the various products offered by pharmacies, the Commission notes that pricing for front shop products and unscheduled medicines is not regulated, while scheduled medicines are regulated by the SEP. As such, price competition for front shop products and unscheduled medicines occurs in the ordinary course, whilst for scheduled medicines, competition is limited to the dispensing fee charged.

Service quality

79. Service quality in retail pharmacy services encompasses a variety of dimensions, including reliability, responsiveness, assurance, empathy and tangibles.[108] Retail pharmacies compete by seeking to meet customer expectations in regard to these dimensions. Retail pharmacy market players indicated that they seek to meet their customer's expectations by ensuring quality customer service by trained and qualified staff, providing a wider range of products and services such as primary healthcare services through its clinics, ensuring a dispensary in every store, prioritising customer convenience due to location of the store, and offering of loyalty programmes to customers.

80. Service quality is a subjective competitive measure. Customers have different requirements and value the different aspects differently. Traditionally, the independent pharmacies were an obvious choice for those customers who value personalised customer service.[109] Given their scale and focus in specific areas, independent pharmacies, compete by nurturing deeper personal relationships with their communities, offering tailored service that appeals especially to long-standing clientele.[110]

81. Corporate pharmacies, on the other hand, appeal to those customers who value convenience more. In recent years, however, corporate pharmacies have been increasingly investing in training pharmacy and front-line staff to ensure high-quality engagement, whilst also incorporating technological tools to personalise offers and interactions based on purchase history and health profiles.[111] The corporate chains are also expanding their services to include wellness programs, medication management, and chronic disease management consultations, which enhances overall customer satisfaction.[112]

Marketing and customer retention

82. Retail pharmacies employ various marketing strategies to attract and retain customers. Loyalty programme drives have become an important component of competition in retail pharmacies.[113] The loyalty programmes reward returning customers and provide customer discounts on front shop products. In addition, they partner with

107 Submission by Arrie Nel, dated 17 July 2025, p.2, para. 1. Submission by Clicks dated 18 November 2024, p.11, para. 40. Submission by Medirite dated 31 July 2025, p.8. Question 11. Submission by Dis-Chem dated 14 June 2024, p.7. para 2.8.1.1.
108 Adat. N, Noel. D and Penceliah. D. 2014. 'Customers' Expectations and Perceptions of Service Quality: The Case of a Retail Pharmacy Chain in South Africa'. *Mediterranean Journal of Social Sciences*. Vol 5. Issue 20. P. 2649.
109 Notes of the meeting between Alpha Pharm and the Commission dated 08 July 2025.
110 Submission by Arrie Nel dated 17 June 2025. p.2. para. 6.
111 *Ibid*.
112 Submission by Medirite dated 31 July 2025. p.1. para. 3.
113 Submission by Arrie Nel dated 17 June 2025. p.1. para. 3.

banks and wellness partners linking in with banking loyalty rewards.[114]

5.2. PRICE COMPETITION

83. As discussed in the retail pharmacy regulatory framework in section 5 above, the pricing of medicines in South Africa is designed to eliminate any form of discounting, bonuses, rebates or other inducements in the sale of medicines. The Commission understands this to mean that the SEP sets a single, transparent price to all customers, excluding the State, for medicines in South Africa.[115] This implies that price competition in the sale of medicines only takes place through the dispensing fees charged by retail pharmacies. As previously indicated, the dispensing fees are set as a maximum cap beyond which retail pharmacists cannot charge. In essence, retail pharmacies compete by setting the dispensing fee at a level below the maximum allowed by regulation. This price competition is also apparent in the context of participating in DSP and/or PSP networks where retail pharmacies may charge medical schemes lower or preferential dispensing fees in exchange for increased foot traffic as medical scheme may drive their members to the selected providers.[116] A low dispensing fee may also attract cash customers to the dispensary and, by so doing, encourage them to buy front shop products as well. In addition, the Commission's *Dis-Chem/PPH* merger investigation identified that there are features of the SEP regulatory regime which have a bearing on price competition, such as the logistics fee given that it is capped but does allow for variation.[117] In similar fashion to the impact of the dispensing fee on price competition in the market, the setting of the logistics fee as a maximum cap also provides for price competition in respect of this component of the SEP.

84. Submissions made in some of the Commission's previous merger investigations suggest that corporate pharmacies are often able to negotiate volumetric discounts given their bulk purchases of medicines at the upstream stream level.[118] Additionally, the vertically integrated firms also benefit in terms of logistics fees in so far as they distribute medicines to independent customers on behalf of the manufacturers. This is typically referred to as fine wholesale. In addition, they may benefit from logistical economies of scale related to their distribution efficiencies insofar as the wholesaling of medicines to their retail operations is concerned. As such, the cost of procurement for medicines by retail pharmacies may vary.[119]

85. In conducting its price analysis, the Commission observed some variations in the SEP submitted by each of the competitors who provided their price data. The data submitted to the Commission was on a disaggregated basis, reflecting separately (i) the SEP, and (ii) the dispensing fee, charged to (iii) cash paying customers and those covered by (iv) medical schemes, for each of the identified medicines. The variances in the submitted SEP data by the retail pharmacies was verified against the registered SEP in the Department of Health's Master Health Product List in each of the relevant years and the differences could not be reconciled. Given these variances in the SEP which suggested some form of price competition in respect of the SEP, the Commission's price analysis was conducted based on the total price paid by customers, i.e., SEP plus the dispensing fee. The Commission also assessed price competition in respect of the dispensing fee given that it is part of the explanatory factors driving the variance in the total price charged to customers.

114 Submission by ICPA dated 17 June 2025. p.1. Question 3.
115 With respect to the State tender processes, the Special Requirements and Conditions of Contract in bid documents stipulate that the NDoH uses the SEP as the maximum reference price beyond which the State will not award bids for the supply of medicines.
116 *Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd* Merger Investigation Report, Commission Case No.: 2020Dec0043, p. 82 para. 186.
117 *Ibid*, p.80, para. 183.
118 *Ibid*, p. 91, para. 201.
119 *Ibid*, p.91, para. 201.

86. The Commission analysed the prices of medicines across schedules and front-shop products to consider whether there has been an impact on price competition following the acquisitions of independent retail pharmacies by Dis-Chem. The choice of medicines for the pricing analysis was based on Dis-Chem's top five selling products, by schedule level, within the local markets where the acquisitions occurred. Prices were obtained for the same products, from stores that fall within a five-kilometre radius of the relevant Dis-Chem stores to conduct an aggregate price comparison across these local areas. The pricing data set out the various components of the final price to the end-user, this being the SEP and the dispensing fees for both cash customers (or out-of-pocket payments) and those customers covered by medical schemes. For unscheduled (Schedule 0) medicines and front-shop products, where prices are not subject to SEP regulation, the price data only comprised the final price paid by customers.[120]

87. Ideally, for the purposes of an impact study, an assessment of pre- and post-merger prices would be conducted to provide a clearer view of price competition and changes over time. In the absence of this analysis (given the data limitations previously explained), the next best indicator would be to analyse Dis-Chem's price competitiveness relative to its competitors, following its acquisition of independent pharmacies in the market. This would suggest the direction of change for pricing, namely whether it likely became more or less competitive following the various acquisitions.

88. The Commission requested price data from market participants and received submissions from firms including both corporately owned pharmacy groups and independent pharmacy groups.[121] Notwithstanding the limited data received, the analysis conducted provides insights on the pricing dynamics between corporately-owned pharmacy groups and independent pharmacy groups against Dis-Chem's pricing.[122] The pricing analysis below assessed[123] the prices for ten top selling medicines (four schedule 3-8 medicines; three schedule 1-2 medicines; and three schedule 0 medicines), and three front shop products[124] that have appeared in the local Dis-Chem stores' top five selling products over the period 2021 - 2024.

89. The Commission compared the final prices paid by both cash-paying customers and those covered by medical schemes. The results (set out below) are presented in percentage terms, in terms of which a positive percentage differential indicates that competitor prices are higher priced relative to Dis-Chem's prices and the reverse holds in respect of negative differentials.

90. For front shop products, the price comparison analysis excluded traditional retail stores given that although there are overlaps in the product offerings, there is a level of differentiation. By way of illustration, the focus of the front shop offering in a retail pharmacy is largely on health, specialised care, as well as specialised and premium beauty and wellness products. Traditional retail stores, on the other hand, typically focus on high-volume, fast-moving consumer products.

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120 National Planning Commission. 2020. *Research on Pharmaceutical Pricing Policies.* Available at Research on Pharmaceutical Pricing Policies. p.39.

121 ✂.

122 It is important to note upfront that given the challenges that the Commission faced in acquiring relevant data to assess impact in this study as noted above, the sample of pharmaceuticals is small and therefore not necessarily indicative of price competitiveness across the full variance of pharmaceuticals within each schedule and front shop product pricing dynamics.

123 For ✂, the calculated retail price for each year was the sum the average SEP and the average dispensing fee for cash consumers across ✂ stores that fell within the 5km radius of the relevant Dis-Chem stores. ✂.

124 Front-shop products may be bought from various stores such as grocery retail chains, online retail stores, and independent health shops. Corporate-owned pharmacies have significantly increased their front-shop offering over the years and increasingly derive a large part of their turnover from this offering. Independent pharmacies, on the other hand, focus on a dispensary model focused on the sale of pharmaceuticals. The study focused on competitive dynamics across pharmacies and therefore the front shop pricing analysis was limited to pricing data from pharmacies and not other grocery or cosmetic chains.

Total price analysis

91. Table 10 below presents the average percentage differentials between Dis-Chem's prices and competing pharmacies for cash paying customers, by anatomical therapeutic chemical classification (commonly referred to as schedules), for the period 2021 – 2024. A positive differential reflects that other pharmacies price higher than Dis-Chem and a negative differential reflects lower pricing by competing pharmacies. For the purposes of confidentiality, the estimated differentials are presented as ranges.

Table 10: Average cash price differences between Dis-Chem and competing pharmacies, 2021-2024

	2021	2022	2023	2024	Period average
Schedule 3+	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Schedule 1-2	0 – (10%)	0 – (10%)	0 – 10%	0 – 10%	0 – (10%)
Schedule 0	20 – 30%%	20 – 30%	10 – 20%	10 – 20%	10 – 20%
Front-shop products	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

92. The above shows that across the period, Dis-Chem offered lower pricing for schedule 0 and schedule 3 and above medicines, as well as front-shop products for cash paying customers. The observed price differentials were more pronounced in respect of schedule 0 medicines, with Dis-Chem's prices, on average, being lower than those of competitors. Dis-Chem's prices were also lower than those of rivals in respect of schedule 3 and above medicines. In respect of schedule 1-2 medicines, Dis-Chem prices were higher than those of competing pharmacies. In relation to front shop products, Dis-Chem's prices were, on average, lower than those of rivals over the period.

93. Table 11 presents average percentage differentials between Dis-Chem's prices and competing pharmacies for customers covered by medical schemes, by schedule, for the period 2021 – 2024. A positive differential reflects higher pricing of competing pharmacies relative to Dis-**Chem.**

Table 11: Average medical scheme price differences between Dis-Chem and competing pharmacies, 2021-2024

	2021	2022	2023	2024	Period average
Schedule 3+	0 – 10%	0 – 10%	10 – 20%	0 – 10%	10 – 20%
Schedule 1-2	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Schedule 0	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

94. The results above indicate that for medical schemes, Dis-Chem offered, on average, lower prices than competing pharmacies across the review period.

95. The results observed from Table 10 and Table 11 above, also show that, on average, for all scheduled medicines, competing pharmacies reflected higher

price differentials for customers covered by medical schemes than cash-paying customers. In other words, medical schemes incurred higher prices from competing pharmacies (when compared to Dis-Chem) than cash paying customers. This is partly by design as many medical schemes accept higher dispensing fees from independent pharmacies and smaller groups knowing that they are more dependent on dispensing services.

96. While the above results reflect the aggregate position in respect of price competition, the assessment also considered a disaggregated analysis to show price competition, by market participant, for each of the schedule levels over the period 2021 to 2024. The analysis used year-on-year price differentials between Dis-Chem and its competitors to derive an estimated four-year average for each player (referred to as the period average), for each of the schedule classifications. A summary of the results is set out at Table 12 below and a detailed presentation and analysis of the results are set out at Table 23 of ANNEXURE 1. Once more, a positive percentage reflects lower pricing by Dis-Chem and a negative percentage reflects lower pricing by the competing pharmacy.

Table 12: Four-year average price differentials, relative to Dis-Chem, by schedule and competitor

Schedule categories	Firm A	Firm B	Firm C
Schedule 3+ cash	10 – 20%	0 – 10%	0 – (10%)
Schedule 3+ medical scheme	10 – 20%	0 – 10%	10 – 20%
Schedule 1-2 cash	0 – (10%)	0 – (10%)	0 – 10%
Schedule 1-2 medical scheme	0 – 10%	0 – 10%	0 – 10%
Schedule 0 cash	20 – 30%	10 – 20%	10 – 20%
Schedule 0 medical scheme	0 – (10%)	0 – 10%	10 – 20%
Front shop products	0 – (10%)	0 – (10%)	20 – 30%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

97. The pricing analysis above shows the variances in price competitiveness amongst pharmacy groups by product segment. Dis-Chem appears to be the most price competitive overall. However, when disaggregated by segment, other market players also reflect price competitiveness in certain scheduled pharmaceuticals. By way of example, Firm C appears to be more competitive in respect of schedule 3 and above medicines sold to cash paying customers, while both Firm A and Firm B are more competitive in relation to schedule 1 – 2 medicines to cash paying customers. The price competitiveness demonstrated by independent pharmacies is, however, limited when compared to the corporately owned pharmacies. By way of example, Firm C was the lowest priced player in only one of the seven categories considered in Table 12 above, while it was the highest priced competitor in four.

Dispensing fee analysis

98. As previously indicated, the analysis assessed the competitiveness of retail pharmacies in respect of the dispensing fee charged to customers. Table 13 below sets out the maximum dispensing fees, by medicine price bands, as set by the Minister of Health over the period 2021 to 2024. The data for dispensing fees was obtained from the various gazettes published by the NDoH over the period.

Table 13: Maximum dispensing fees as legislated by the Medicines and Related Substances Act 101 of 1965, Republic of South Africa for years 2021 – 2024

2021[125]			
Band 1	**Band 2**	**Band 3**	**Band 4**
SEP < R117,85	R117,85 < = SEP < R314,24	R314,24 <= SEP < R1099,84	SEP >= R1099,84
Then	Then	Then	Then
Dispensing fee< R16,25 + 46% of SEP	Dispensing fee < R30,15 + 33% of SEP	Dispensing fee < R86,15 + 15% of SEP	Dispensing fee < R200,50 + 5% of SEP
2022[126]			
Band 1	**Band 2**	**Band 3**	**Band 4**
SEP < R117,85	R117,85 < = SEP < R314,24	R314,24 <= SEP < R1099,84	SEP >= R1099,84
Then	Then	Then	Then
Dispensing fee < R16,25 + 46% of SEP	Dispensing fee < R30,15 + 33% of SEP	Dispensing fee < R86,15 + 15% of SEP	Dispensing fee < R200,50 + 5% of SEP
2023[127]			
Band 1	**Band 2**	**Band 3**	**Band 4**
SEP < R129,43	R129,44 < = SEP < R344,43	R344,44 <= SEP < R1245,97	SEP >= R1245,98
Then	Then	Then	Then
Dispensing fee < R18,82 + 46% of SEP	Dispensing fee < R34,93 + 33% of SEP	Dispensing fee < R99,78 + 15% of SEP	Dispensing fee < R220,21 + 5% of SEP
2024[128]			
Band 1	**Band 2**	**Band 3**	**Band 4**
SEP < R145,64	R145,64 < = SEP < R387,92	R387,93 <= SEP < R1402,02	SEP >= R1402,03
Then	Then	Then	Then
Dispensing fee < R21,18 + 46% of SEP	Dispensing fee < R39,30 + 33% of SEP	Dispensing fee < R112,28 + 15% of SEP	Dispensing fee < R247,79 + 5% of SEP

Source: Commission's compilation of data based on published gazettes.

99. Table 14 sets out the percentage difference between Dis-Chem and other pharmacies for average dispensing fees charged to cash customers and medical schemes, for each schedule classification. The analysis was conducted using the dispensing fees charged for the medicines that were identified for the total price comparative assessment above. In this regard, the analysis first estimated the dispensing fee

125 Government Gazette. 10 September 2021. Regulations relating to a transparent pricing system for medicines and scheduled substances: Dispensing fee for pharmacists. Government Notice No. 859, Government Gazette No. 45131. Available at https://www.gov.za/sites/default/files/gcis_document/202109/45131gon859.pdf

126 It is noted that while the *Regulations relating to a transparent pricing system for medicines and scheduled substances: Dispensing fee for pharmacists* are gazetted annually, the 2022 *Regulations relating to a transparent pricing system for medicines and scheduled substances: Dispensing fee for p*harmacists do not appear to be publicly available and as such, the assessment relied on the maximum dispensing fees for 2021 as a proxy for 2022 maximum dispensing fees.

127 Government Notice. 2023. Regulations relating to a transparent pricing system for medicines and scheduled substances: Dispensing fee for pharmacists. Available at https://health.gov.za/wp-content/uploads/2023/07/2023-Pharmacists-Dispensing-Fee-Notice-signed.pdf.

128 Government Gazette. 4 October 2024. Regulations relating to a transparent pricing system for medicines and scheduled substances: Dispensing fee for pharmacists. Government Notice 5364, Government Gazette No.51352. Available at https://www.mediscor.co.za/wp-content/uploads/2024/10/GG-51352-n5364-Pharmacist-dispensing-fee-04102024.pdf.

charged as a percentage proportion of the maximum allowable dispensing set for each applicable price band. The estimated percentage differences were then compared between Dis-Chem and its competitors to assess price competition in respect of the dispensing fees charged to customers.

100. The results of the analysis are set out in Table 14 below. The results are presented in percentage terms, in terms of which a positive percentage differential indicates that competitor dispensing fees are higher than those charged by Dis-Chem and the reverse holds in respect of negative differentials.

Table 14: Percentage differentials for average dispensing fees by schedule classification and customer type

Schedule and customer type	2021			2022		
	Firm A	Firm B	Firm C	Firm A	Firm B	Firm C
Schedule 3+ (cash customers)	0 – 10%	10 – 20%	-20 – (30%)	10 – 20%	10 – 20%	-20 – (30%)
Schedule 3+ (medical schemes)	20 – 30%	20 – 30%	50 – 60%	20 – 30%	30 – 40%	50 – 60%
Schedule 1 – 2 (cash customers)	-10 – (20%)	-10 – (20%)	0 - 10%	-10 – (20%)	-20 – (30%)	0 – 10%
Schedule 1 – 2 (medical schemes)	20 – 30%	20 – 30%	40 – 50%	20 – 30%	20 – 30%	40 – 50%
Schedule and customer type	**2023**			**2024**		
	Firm A	Firm B	Firm C	Firm A	Firm B	Firm C
Schedule 3+ (cash customers)	20 – 30%	10 – 20%	-20 – (30%)	30 – 40%	20 – 30%	-10 – (20%)
Schedule 3+ (medical schemes)	20 – 30%	30 – 40%	50 – 60%	30 – 40%	30 – 40%	50 – 60%
Schedule 1 – 2 (cash customers)	0 – (10%)	0 – (10%)	30 – 40%	10 – 20%	10 – 20%	40 – 50%
Schedule 1 – 2 (medical schemes)	20 – 30%	20 – 30%	40 – 50%	30 – 40%	20 – 30%	50 – 60%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

101. In terms of the dispensing fees charged to cash customers, competitors generally charge lower fees when compared to Dis-Chem. Firm C charged lower dispensing fees, than Dis-Chem, for schedule 3 – 8 medicines, while Firm A and Firm B typically charged lower dispensing fees for schedule 1 – 2 medicines. In 2024, however, Dis-Chem charged the lowest dispensing fees for schedule 1 – 2 medicines. With respect to medical schemes, Dis-Chem's dispensing fees were the lowest when compared to competitors, across all the schedule classifications, indicating that Dis-Chem appears to price to attract medical scheme business.

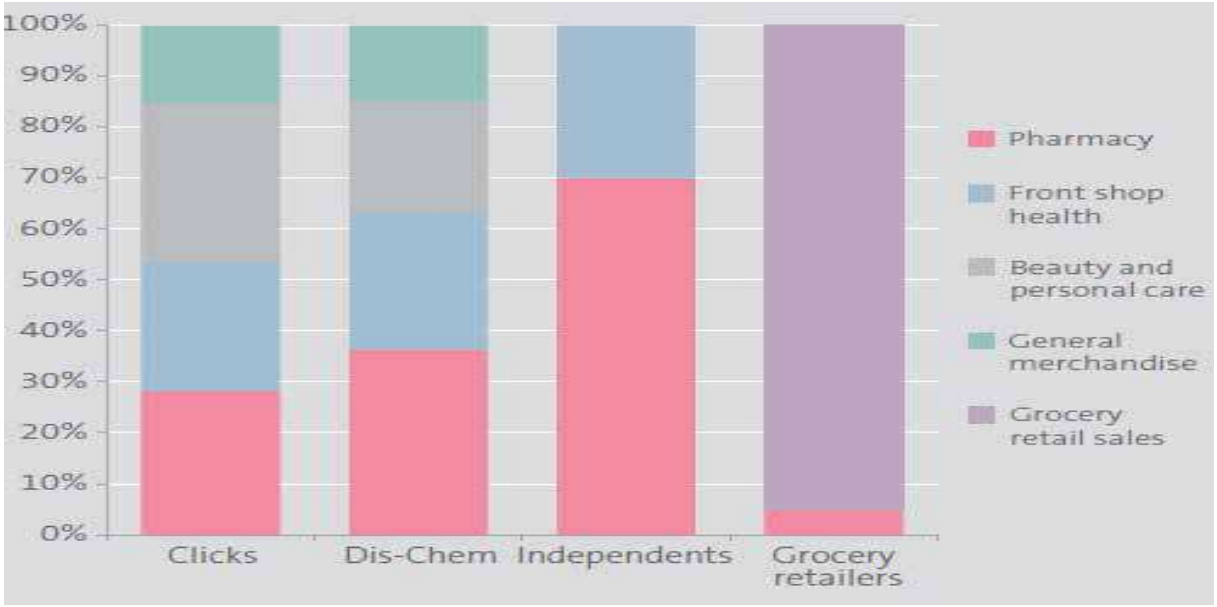
102. Overall, the pricing analysis shows that Dis-Chem is broadly price competitive with respect to customers insured by medical schemes while rivals are competitively priced in relation to cash paying customers. By way of illustration, Firm C appears to be more competitive in terms of both the total price, and the dispensing fees, charged for schedule 3 and above medicines sold

to cash paying customers. Similarly, both Firm A and Firm B are more competitive in relation to the total price, and the dispensing fees, charged for schedule 1 – 2 medicines to cash paying customers. However, Dis-Chem appears to be price competitive in terms of the total price, and the dispensing fees, charged to medical schemes for all the different schedules of medicines. As discussed further below, price competition in the retail supply of medicines is influenced by various factors, which appear to confer upon corporate-owned retail pharmacies particular competitive advantages that are not available or limited to pharmacist-owned pharmacies or small independent groups.

Submissions on price competition

103. The submissions received from market participants indicated that the observed price competition is a function of, among others, the differences in the way corporate-owned and independent pharmacies are structured. ICPA submitted that corporate-owned pharmacies have a wider range of other related products, including front shop, beauty and personal care, general merchandise and grocery retail. Camissa Asset Management indicates that independent pharmacies generate the largest proportion of their revenue, about 70%, from the sale of medicines. For Dis-Chem and Clicks, on the other hand, the sale of medicines account for less than 40% and 30% of their revenue respectively, with the remainder accounted for from the sale of front shop health, beauty and personal care as well as general merchandise products (see Figure 3 below).[129]

Figure 3: Revenue split per category contributions for retail pharmacies



Source: Camissa Clicks Report, 2024.

104. Dis-Chem's 2025 annual results show a consistent picture to Camissa's observation, with dispensary services contributing 36.5% to revenue, while front shop contributed 55,9%.[130]

129 Camissa Asset Management. 2024. Clicks and its enduring competitive edge. Available at #moreforless #thorninunicorn #unconventionalthinking | Camissa Asset Management.

130 Dis-Chem structured its retail pharmacies into two categories, dispensary (which provides prescription and over-the-counter medicines) and front shop (which includes personal care and beauty, healthcare and medical, and baby care). Dis-Chem. 2025. Integrated Report for the financial year ended 28 February 2025. Available at Annual Integrated Report FY2025, p. 10.

105. Submissions by market participants in previous Commission investigations indicated that the sale of front shop products and unscheduled medicines enable corporate-owned pharmacies to be more competitive because these are unregulated and higher margin products. By way of illustration, the submissions indicated that the sale of front shop products is a high gross margin business with low labour costs because front shop staff are general retail employees who do not command high salaries, whilst the dispensary business is a low gross margin business (due to the SEP and dispensing maximum price regulations), with high labour costs for pharmacists and assistant pharmacists as they typically attract a high salary.[131]

106. Further, it was submitted that corporate-owned pharmacies centralise their procurement and distribution chains, allowing them to leverage their economies of scale to secure more favourable trading terms with suppliers, particularly for front shop products and unscheduled medicines.[132] Moreover, market participants submitted that corporate-owned pharmacies have positioned themselves as cost-effective alternatives for scheduled medicines as they are able to charge lower dispensing fees to drive footfall and are less dependent on dispensing margin for the overall store, whilst leveraging their scale and scope in front shop products.[133] ICPA submitted that independent pharmacies, on the other hand, are unable to secure similar benefits, as they often do not offer the same range of front shop products. Further, it submitted that given their limited product offerings and the inability to sustain dispensing fees at minimum levels, independent pharmacies are less price competitive, relative to corporate-owned pharmacies.[134]

107. Medirite submitted that in terms of cost advantages, "*Larger chains often benefit from economies of scale, allowing them to negotiate better prices with suppliers, reduce per-unit costs, and offer competitive pricing*." It further submitted that in terms of bulk purchasing, "*National retailers can purchase medications and products in bulk, which lowers their procurement costs and enhances their pricing flexibility*."[135]

108. ICPA submitted that the competitive advantages enjoyed by the vertically integrated firms enable these competitors to charge discounted dispensing fees for scheduled medicines and lower prices for unscheduled and front shop products to drive footfall and front shop sales. It submitted that the independent pharmacies are unable to compete with the corporate pharmacies on prices without significantly compromising their margins given their smaller front shop and lower bargaining power on the procurement of front shop products. It indicated that often the dispensing fees and prices charged by the vertically integrated corporate pharmacies are unsustainable for independent pharmacies, thus making the corporate pharmacies an obvious choice for customers.[136] It submitted that there are several independent pharmacies that compete with Dis-Chem stores in various local markets that have seen significant declines in their customer base following Dis-Chem's entry in those local markets as they could not compete with Dis-Chem on pricing. Lastly, it submitted that the discounted dispensing fees put the corporate pharmacies at an advantage in securing exclusive DSP and PSP arrangements with the medical schemes. This is because the lower end dispensing fees are most attractive to the medical schemes and/or medical schemes administrators who are facing rising medical costs and looking to save costs.

131 *Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd*, Commission Case No.: 2020Dec0043, p.82, para.186.
132 Submission by Arrie Nel dated 17 July 2025, p.1, para. 2.
133 Submission by Medirite dated 31 July 2025, p.11, Question 25. *Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd*, Commission Case No.: 2020Dec0043, p.82, para. 186.
134 Submission by ICPA dated 22 April 2025, p.2, Question 1.
135 Submission by Medirite dated 31 July 2025, p.3, para. Question 3.
136 Submission by ICPA dated 22 April 2025, p.1, Question 1.

5.3. VERTICAL INTEGRATION AND ITS IMPLICATIONS FOR COMPETITION IN THE RETAIL PHARMACY MARKET

109. The discussion below first sets out an overview of the economic literature on the benefits of vertical integration. It further provides an analysis of the benefits conferred to Dis-Chem through the acquisitions, given their position as a vertically integrated firm.

5.3.1. VERTICAL INTEGRATION AND COMPETITION OUTCOMES

110. In economic literature vertical integration is defined as the "*combination, under a single ownership, of two or more stages of production or distribution (or both) that are usually separate*".[137] [138] Some of the factors behind a firm seeking to vertically integrate include the following:

    110.1. Improved efficiencies and lower operating costs – vertical integration helps firms to streamline their operations, eliminate redundant processes, reduce transaction costs, and improve the flow of information and materials[139];

    110.2. Rebalance profitability across the supply chain – from a price theory perspective, literature suggests that output price influences the choice of ownership structure of firms.[140] Vertical integration may be lucrative in cases where a firm derives less profits and cannot increase prices at one level of the values chain, and thus it vertically integrates to offset low margins in one area with profits from another;

    110.3. Assurances for the supply of critical inputs – vertical integration help firms rely less on third-party supply and increase their control over their supply chain. Vertical integration is common in markets that are characterised by uncertainty and high probability of demand.[141] Firms have an incentive to integrate to ensure uninterrupted supply and increase reliability;

    110.4. Innovation – backward integrated firms may be better equipped to innovate or more likely to invest in innovative technologies to improve the coordination of production[142]; and

    110.5. Competitive advantages – vertical integrated firms gain benefits to compete more effectively compared to rivals, especially in markets that are characterised by high barriers to entry.

111. Although vertical integration may be beneficial to and may even lead to more efficient outcomes for integrated firms, it may also result in reduced opportunities for entry and expansion of other non-integrated firms, especially in concentrated markets. Vertical integration may also enable a firm to leverage its market power at one level of the supply chain to extend it into another. This may lead to a single firm dominating all or various levels of the value chain and raising costs for its non-vertically integrated rivals.[143]

137 Buzzell, R.D. 1983. Is vertical integration profitable. Harvard Business Review. (United States), 61(1).
138 Luke, E.H. 2021. Impact of Vertical Integration. Available at: Munich Personal RePEc Archive
139 *Ibid*.
140 Legros, P., and Newman, A.F. 2013. A Price Theory of Vertical and Lateral Integration. The Quarterly Journal of Economics, 128(2), 725-770.
141 Carlton, D.W. 1979. Vertical Integration in Competitive Markets Under Uncertainty. The Journal of Industrial Economics, 27(3), 189-209.
142 Carlton, D.W. 1979. Vertical Integration in Competitive Markets Under Uncertainty. The Journal of Industrial Economics, 27(3), 189-209.
143 Blignaut, L., du Plessis, L., Lurie, B. 2014. Vertical integration and the refusal to supply scarce goods – a legal and economic framework for analysis of prohibited practices. Available at Vertical integration and refusal to supply scarce goods.

112. In the pharmaceuticals industry, this combination refers to active participation by a single firm in more than one level of the value chain, such as in product development, manufacturing, wholesale distribution, and retail, for example. Theoretically, vertical integration in healthcare promises improved coordination of care and more efficiently delivered, higher quality care.[144] The assessment below focuses on the vertical linkages between the retail and wholesale trade and distribution levels given the type of vertical integration, typically through mergers and acquisitions, that have been undertaken by Dis-Chem and its competitors.

5.3.2. VERTICAL INTEGRATION IN THE RETAIL PHARMACY SERVICES MARKET

113. Retail pharmacies procure medicines either directly from the manufacturers or through wholesale distributors.[145] The major retail pharmacy groups and some independent pharmacy groups (such as Alpha Pharm and Arrie Nel) are vertically integrated into wholesale supply and distribution of scheduled and unscheduled medicines as well as front-shop products to their own retail pharmacies, as well as third party retail pharmacies. Table 15 below shows the retail pharmacy groups and their wholesale operations.

Table 15: Vertical integration by competitors in the retail pharmaceutical services market

Pharmacy Group	Retailer	Wholesaler
Clicks	Clicks	United Pharmaceutical Distributors (UPD) (8 distribution centres)
Dis-Chem	Dis-Chem and TLC	CJ Distribution (5 distributing centres)
Shoprite	Medirite	Transpharm (3 distribution centres)
Spar	Pharmacy at Spar	S Buys (1 distribution centre)
Alpha Pharm	Alpha Pharm	Alpha Pharm Distributors (KEMCO) (6 distribution centres)
Arrie Nel	Arrie Nel	Pharmed (3 distribution centres)

Source: Commission's own compilation

114. In previous investigations, the Commission observed that the wholesale distribution market is fragmented, with several players of varying size (up to 100 players) supplying different products.[146] Clicks and Dis-Chem own the largest wholesale distribution operations and are substantially larger than their rivals. Clicks' UPD is the largest wholesale distributor in South Africa with an estimated market share of 26% in 2025[147] while Dis-Chem's CJ Distribution has an estimated market share of 24% for the same period.[148] Most of the independent pharmacies source their medicine supplies from the two major wholesale distributors. In 2025, CJ Distribution and UPD had more than 1000 independent pharmacies each as customers.[149]

115. Shoprite and Spar are also active in the pharmaceutical wholesale services market. In 2017, Spar acquired the S

144 Ekaireb, R., Yap, A. and Kucejko, R. 2024. September. Vertical integration and market consolidation in healthcare: Policy drivers and impact on physicians and patient care. In Seminars in Colon and Rectal Surgery. Vol. 35, No. 3, p. 101038. WB Saunders.
145 However, not all these options are available for every medicine. See Helen Suzman Foundation (2018). The Supply of Pharmaceuticals In South Africa. Available at Pharmaceuticals in South Africa.
146 Arrie Nel Pharmacy (Pty) Limited and Pharmed Pharmaceuticals (Pty) Limited, Commission Case No.: 2020Sep0016, para. 32.
147 Clicks Group. 2025. Integrated Report for the financial year ended 31 August 2025. Available at Annual Integrated Report FY2025, p.9.
148 Dis-Chem. 2025. Integrated Report for the financial year ended 28 February 2025. Available at Annual Integrated Report FY2025, p.21.
149 WhoOwnsWhom. 2025. The Pharmaceutical Industry In South Africa. Available at https://www.whoownswhom.co.za/store/pharmaceutical-industry-south-africa/

Buys pharmaceutical wholesale business. Transpharm is a wholesale brand that distributes pharmaceutical products and surgical equipment across South Africa to Shoprite's Medirite and third-party business-to-business customers. Similarly, some of the independent pharmacy groups are also vertically integrated into wholesale and distribution services.

116. Clicks and Dis-Chem, are further integrated in other parts of the value chain, enabling them to supply a broad and diversified offering. Dis-Chem has expanded into financial services (life insurance and primary medical insurance) while also extending its retail pharmacy services to in-store clinics and telemedicine using virtual video technology for video consultations with doctors) and specialist stores such as Baby City. Similarly, Clicks has expanded to financial services, offering funeral cover and life insurance products to its Club Card loyalty program members.[150]

5.3.3. DIS-CHEM'S VERTICAL INTEGRATION INTO WHOLESALE AND DISTRIBUTION SERVICES

117. As a vertically integrated entity, a large portion of Dis-Chem's wholesale business is based on internal sales. Dis-Chem's strategic documents indicate that "*CJ Distribution, as Dis-Chem's dedicated wholesale and distribution division, primarily serves Dis-Chem Pharmacies, which are its key internal customers. These pharmacies form the backbone of CJ Distribution's operations, accounting for most of its revenue and operating profit….*"[151] In line with this, Dis-Chem's wholesale revenue is largely derived from internal sales, followed by sales to the independents, and lastly its franchise group, TLC. Table 16 below sets out the revenue contributions from these customer groups for the 2026 financial year. It is important to note that the observed pattern in revenue contributions has been consistent over the review period, 2017 to 2026. In the 2023 financial year, Dis-Chem observed that "*There are no external customers that account for more than 10% of the Group's revenue in the current and prior financial year.*"[152]

Table 16: Dis-Chem's wholesale revenue contribution, FY2026

	Dis-Chem	TLC	Independents	Total
Customer count (number of stores)	316	280	1325	1921
Revenue (R'bn)	R27 811	R2 892	R3 341	R34 044
% contribution	82%	8%	10%	100%

Source: Dis-Chem Financial Results for the full year ended 28 February 2026, p.37.

118. The relative margin contributions between Dis-Chem's retail and wholesale operations are set out at Table 17 below.

150 Clicks. Undated. Clicks Financial Services. Available at Clicks Financial Services | Clicks.
151 Dis-Chem. 2025. Integrated Report for the financial year ended 28 February 2025. Available at Annual Integrated Report FY2025, p.21.
152 Dis-Chem. 2023. Group and Company audited annual financial statements, available at Annual Financial Statements FY2023, p. 39.

Table 17: Retail and Wholesale margin contributions over time, FY2017 – FY2025

Margins (%)	FY2017		FY2018		FY2019	
	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale
Gross profit margin	24.2	8.5	24.3	7.6	23.4	8.4
EBITDA margin	7.8	1.2	8.0	(1.0)	7.6	(0.4)
Operating margin	7.0	0.9	7.3	(1.3)	6.9	(0.7)
Margins (%)	**FY2020**		**FY2021**		**FY2022**	
	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale
Gross profit margin	27.7	8.1	27.5	7.6	28.2	7.5
EBITDA margin	8.2	0.3	7.7	0.9	8.0	1.0
Operating margin	6.0	(0.3)	5.1	0.3	5.2	0.5
Margins (%)	**FY2023**		**FY2024**		**FY2025**	
	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale
Total income margin	30.0	8.3	29.7	8.1	30.3	8.5
EBITDA margin	8.1	1.8	7.4	1.9	7.7	2.2
Operating margin	5.0	1.3	4.3	1.4	4.7	1.7
Margins (%)	**FY2026**					
	Retail		Wholesale			
Total income margin	31.1		7.2			
EBITDA margin	7.3		1.4			
Operating margin	4.0		1.1			

Source: Commission's compilation based on Dis-Chem's annual financial statements.

119. Dis-Chem margin contributions from its wholesale and retail business operations are consistent with its vertical integration model. Describing its wholesale total income margin for FY2023, Dis-Chem noted that "*…Wholesale total income grew by 22.7% with the wholesale margin now at 8.3%..... When this once-off gain was excluded from the wholesale segment, wholesale total income grew by 18.3% with the wholesale margin at 8.0%. **This increase is attributable to a higher contribution of more profitable pharmacy volume following the Medicare acquisition, together with a continued focus on increasing fees earned on the back of ever increasing wholesale scale**.*"[153]

120. In the above excerpt, Dis-Chem ascribes its wholesale margin growth to an increase in more profitable pharmacy sales volume following its acquisition of the 50 PPH stores (the Medicare transaction) and its ability to extract better trading terms from suppliers as a result of its increasing scale. In essence, the above illustrates that demand-driven scale economies, as a result of the growth in Dis-Chem stores and the acquisition of independents, are used to leverage Dis-Chem's bargaining power at the wholesale level.[154]

121. In FY2018, Dis-Chem observed that its investments in increasing the size of its wholesale operations is important for its

153 Dis-Chem. 2023. Reviewed Annual Condensed Consolidated Results. Available at Annual Results Presentation FY2023. p.23; Dis-Chem. 2023.

154 Dis-Chem. 2018. Provisional Reviewed Annual Condensed Consolidated Results for the twelve months ended 28 February 2018. Available at Annual Results Presentation FY2018, slide.15; Dis-chem. 2019. Provisional Reviewed Annual Condensed Consolidated Results for the 12 months ended 28 February. Available at Annual Results Presentation FY2019, slide 20; Dis-Chem. 2022. Group and Company audited annual financial statements for the financial year ended 28 February 2022. Available Annual Financial Statements FY2022. pp.13, 90, 110.

growth in the retail market. In this respect, it noted that "…*Management believe that the wholesale space is now fully invested and will be able to accommodate retail and wholesale strategies for the next three to five years. Post year-end CJ Distribution has acquired – pending competition commission approval – a regional wholesaler in Cape Town. This acquisition adds scale to the wholesale operations and provides opportunities to unlock retail and wholesale synergies*…."[155]

122. The above also shows that Dis-Chem financial performance is intrinsically linked to its vertical integration and as will be discussed further below, informs the retail and wholesale acquisitions engaged in by the group.

5.3.4. VERTICAL INTEGRATION AND THE IMPLICATIONS FOR COMPETITION

123. The implications for competition downstream, arising from Dis-Chem's vertical integration and the acquisition of independent pharmacies, are with respect to the leveraging of its demand-driven economies of scale at the wholesale level to extract better trading terms. This has a direct bearing on costs, and by implication price competitiveness in the market for the supply of retail pharmaceutical services. In addition, the acquisition of independent pharmacies has implications for competition dynamics in the upstream wholesale market, particularly insofar as it contributes to increasing consolidation.

124. Over the financial years 2017 to 2025, Dis-Chem's strategic documents provide insights on how its vertical integration into wholesaling is leveraged to strengthen its competitive position in the downstream retail pharmacy services market. These strategic documents reflect the self-reinforcing nature of the relationship between Dis-Chem's wholesale and retail operations in that the increase in its retail presence (through greenfield investments and acquisitions of independents) reinforces and enhances the scale economies achieved at the wholesale level, thus increasing its bargaining power. As shown below, the benefits accrued from favourable trading terms are used to partly offset Dis-Chem's cost of sales.

125. By way of illustration, Dis-Chem's explanation of its gross margins realised in FY2017 connects its wholesale and retail operations as follows, "*Gross profit increased by 19.4% to R4.2 billion from the prior year (2017 margin: 24.4%; 2016 margin 23.4%). The increase is due to better trade terms with suppliers as the Group continued to increase market shares across our core categories.*"[156] It further noted that it has realised "*Margin improvement through better trade terms and scale leverage*", arising from negotiating better commercial terms with its suppliers as well as investments in increasing wholesale space to accommodate future growth in the retail market.[157]

126. In its strategic documents, Dis-Chem explains that the leveraging of its procurement or bargaining power contributes to savings in its cost of sales, noting that "*The Group enters into various rebate agreements with its vendors in regards to the purchasing of inventory. These rebates are recorded as a reduction to the cost of the related inventory to the extent that the inventories have been sold. Certain of these agreements are based on the achievement of specific volumes of purchases over a specified period, including escalating rebates as certain pre-defined hurdles are met. The Group accrues these growth rebates at the point when it is probable that the hurdles will be met.*"[158]

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155 Dis-Chem. 2018. Integrated Report for the financial year ended 28 February 2025. Available at Integrated Annual Report FY2025, p.20.
156 Dis-Chem. 2017. Annual Integrated Report for the financial year ended 28 February 2017. Available at Annual Integrated Report FY2017, p.33.
157 *Ibid*, p.41 – 42.
158 Dis-Chem. 2018. Group and Company Audited Annual Financial Statements for the year ended 28 February 2018. Available at Annual Financial Statements FY2018, p.39; Dis-chem. 2019. Group and Company audited annual financial statements for the financial year ended 28 February. Available at Annual Financial Statements FY2019, pp. 13, 48; Dis-Chem. 2020. Provisional Reviewed Annual Condensed Consolidated Results for the twelve months ended 29 February 2020. Available at Annual Results Presentation FY2020, p.56 and 122; Dis-Chem. 2021. Group and Company audited annual financial statements for the financial year ended 28 February 2021, available at Annual Financial Statements FY2021, p.116; Dis-Chem. 2022. Group and Company audited annual financial statements for the financial year ended 28 February 2022, p.13, 90, 110.

127. It described these rebates as follows: *"As described in note 15 to the financial statements, the Group recognises a reduction in cost of sales as a result of amounts receivable from suppliers. The reduction primarily comprises contributions received in relation to promotions in the Retail business, strategic buy-ins, annual volume based rebates, logistic rebates and advertising rebates. The majority of these contributions tend to be small in unit value but high in volume. The agreements include those which span relatively short periods of time but also and to a lesser extent annual agreements whose timing does not coincide with the company's year-end and are re-negotiated/ re-entered into on an ongoing basis."*[159]

128. In 2023 and 2024, Dis-Chem identified growth in the income gained from supplier terms as one of the elements underpinning its Return on Invested Capital Strategy (ROIC). It indicated that Terms Income growth (fee for service rebates) is a driver of its total income margin (see Figure 4 below).[160]

Figure 4: Dis-Chem Return on Invested Capital Strategy, FY2023



Source: Dis-Chem Annual Results Presentation, FY2023

129. As discussed below, the demand-driven scale economies realised through vertical integration, particularly in terms of distribution and procurement efficiencies, and other advantages have implications for competition both in the pharmacy wholesale services market and the downstream retail pharmacy services market. The scale economies derived from the synergies between Dis-Chem's retail and wholesale operations are brought to bear in competing at both these levels of the value chain.

130. In relation to the pharmacy wholesale services market, Dis-Chem observed that "***The wholesale segment remains a key growth area for Dis-Chem, allowing the Group to leverage economies of scale***,

159 Dis-Chem. 2018. Group and Company Audited Annual Financial Statements for the year ended 28 February 2018. Available at Annual Financial Statements FY2018, p. 9; Dis-Chem. 2020. Provisional Reviewed Annual Condensed Consolidated Results for the twelve months ended 29 February 2020. Available at Annual Results Presentation FY2020, p.56 and 122; Dis-Chem. 2021. Group and Company Audited Annual Financial Statements for the financial year ended 28 February 2021. Available at Annual Financial Statements FY2021, p.116.

160 Dis-chem. 2023. Reviewed Annual Condensed Consolidated Results. Available at Annual Results Presentation FY2023. p. 10; Dis-chem. 2024. 2024 results for the 12 months ended 29 February 2024. Available at Annual Results Presentation FY2024. p. 11.

improve stock availability, and enhance service delivery across the healthcare and retail landscape."[161] This points to the leveraging of its wholesale scale economies in order to improve various parameters upon which it competes in the retail market. In relation to its retail operations, it further noted that "…***This integrated supply chain model enhances cost efficiency, reduces lead times, and strengthens Dis-Chem's ability to provide customers with a reliable and comprehensive product offering***. *As the primary distribution arm of the Group,* ***CJ Distribution benefits from economies of scale and operational synergies within the Dis-Chem ecosystem, further driving profitability and overall business performance***…."[162]

131. In explaining the value of its last significant acquisition, the Dis-Chem/PPH merger, to its shareholders, Dis-Chem indicated that the integration of the PPH pharmacies would unlock vertical gains as follows:

"…Dis-Chem has identified synergies, which it believes can be extracted quickly and efficiently. These synergies include:

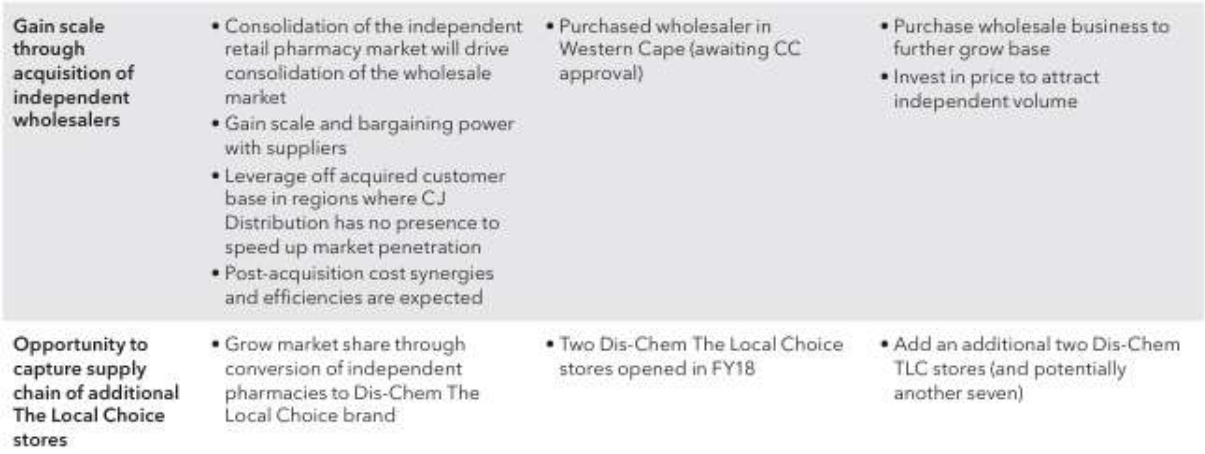
• ***The integration of Medicare pharmacies into Dis-Chem's current supply chain****, with pharmacies being more extensively serviced by CJ Distribution.* ***Dis-Chem's Return on Invested Capital ("ROIC") strategy will allow it to unlock additional supplier terms and in turn, enhance the commercial returns of these incremental wholesale volumes****.* ***The additional volumes will be margin accretive to the Wholesale segment of Dis-Chem****;…"*[163]

132. ICPA submitted that vertical integration confers some competitive advantages to the large vertically integrated corporate groups given that it enables the corporately owned pharmacies to streamline their supply chains, control stock, and manage distribution even to their competitors.[164] ICPA further submitted that vertical integration has also enabled the corporately owned pharmacies to benefit from volume advantages and further consolidate their market power. Scale economies allow the corporate pharmacies to procure products (especially unscheduled and front shop products which are unregulated) at favourable rates by obtaining discounts or rebates from manufacturers.[165]

133. In terms of the impact on upstream competition, Dis-Chem's strategic documents show that consolidation at the retail level is a driver of consolidation at the wholesale level (see Figure 5 below).

161 Dis-Chem. 2025. Integrated Report for the financial year ended 28 February 2025. Available at Annual Integrated Report FY2025. p. 20.
162 *Ibid*, p. 21.
163 Dis-Chem. 2020. Dis-Chem Pharmacies Limited - Voluntary announcement relating to acquisitions. Available at SENS Announcement.
164 Submission by ICPA dated 22 April 2025, p.15.
165 *Ibid*.

Figure 5 Dis-Chem's wholesale roadmap, FY2018 targets



Gain scale through acquisition of independent wholesalers	• Consolidation of the independent retail pharmacy market will drive consolidation of the wholesale market • Gain scale and bargaining power with suppliers • Leverage off acquired customer base in regions where CJ Distribution has no presence to speed up market penetration • Post-acquisition cost synergies and efficiencies are expected	• Purchased wholesaler in Western Cape (awaiting CC approval)	• Purchase wholesale business to further grow base • Invest in price to attract independent volume
Opportunity to capture supply chain of additional The Local Choice stores	• Grow market share through conversion of independent pharmacies to Dis-Chem The Local Choice brand	• Two Dis-Chem The Local Choice stores opened in FY18	• Add an additional two Dis-Chem TLC stores (and potentially another seven)

Source: Dis-Chem Integrated Report for the year ended 28 February 2018, p.65.

134. As previously indicated, demand-driven economies of scale at wholesale level are driven by the growth in the number of retail pharmacies in the Dis-Chem network, TLC franchise and independents. As such, Dis-Chem's ability to leverage its wholesale scale is, in part, dependent on how much of the contestable share of the demand by independent pharmacies it can capture. As shown in Figure 5 above, such demand could be captured through the conversion of independent pharmacies to the TLC brand. In this respect, Dis-Chem has consistently identified the TLC franchises as an important supply chain tool to leverage its invested wholesale base and grow supply into the independent market. In line with this, Dis-Chem's retail strategy in 2017 to 2018 focused on, among others, adding retail stores to its base and unlocking opportunities for the Dis-Chem TLC brand.[166]

135. In 2019, Dis-Chem observed that the "*Constrained independent pharmacy environment presents opportunities to acquire independents*".[167] It indicated that its retail strategy would be to, among others, "*Continue to add retail stores to our base*" while at the wholesale level it would continue to "*Leverage wholesale space by adding new stores and independent customers*" as well as engage in "*Additional wholesale acquisitions*".[168] This is consistent with the strategy outlined in Figure 5 above, which indicates that consolidation at the retail level will drive consolidation at the wholesale level. The demand-driven economies of scale at the wholesale are realised through the growth in Dis-Chem's retail network (both in terms of greenfield expansion and acquisition of independents) as well as the conversion of independents into the TLC brand. Upstream, this necessitates investments to increase wholesale space and capacity, which is achieved, in part, through the acquisition of independent wholesalers. This creates a self-reinforcing pattern of consolidation at both levels of the value chain. In 2023 and 2024, Dis-Chem noted that the "*Wholesale business [is] growing in a consolidating independent pharmacy market, driven by increased support from TLC franchisees and independent pharmacies.*"[169]

166 Dis-Chem. 2017. Reviewed Annual Results for the year ended 28 February 2017. Available at Annual Results Presentation FY2017. p. 28; Dis-Chem. 2018. Provisional Reviewed Annual Condensed Consolidated Results for the year ended 28 February 2018. Available at Annual Results Presentation FY2018. pp. 14 - 15;

167 Dis-Chem. 2018. Reviewed Interim Condensed Consolidated Results for the six months ended 31 August 2018. Available at Annual Results Presentation FY2019. pp. 14, 16.

168 *Ibid*, p. 16.

169 Dis-Chem. 2023. Reviewed Annual Condensed Consolidated Results for the twelve months ended 28 February 2023. Available at Annual Results Presentation FY2023. p. 18; Dis-Chem. 2024. 2024 Results for the twelve months ended 29 February 2024. Available at Annual Results Presentation FY2024. p. 18.

136. The above shows that there is an intrinsic link between Dis-Chem's vertical integration and the acquisitions of independent retail pharmacies in the market. These acquisitions have incrementally enhanced the realisation of Dis-Chem's scale economies given the retail and wholesale synergies of its business model. As a result, this has led to the drive towards market consolidation at the upstream wholesale level as firms have to invest in increasing their wholesale space, while similarly expanding their retail presence as well. In describing its investment case, Dis-Chem makes the point that "*The Group's strong organic growth is complemented by our strategic acquisitions and the ability to integrate these acquisitions vertically*."[170] The competitive advantages attained as a result of a vertical integration business model and the associated acquisition of independents, to shore up these benefits, has meaningful implications for the long-term ability of independent to participate and compete effectively in the market. The lack of the attainment of similar or comparable competitive advantages by the independent retail pharmacies points to lower prospects to effectively compete in the market in the long-term.

5.4. ACCESS AND LOCATION OF CORPORATE PHARMACIES

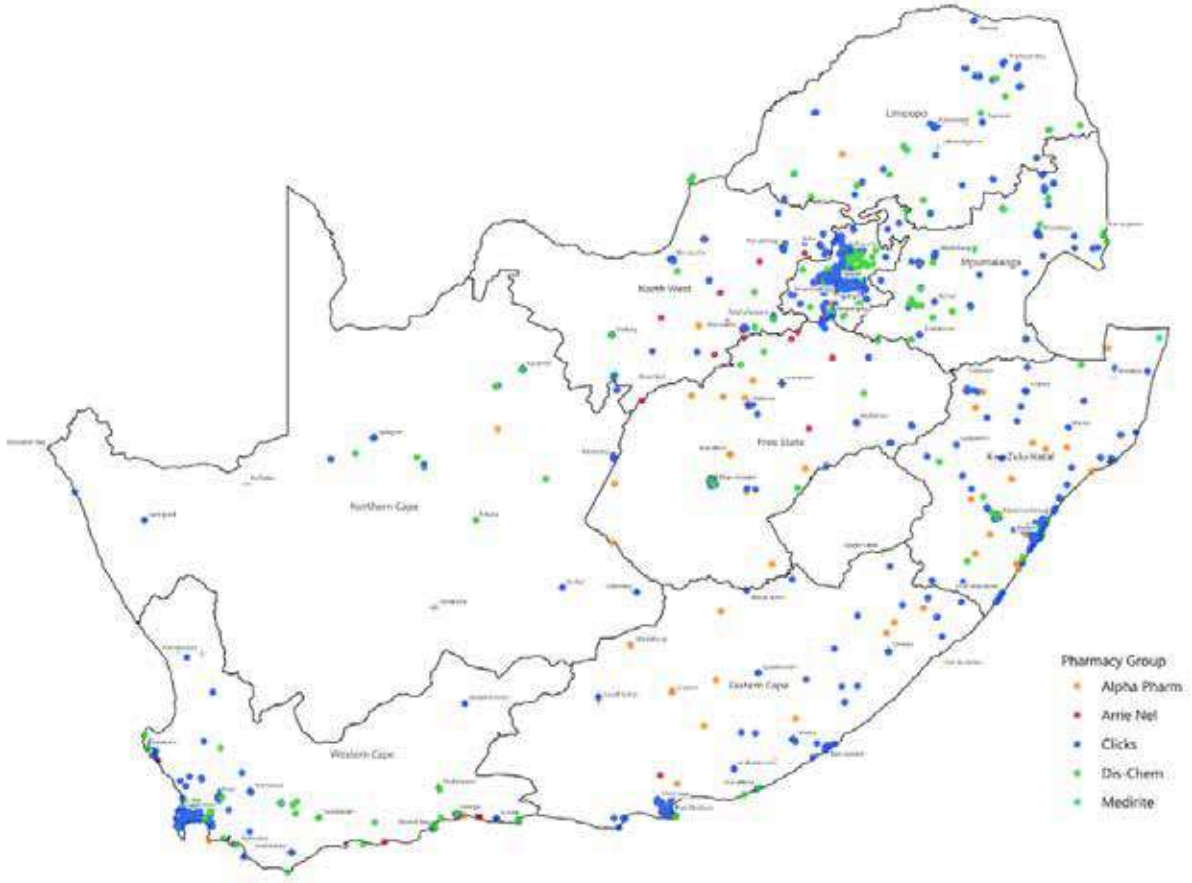
137. Access to community pharmacy services remains a critical component of the primary health care system. Naidoo, Suleman, and Bangalee (2021) argue that pharmacies are often the first point of contact for patients seeking medical advice.[171] Access to pharmaceutical services is often measured by the geographical proximity (distance/ time) and convenience (ease of access) at which a patient can reach a pharmacy. As such, in the retail pharmacy services market, the location and visibility of a store is a significant parameter for competition. Part of the objectives for the 2003 Pharmacy Act amendments was to improve access to retail pharmacy services, specifically in the previously disadvantaged and rural areas.[172] This section assesses whether, and the extent to which, Dis-Chem's acquisitions of independent pharmacies has impacted on competition, particularly in respect of location or geographic placement.

5.4.1. ACCESS TO PHARMACEUTICAL SERVICES

138. As previously discussed, market participants confirmed that store location is an important factor for competition in the retail market. The geographic spread of some of the larger retail pharmacies is shown in Figure 6 below. It is important to note that the mapping below reflects the geographic spread of those market participants that made submissions to the Commission. As such, the analysis is limited to the corporate-owned pharmacies and groupings of independent pharmacies.

170 Dis-chem Pharmacies. 2022. Integrated Report for the financial year ended 28 February 2022. Available at I Integrated Annual Report FY2022, p. 13.
171 Naidoo V, Suleman F, and Bangalee V. 2021. Roles and reimbursement of pharmacists as South Africa transitions towards Universal Health Coverage (UHC): An online survey-based study. p.2.
172 Moodley, R and Suleman, F. 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice. p.4. Table 1.

Figure 6: Geographic spread of pharmacy brands in South Africa[173]



Source: Commission's compilation

139. The mapping of the pharmacy brands across the country shows that the corporate pharmacies are largely concentrated in large cities, whilst the independent franchise pharmacies are more present in the secondary cities and rural towns. In this regard, the Western Cape, Gauteng, and the urban parts of the Eastern Cape and Kwa-Zulu Natal provinces show the highest concentration in terms of retail pharmacy store presence. The Johannesburg–Pretoria (Gauteng) corridor is the most densely served area, with all five chains represented. The Northern Cape is the most sparsely served province generally, with mainly Clicks and Alpha Pharm present. The mapping shows that Clicks has the broadest national footprint, present in virtually every province and primary and secondary cities. This is consistent with the market share analysis, based on store numbers, which showed that Clicks has the largest number of retail pharmacy stores in South Africa. Dis-Chem is concentrated in larger urban and suburban centres, although it has a strong presence in most provinces. Medirite operates primarily in the major metro areas in the Gauteng, KwaZulu-Natal, Western Cape, and Eastern Cape provinces.

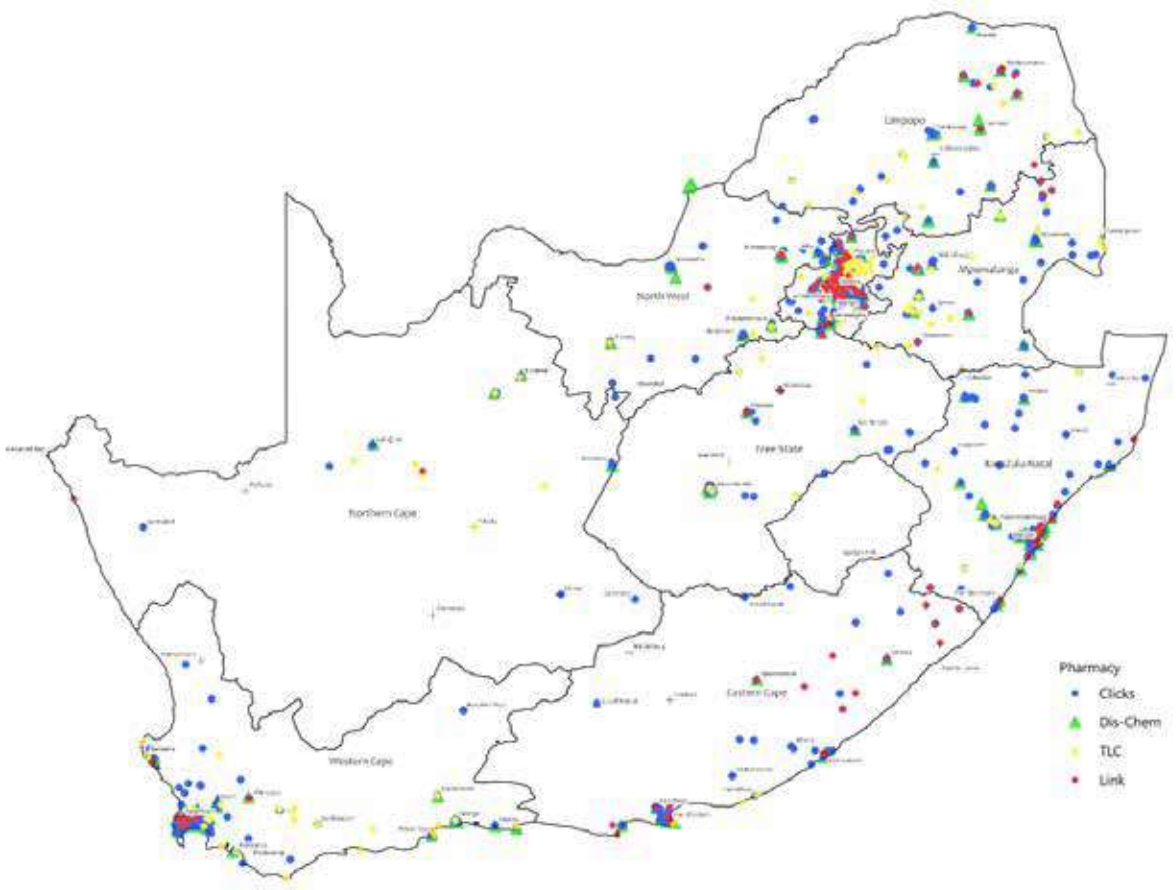
140. Alpha Pharm serves a mix of large cities and smaller towns but tends to have presence mostly in the secondary cities and rural towns, particularly in the Free State, KwaZulu-Natal, and Eastern Cape provinces. Arrie Nel has the most limited geographic footprint,

173 We note that the Dis-chem stores in the graphic includes TLC stores.

concentrated mainly in the secondary cities and rural towns in the Gauteng, North-West, and Free State provinces, and some parts of the Western Cape and the Eastern Cape.

141. Figure 7 further below focuses on the geographic spread of Dis-chem and Clicks, highlighting the locations of these brands and those of their franchisees, TLC and Link.

Figure 7: Geographic spread of Dis-Chem and Clicks pharmacies with their associated franchise stores



Source: Commission's compilation

142. Taking into account the distinction between the corporate-owned and franchise stores of pharmacy chains, Dis-Chem and TLC, reveals differences in the geographic locations of the major competitors. Figure 7 above shows that Clicks appears to have more overlapping location presence with its franchise brand, The Link Pharmacy.[174] This overlap is most prevalent in the urban centres, such as Cape Town, Durban, Port Elizabeth and the Johannesburg-Durban corridor, with more dispersion in the secondary cities and rural towns. Dis-chem, on the other hand, has less overlaps with its franchise brand, TLC, with the Dis-Chem corporate stores primarily located in the urban centres while the franchise stores are largely located in the secondary cities and smaller towns.

143. The Commission's analysis is consistent with other studies which have found that the retail pharmacy growth (as proxy for access) varies by region, with the rural areas exhibiting the lowest levels of access.[175]

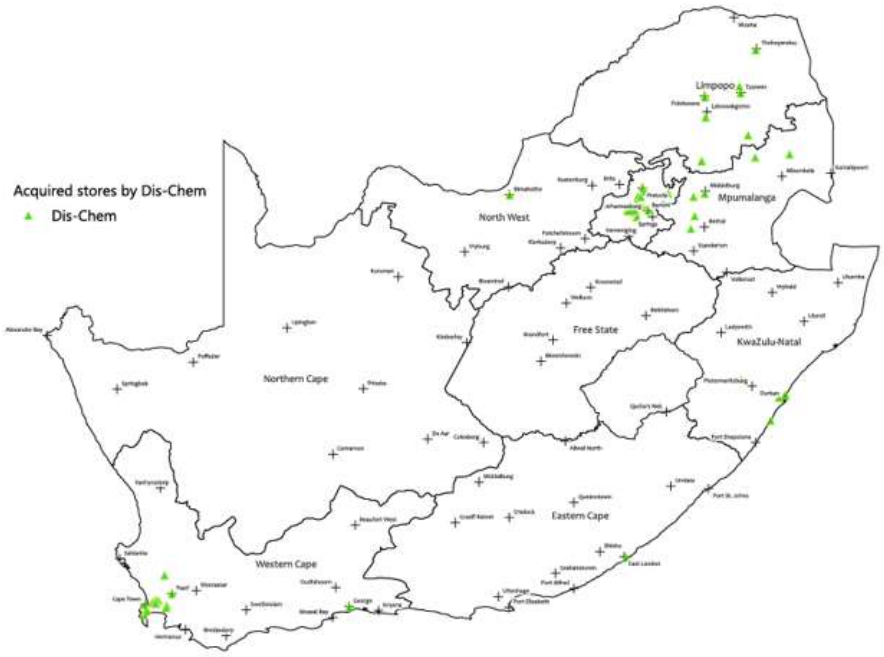
174 It is important to note that the overlaps identified are on a city or town basis and do not necessarily indicate narrower kilometre radii as would normally be considered for the purposes of market definition in retail pharmacy mergers, for example.

175 Moodley, R and Suleman, F. 2020. To evaluate the impact of opening up ownership of pharmacies in South Africa. Journal of Pharmaceutical Policy and Practice. pp.1, 4.

Moodley and Suleman (2020) show that the Limpopo, Eastern Cape and Northern Cape provinces has the lowest levels of access while the Gauteng and Western Cape provinces had the highest. Business media and the investment community similarly note the primary concentration of the corporate-owned pharmacy chains in the more affluent urban areas. The Financial Mail observed that "*In affluent and middle-class centres, Clicks and Dis-Chem are often within a few stores of each other or just a short drive apart. Yet in townships – a market Standard Bank estimates is worth R900bn a year – they barely have outlets, even though together the two firms control roughly half the country's dispensary market.*"[176]

144. Figure 8 below shows the geographic spread of the retail pharmacy stores that have been acquired by Dis-Chem over the period 2016 to 2023.

Figure 8: Geographic spread of retail pharmacy stores acquired by Dis-Chem, 2016 - 2023



Source: Commission's compilation

145. The above shows that Dis-Chem's acquisitions of independent pharmacies have largely followed the geographic location strategy for its corporate stores, primarily focused on the main cities in the Gauteng, Western Cape, Kwa-Zulu Natal and Eastern Cape provinces. Most of the acquired stores are located in Gauteng, within the Johannesburg and Pretoria corridor, followed by the Western Cape, primarily in Cape Town and surrounding areas where Dis-chem acquired 15 stores. In Mpumalanga and Limpopo, Dis-chem's acquisitions are primarily located within the secondary cities of these provinces.

146. Dis-Chem's strategic documents provide insights into the strategy underpinning its choice of location for its stores. In essence, the geographic spread of Dis-Chem's location strategy is about gaining a competitive advantage in terms of those locations that are conveniently accessible for customers, provide high yields in terms of foot traffic, and within areas with high economic activity or incomes. By way of

176 Shevel, A. 2026, May 21. Big pharma gets bigger. Financial Mail. Available at Financial Mail - 21 May 2026 - PressReader.com.

illustration, in 2018 Dis-Chem stated that "*…The Dis-Chem model is designed for various retail nodes and* ***we actively seek opportunities in large malls and centres in convenient nodes as key components of our overall business model****…*"[177] Further, in 2022, it indicated its competitive mix included, among others, "*…****conveniently located stores as cornerstones of our value proposition to consumers****.*"[178]

147. In 2024, Dis-Chem discussed the material issues relating to the risk of the shortage of retail space and observed that "***An integral component of Dis-Chem's expansion strategy involves the augmentation of its store network through either the establishment of new stores or the acquisition of independent pharmacies that can be transformed into Dis-Chem outlets. The successful execution of this strategy is contingent upon various factors, notably the Group's proficiency in identifying and securing lucrative acquisitions and suitable locations for new stores.*** *Failure to open new stores promptly and profitably may impede Dis-Chem's realisation of its growth objectives.*"[179]

148. Notably, the location of Dis-Chem's retail pharmacy stores, along with the location pattern observed in relation to the acquisition of independents, is also consistent with the need for the optimisation of its distribution efficiencies. The areas where Dis-Chem's stores are mostly concentrated are within the same areas where its distribution centres are located. In this regard, Dis-Chem noted that "*The wholesale segment specialises in fine-picking wholesale operations. Its revenue is derived from serving various entities, including Dis-Chem retail stores, Baby City, independent pharmacies, and the Group's TLC franchise. To efficiently cater to these diverse entities, CJ Distribution* ***operates six fully functional distribution centres in strategic locations: Longmeadow, Midrand, Delmas, Nelspruit, Durban, and Cape Town. These distribution centres are pivotal in ensuring timely and effective supply chain management, enabling the seamless distribution of products to the network's various retail and franchise outlets****.*"[180]

5.4.2. PREFERENCE FOR AND COMPETITIVE ADVANTAGES ASSOCIATED WITH PRIME LOCATIONS

149. As the large corporate pharmacies have been embarking on a rapid expansion strategy to increase their footprint, they have also become the more preferred retail pharmacy tenants by property developers for prime locations at shopping malls. Over the years shopping malls have increasingly become the main avenue for retail sales, providing a one-stop experience for consumers, as well as easy access to goods and services.[181] Given that shopping patterns are predominately mall based, shopping malls offer a high footfall that makes these centres prime locations to operate a business. Therefore, shopping malls provide an important channel for businesses to access consumers, including retail pharmacies. The growth of these pharmacies has also meant that they require either additional space in shopping malls where they are already operational or new space to enter shopping malls where they did not previously operate.

150. Consistent with the above, Dis-Chem's strategic documents show its preference for prime location within shopping centres and the importance of this in contributing to its profitability. Discussing its financial performance in 2022, Dis-Chem observed that this was due to, among others, its location advantages. It noted that "***We performed well across key metrics, with market share gains across all core categories, supported by further normalisation in gross margins. This is being driven by a***

177 Dis-Chem. 2018. Integrated Report for the year ended 28 February 2018. Available at Integrated Annual Report FY2018, p. 49.
178 Dis-Chem. 2022. Integrated Report for the year ended 28 February 2022. Available at Integrated Annual Report FY2022, p. 28.
179 Dis-Chem. 2024. Integrated Report for the financial year ended 29 February 2024. Available at Integrated Annual Report FY2024, p. 32.
180 Dis-Chem. 2024. Integrated Report for the financial year ended 29 February 2024. Available at Integrated Annual Report FY2024, p. 16.
181 WhoOwnsWhom. 2023. The wholesale and retail of food in South Africa.

sustained return to regional shopping malls, where many mature Dis-Chem stores are located."[182] It also noted that "***We've seen further normalisation in gross margins*** *as Covid-19 related products are becoming less substantial in consumer baskets and* ***a sustained return to regional shopping malls where many Dis-Chem stores are located as well as continued improvement in fees earned through trade term negotiations***."[183] In line with Dis-Chem's preference for shopping centres, of the 70 stores acquired by Dis-Chem, 47 were located in shopping centres and 23 were standalone stores. Location in shopping malls allows for the larger scale Dis-Chem stores and the efficiencies that are derived from higher dispensary volumes and front shop sales.

151. Concerns have been raised by the independent retail pharmacies regarding the inclination of property developers towards corporate pharmacies leads to exclusion of independent retail pharmacies from shopping centres, and this undermines their ability to compete, whilst propelling the corporate chains to reinforce their economies of scale and scope.[184] The property developers' preferences and the expansion of corporate pharmacies has led to independents being pushed out of shopping malls as their leases are either not renewed or terminated to make way for corporate brands.[185] Even in the large shopping centres that are permitted to host more than one retail pharmacies, property developers still prefer to host the incumbent corporate pharmacies in competition with each other instead of independent pharmacies. Below are few examples of such shopping centres:

    151.1. Canal Walk – Clicks and Dis-Chem

    151.2. Mall of Africa – Clicks, Dis-Chem and Medirite pharmacies

    151.3. Blue Route Mall – Clicks, Dis-Chem and Medirite pharmacies

    151.4. Centurion Mall – Clicks, Dis-Chem and Medirite pharmacies

    151.5. Brooklyn Mall – Clicks and Dis-Chem

    151.6. Wonderboom Junction – Clicks and Dis-Chem

152. It is argued that property developers may favour national retailers and corporate pharmacies as these stores have strong brand equity and are considered 'must-have' anchor tenants required to bring in the necessary footfall to make the shopping mall profitable. This is an important consideration for the property developers as they invest significant capital to develop and upgrade their shopping centres and need to recoup their investments.[186] Business media cites Resilient's view on the issue as follows: "*Resilient has a strategy of investing in dominant retail centres that have a minimum of three anchors and are predominantly let to national grocery retailers*".[187] Nuvue Investments (Pty) Ltd submitted that in November 2022 they had undertaken a redevelopment of its premises and sought to attract more familiar tenants (established brands) to increase customers within their premises.[188]

153. The corporate-owned pharmacy chains have also ascribed this to the landlords' preferences. In this regard, Clicks stated that, "*The demand for Clicks to open pharmacies often comes from landlords, who determine the style and tenant mix for their shopping centres. In addition to being*

182 Dis-Chem. 2022. Integrated Report for the year ended 28 February 2022. Available at Integrated Annual Report FY2022, p. 52.
183 Dis-Chem. 2022. Integrated Report for the year ended 28 February 2022. Available at Integrated Annual Report FY2022, p. 56.
184 Case numbers: 2019Feb0006; 2024May0044; 2022Nov0045; 2022May0011; 2022Feb0037; 2022Jun0015; 2023Aug0034; 2025Nov0052; 2025Dec0028; and 2026Apr0007; Email submission by ICPA dated 19 August 2024.
185 ICPA submission dated 22 April 2025, p.2, Question 1. Also see Sunday World. 2024. Landlord kicks out black-owned pharmacy for Clicks. 23 September 2024. Available at: Sunday World.
186 Who Owns Whom. 2023. The wholesale and retail of food in South Africa. February 2023, p. 4.
187 Stanlib. Township retail – the new growth engine for South African property. 7 December 2023. Available at: https://stanlib.com/2023/12/07/township-retail-the-new-growth-engine-for-south-african-property/.
188 Case number 2024May0044. Submission by Nuvue Investments (Pty) Ltd dated 16 September 2024.

a dispensary, Clicks provides customers with a compelling front shop offering, which means that customers have more choice and an improved overall shopping experience. This makes Clicks an attractive tenant."[189]

154. The implications for competition arising from this dynamic not only relate to the inability of independent retail pharmacies not being able to serve the demand that exists within shopping centres but also the reduction in product and service choice available to consumers. Given the differentiated nature of the retail pharmacy services market, and the diversified competitive offering from independent retail pharmacies, which includes both price and non-price dimensions is lost to consumers. Further, the acquisition of independent retail pharmacies by Dis-Chem and the associated displacement of same within the shopping centre environment serves to reinforce Dis-Chem's 'must have' status for property developers. As a result, this enhances the prioritization of corporate pharmacies for prime locations in shopping centres across a wide spectrum of locations, thus putting the independent pharmacies at a competitive disadvantage. Locations that benefit from high volumes of consumer traffic alongside low rentals are likely to provide the corporate pharmacies with a distinct operating cost advantage over independent pharmacies. These factors, along with the strategy of having a large front shop sales areas (which is often more profitable than the dispensing area due to unregulated margins and lower personnel costs (sales assistants rather than pharmacists)) put corporate-owned pharmacies at a competitive advantage relative to independent retail pharmacies.

5.5. INVESTMENTS AND INNOVATION

155. Investment plays a dual role in competition, acting both as a driver of competitive advantage and a result of competitive pressure. It drives innovation and promotes overall consumer satisfaction through better products and prices.[190] In the case of South African retail pharmacy services market, innovation has been largely focused on digital transformation, technological integration, and the expansion of value-added patient care services. This section considers investments made by the various retail pharmacists and the likely impact on competition over the years. Table 18 below shows Dis-Chem's investment expenditure and turnover for each of the acquired stores from 2019 till 2023. It is important to note that the investment expenditure set out below does not include the stores acquired as part of the PPH transaction and those acquired stores that have been identified as part of this study.

Table 18: Dis-Chem investment and revenue in the acquired retail stores

Retail store	2019	2020	2021	2022	2023	Rm
Dis-Chem Platinum Park Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem Rynfield Terrace Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem TLC Market Street Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem Voortrekker Street Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue

189 City Press. 2019, March 20. Small pharmacies want a moratorium on new licences by Lesetja Malope. Available at: City Press.
190 Sand-Zantman, W. and Mathis, J. 2014. Competition and Investment: What do we know from the literature? (Doctoral dissertation, Université Paris-Dauphine).

Retail store	2019	2020	2021	2022	2023	Rm
Dis-Chem Northlands Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem TLC De Wiekus Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem TLC Me-di-Park Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem Culemborg Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem Mega City Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem York Street Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue
Dis-Chem Glenfair Pharmacy	✂	✂	✂	✂	✂	Investment
	✂	✂	✂	✂	✂	Revenue

Source: Commission's compilation

156. Based on the above, Dis-Chems investment pattern is consistent with post-acquisition expenditure, comprising initial capital expenditure and maintenance investment over the remainder of the review period. Notably, the acquired stores appear to be relatively matured locations based on the level of revenues generated. However, it is apparent that the investments made are directly related to the revenue generated from each of the stores. By way of illustration, the investments made in the first four stores (Platinum Park Pharmacy, Rynfield Terrace Pharmacy, Market Street Pharmacy, and Voortrekker Street Pharmacy) are small maintenance investments. The investments made in the remaining seven stores indicate large capital expenditure. However, from a revenue generation perspective, all of the stores exhibit a similar pattern characterised by significant growth in 2019 and 2020 and stabilisation thereafter. As such, there is no observable link between investments made and revenue growth in the earlier years given that both those stores that only had maintenance investment and those that had significant capital expenditure grew revenues.

157. In terms of investment expenditure on innovation, Dis-Chem provided information regarding various innovation and development projects that it has invested in. At the retail level, the investments include (i) Ci Value, a customer analytics and personalisation tool that uses retail and transactional data; (ii) Brix a dispensing and pharmacy management system that creates a single customer record across multiple stores; (iii) GiCom, a tool that manages complex agreement negotiations and tracks supplier funding; (iv) ARC Interactive which develops Dis-Chem's customer app; (v) Vendor portal, which facilitates centralised digital communication between Dis-Chem and its suppliers; (vi) Argility, an artificial intelligence based predictive and prescriptive tool for pricing optimisation; (vii) Fortna, a warehouse and distribution software solution used for process optimisation; and (viii) Healthforce, which facilitates virtual doctor consultations within in-store clinics.[191]

158. Clicks submitted that it has invested in different innovation initiatives over the years which focused on customer service and digital transformation. These include

191 Submission by Dis-Chem dated 29 May 2025, pp. 5 – 6, para 2.7.1.1.1 - 2.7.1.1.10.

(i) the Leap platform, a pharmacy practice management system, and (ii) improving its pharmacy services offering via its App.[192] Medirite submitted that it does not allocate budget for innovation initiatives specifically for retail pharmacy services. This is because such allocations are considered on a group level by the Shoprite Group and not necessarily pharmacy specific, but retail focused.[193]

159. Table 19 below describes the investments in innovations undertaken by PPH (prior to its acquisition by Dis-Chem) and other independent pharmacies (competing locally with the relevant Dis-Chem stores).

Table 19: Investments in innovations by independent pharmacies

Pharamacy	Innovation	Innovation description
PPH	Telemedicine -Healthforce	Healthforce is a digital platform first rolled out by PPH in 2017 which facilitated virtual doctor consultations through Videomed, once a nurse deemed such a consultation necessary, following an in-person at a pharmacy clinic. The consultation is then concluded by the nurse, who can generate a script, referral letter or sick note provided by the remote doctor. The time taken for this consultation process is on average 25 minutes and this innovation by PPH provides a convenient and reasonably quick avenue for in-store pharmacy clinic patients to access primary healthcare and a doctor virtually where required. The innovation was created as a low-cost alternative for consumers and medical scheme members who prefer to access primary healthcare services in a pharmacy clinic rather than a general practitioner. From the rollout out of Healthforce in 2017 to Dis-Chem's acquisition of PPH in 2021, there were over 65 000 virtual doctor consultations.[194] At the time of the Dis-Chem/PPH merger investigation, Healthforce was offered at 253 retail pharmacies in South Africa, and customers included independent pharmacies, corporate pharmacies, corporate clinic groups, and retirement community management companies. Other competitors to Healthforce included Allegra, which provided external telemedicine services to Clicks, Pick n Pay, and Alpha Pharm; and Udok which provided external telemedicine services to Clicks and Medirite at the time of the merger investigation.[195]

192 Submission by Clicks dated 18 November 2024, p.13, para 50.
193 Submission by Medirite dated 31 July 2025, p. 10, Question 22.
194 Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd Merger Investigation Report, Commission Case No.: 2020Dec0043, p.140, para 331.
195 Ibid, p.142, para 334.

Pharamacy	Innovation	Innovation description
PPH	Courier service - Healthpanda	Prior to its acquisition, PPH intended to introduce Healthpanda, an app aimed at delivering a basic "virtual pharmacy" or real-time last-mile delivery of over-the-counter medication and certain front shop products. Through the Healthpanda app, a consumer would conveniently place and receive orders done online for health, wellness and pharmacy products, as well as receive pharmacist-led advice. Pharmaceutical and front shop products would be delivered to consumers from PPH and other external pharmacies nationally.[196] However, Healthpanda was piloted and not pursued further in 2019 due to insufficient market uptake.[197]
PPH	Courier service - Uber partnership	PPH also intended to partner with Uber Eats for the delivery of pharmaceutical and front products, however, this was halted by the Pharmacy Council. The Pharmacy Council raised consumer privacy concerns if an unregulated third-party such as Uber is allowed to deliver pharmaceutical products to consumers.
Durban North Pharmacy[198]; Erasmus Pharmacy[199]; Heidmed Pharmacy[200]; Kalapeng Polokwane[201]; Morris Pharmacy[202]; Hilltop Pharmacy[203]	Personalised-reminder services, delivery	Various independent pharmacies submitted that they have invested in personalised reminder service which provide alerts to patients on chronic medication through WhatsApp, SMS or email communication reminders as well as delivery of medicines to customers. Some pharmacies have outsourced these services through Pack My Meds
Iynesab Pharmacy[204]	Delivery service, personalised patient services, extended hours.	Iynesab Pharmacy offers comprehensive counselling for patients with a system for monitoring patients' progress. It also delivers medicines and has extended working hours to 9pm on weekdays[205]

160. The discussion above confirms that the integration of technology into retail pharmacy services is an important part of competition in this market. Academic literature observes that independent pharmacies are better positioned to lead the adoption of digital health tools because (i) they often can make changes to their business model faster than a major retail chain, (ii) are often in rural locations where few other providers are located, and (iii) are already starting to offer the types of clinical services that can be greatly aided by digital health.[206]

161. Cornell *et al* (2019) argue that historically, innovation in retail pharmacy has always been led by the independent pharmacies, and corporate pharmacies following suit to adopt those innovations to make them

196 *Ibid*, p.144, para 340.
197 Ibid, p.145, para 342.
198 1,7km away from Dis-Chem Northlands Pharmacy, Shop 2, 44 Mackeurtan Avenue, Durban North, KwaZulu-Natal, 4001
199 1,3km from Kungwini Pharmacy Shop 1, Pazere Centre, 49 Church Street, Erasmus, Bronkhorstspruit, Gauteng, 1020
200 270 m from Dis-Chem Voortrekker Street Pharmacy, Voortrekker Street, Heidelberg, Gauteng, 1441
201 400m from Dis-Chem TLC Market Street Pharmacy, 62 Market Street, Polokwane, Limpopo
202 300 metres from Dis-Chem York Street Pharmacy, St Vincent Square, 107 York Street, George, Western Cape, 6529
203 1,9km away from Dis-Chem Northlands Pharmacy, Shop 2, 44 Mackeurtan Avenue, Durban North, KwaZulu-Natal, 4001.
204 3,2km from Dis-Chem TLC Market Street Pharmacy, 62 Market Street, Polokwane, Limpopo, 0699
205 Submission from ICPA dated 22 April 2025, pdf titled "Iynesab Pharmacy_responses".
206 Cornell W., Clauson K., and Cain J. (2019). "Updating the Model: The Case for Independent Pharmacy to Embrace Digital Health". Available at https://pmc.ncbi.nlm.nih.gov/articles/PMC7643706/#ref5.

industry practices.[207] For instance, the independent pharmacies led the transition from dispensary only pharmacies and introduced clinical, patient-centred care. The market pressures that are as a result of the independent pharmacies not being price competitive propel them to be more innovative. The ownership structure of the independent pharmacies by qualified pharmacist also create opportunities for them to be more innovative towards advanced medication therapy management, compounding services, and disease state management.[208]

162. However, the lack of investment capital, exacerbated by the diminishing profit margins, limit the ability of the independent pharmacies to significantly invest in innovation. Corporate-owned pharmacies, on the other hand, have the advantage of large capital backing, and are able to invest in both their existing systems and new innovations. The assessment shows that both the independent pharmacies and corporate-owned pharmacies have invested in innovation that facilities improved service quality outcomes. The PPH serves as a prime example of independent pharmacies acting as pioneers in industry innovation but hindered by lack of capital. Some of its innovative initiatives were adopted and integrated into Dis-Chem's operations, which demonstrate their potential to drive modernisation.

207 Cornell, W.K., Clauson, K.A. and Cain, J. 2019. Updating the model: the case for independent pharmacy to embrace digital health. Innovations in pharmacy, 10(1), pp.10-24926.
208 *Ibid*.

6. OTHER FACTORS AND THE OUTLOOK FOR COMPETITION IN RETAIL PHARMACY SERVICES

163. The Commission notes that there are other factors relevant to competition which could not be assessed given the information available to the Commission. However, these factors are briefly discussed, and where possible inferences are drawn as regards the likely impact of Dis-Chem's acquisitions some of these given their relative importance. The factors considered include participation in designated service provider networks, service quality, and changes in the competitive landscape. Participation in DSP/PSP networks is important given its ability to ensure captured demand in terms of the members that are diverted to in-network service providers. Service is similarly an important dimension of competition given its differentiation effect and impact on consumer welfare. The section also discusses the likely evolution of the nature of competition in retail pharmacy services given the changes in business models going forward.

6.1. PARTICIPATION IN DSP AND PSP NETWORKS

164. Another dimension of competition between retail pharmacies relates to the enrolment in medical scheme network arrangements, commonly referred to as designated service provider (DSP) or preferred service provider (PSP) networks. The Council for Medical Schemes defines a DSP as a healthcare service providers (doctor, pharmacist, hospital etc.) who are appointed by a medical scheme to treat or care for prescribed minimum benefit conditions of their members.[209] PSPs on the other hand are also preferred service providers where medical aid schemes channel their clients, but without formal payment arrangements.[210]

165. To become an in-network provider, the retail pharmacy group negotiates rates with a medical scheme and, if mutually agreeable terms can be reached, enters into a contract. Medical schemes may apply co-payment on services of medicines procured from non-DSPs.[211] In-network status benefits a retail pharmacy group by giving it preferential access to the medical scheme's members. In turn, medical scheme members typically do not incur co-payments when they access their approved, chronic medicine from in-network pharmacies than those that are out-of-network. Thus, all else being equal, an in-network retail pharmacy group will attract more customers from a particular medical scheme than an out-of-network one.

166. DSPs seem to be more popular forms of agreements when compared to PSPs since the legislation makes a provision for their establishment.[212] The main benefit arising from these arrangements for the medical schemes is the opportunity to contain costs by obtaining lower set rates for the pharmaceutical services and medicines (i.e., dispensing fees). For the service providers, the main benefit is the guaranteed medical scheme member volumes. As a result, medical scheme members are incentivised

209 Council Medical Aid Scheme. 2010. PMBs and DSPs go hand in hand. Available at CMA.
210 Competition Commission South Africa. 2019. Health Market Inquiry Final Findings and Recommendations Report. Available at https: CCSA
211 Mediscor website, available at https://www.mediscor.co.za/definitions/.
212 See Medical Schemes Act, No 131. of 1998.

to utilise pharmacies that are part of the scheme's DSP arrangements to avoid paying any penalties out-of-pocket. Medical aid scheme levy between 20% - 30% co-payment to their members when they use non-DSP service providers.[213]

167. In its previous investigations, the Commission noted that certain medical schemes contract with pharmacies on an individual or store-by-store basis (i.e., irrespective of whether they are independent or they belong to a corporate group), whilst other medical schemes contract with pharmacy groups.[214] Pharmacies are required to ensure compliance to the medical aid scheme rules and key performance indicators (KPIs) to be able to join or continue participating in a DSP or PSP network. Compliance to medical scheme rules is therefore an important consideration for pharmacies to compete to be included in the medical scheme pharmacy networks. Medical schemes indicated to the Commission that all pharmacies have equal opportunity to participate in DSP arrangements, irrespective of size, ownership status or location to participate in these networks. The Commission notes that the lists of DSPs for the largest medical aid schemes includes a mixture of both corporate and independent pharmacies.

168. The medical aid schemes sought to represent the process of participating in a DSP or PSP network to be seamless and easily achievable. However, ICPA argues that independent pharmacies are often unable to fulfil these requirements.[215] These include, *inter alia*, trading hours, wider reach, the quality of services to be rendered, charging negotiated dispensing fees, adherence to scheme medicine formularies, not to levy members any co-payments, and allowing for performance monitoring and peer review. ICPA further indicated that some requirements are inherently discriminatory against the independent pharmacies, and these include requirements for national reach, centralised patient records, centralised purchasing, courier pharmacy wing and national call centres.[216]

169. In previous investigations conducted by the Commission, the medical aid schemes indicated that having a national footprint is a key factor during DSP and PSP negotiations and contracting. This is because medical scheme members are often dispersed nationally and medical schemes must ensure that pharmacy services are available to all their scheme members in their respective geographic areas. Further, the Commission found that there are occasions where medical aid schemes exclude pharmacies from participating in pharmacy network arrangements because of the lack of a wider geographic footprint. It also found that medical schemes may also, in exceptional circumstances, opt to enter into network agreements decided on by themselves in which case geographic coverage and price are considered as an exclusive criterion. Furthermore, according to MediKredit, DSPs and PSPs are selected based on the number of a medical schemes' members that use a particular service provider, in this case being a retail pharmacy.[217] These criteria have implications for competition given the oft-limited geographic footprint of independent pharmacies.

170. Given the importance of geographic footprint as a factor in the negotiation for DSP or PSP enrolment, retail pharmacy groups with the widest presence are more likely to acquire a must-have status with medical schemes. This status bolsters the bargaining power available to those groups with a large footprint and thus gives them a competitive advantage over rivals. Viewed from this perspective, the cumulative impact of Dis-Chem's acquisition is the

213 GEMS website, available at GEMS; POLMED website, available at POLMED; Discovery Health Medical Scheme, available at Discovery Health.
214 *Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd* Merger Investigation Report, Commission Case No.: 2020Dec0043, p.66 para. 144
215 Submission by ICPA dated 22 April 2025, p. 2, para. Question 1.
216 *Ibid.*
217 MediKredit Integrated Healthcare Solutions. (n.d.,). Understanding Designated Service Pharmacy Networks. Available at Medikredit.

enhancement of such bargaining power in its dealings with medical schemes, among others.

6.2. SERVICE QUALITY

171. When consumers choose a service provider, they trade-off their perceptions of service quality with their perceptions of the cost of engaging with the service provider.[218] The cost/quality trade-off is thought to provide value for consumers which creates satisfaction and which in turn drives their loyalty. In markets where prices are regulated, fixed, or heavily constrained, leading to almost unanimous pricing, service quality becomes the primary basis upon which firms compete.[219]

172. Medical literature identifies five key service quality dimensions that have been found to influence customer loyalty in pharmaceutical and healthcare services.[220] These include:

    172.1. Tangibility – this dimension concerns the appearance of physical facilities, equipment, personnel and the communication devices existing in service organizations.[221] According to Bateson and Hoffman (2011), this is the primary dimension that customers consider in choosing healthcare service providers. The other intangible dimensions maybe added to optimize customer satisfaction.[222]

    172.2. Reliability – relates to the extent to which the service provider delivers on the promised service to customers dependably and accurately.[223]

    172.3. Responsiveness – relates to the willingness on the part of the service provider to deliver assistance to the customer. It reflects the service provider's attentiveness and promptness in handling customer questions, complaints, requests and problems.[224]

    172.4. Assurance – relates to the level of service delivered to customers that is believable and can be trusted.[225] According to Dehghan, Zenouzi and Albadvi (2012), the knowledge and competence of staff in assuring customers is a critical factor. Therefore, this dimension is considered particularly important for services that may be perceived to be associated with high levels of risk.[226]

    172.5. Empathy – relates to the treating of customers in such a way that they feel valued by the service provider and that their needs are seen as important. Organisations deal with this dimension by providing individualised attention and care to their customers.

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218 Carter, S.R., Ahmed, A.M. and Schneider, C.R., 2023. The role of perceived service quality and price competitiveness on consumer patronage of and intentions towards community pharmacies. *Research in Social and Administrative Pharmacy*, 19(5), pp.717-727.

219 Makanyeza, C. and Mumiriki, D., 2016. Are all customers really the same? Comparing service quality and satisfaction between residential and business telecommunications customers. *Acta Commercii*, 16(1), pp.1-10.

220 Alzoubi, H.M., 2022. Does BLE technology contribute towards improving marketing strategies, customers' satisfaction and loyalty? The role of open innovation. *International journal of data and network science*, *6*(2), pp.449-460; Penceliah, D.S., Noel, D.T. and Adat, N., 2015. Customer satisfaction within pharmacies in a supermarket: a South African perspective. *Problems and perspectives in management*, (13, Iss. 2 (spec. iss. 1)), pp.452-459.

221 Javadi, M.H. and Gol, R., 2011. Service quality evaluation in general department of health insurance of Fars Province using a Servqual model (case study: Shiraz). *Interdisciplinary Journal of Contemporary Research in Business*, *3*(4), pp.118-125.

222 Bateson J.E.G. and Hoffman K.D. 2011. Services Marketing. 4th ed. Sydney: South-Western.

223 Javadi, M.H. and Gol, R., 2011. Service quality evaluation in general department of health insurance of Fars Province using a Servqual model (case study: Shiraz). Interdisciplinary Journal of Contemporary Research in Business, *3*(4), pp.118-125.

224 Penceliah D.S, Noel. D. T, and Adat N. 2015. Customer satisfaction within pharmacies in a supermarket: a South African perspective. Problems and Perspectives in Management, 13(2-si), 452-459.

225 Ramsaran-Fowdar, R. 2008. The relative importance of service dimensions in a healthcare setting, International Journal of Healthcare Quality Assurance, 21 (1), pp. 104-124.

226 Penceliah D.S, Noel. D. T, and Adat N. 2015. Customer satisfaction within pharmacies in a supermarket: a South African perspective. Problems and Perspectives in Management, 13(2-si), 452-459.

173. Market participants submitted an array of factors upon which competition on service quality takes place, including location of a pharmacy, convenience, pharmacy cleanliness, product range, provision of supplementary services including clinic services, excellent service delivery, pharmacist medical advice and ability to develop customized solutions for customers. All these factors fall under the identified service quality dimensions mentioned above, and different pharmacies prioritise different factors.

174. Another significant aspect for customer consideration is product offering. Customers prefer pharmacies that have a wider range of general and healthcare products, including cosmetics, wellness items, and lifestyle goods. Medirite operates a slightly different model, with most of their pharmacy stores providing dispensary only.[227] However, their pharmacy stores are also located inside their Shoprite retail stores. Thus, customers can still access their medicines and a wide range of other products at the same location. Corporate pharmacies are also investing in sophisticated supply chain systems, ensuring rapid stock replenishment, optimal inventory levels, and minimal stockouts.[228] Independent pharmacies are unable to compete with corporate chains on product range, as their front shop service are mostly limited. Therefore, the ability of corporate pharmacies to meet all the healthcare-related needs of a customer is a competitive advantage.

175. The discussion below sets out the service quality dimensions that comprise the value propositions by various market participants to their customers.

Dis-Chem

176. Dis-Chem describes itself as *"a premier pharmaceutical retail brand in South Africa, recognised for its exceptional customer service, diverse product range, and steadfast commitment to an Everyday Low-Price approach"*.[229] The pharmacy group offers a wide range of private label and exclusive house brands, spanning health, vitamins, nutrition, medical and sport supplements. In terms of personnel, Dis-Chem highlights that its growth strategy is supported by more than 1000 well-trained in-store health advisors, nurses and pharmacist in their stores.[230]

177. Dis-Chem submitted that staff complement and productivity is an important measure of service quality for their retail pharmacies.[231] The pharmacy group measures this aspect of service delivery through productivity tracking and customer care and complaints tracking. Dis-Chem submitted that staff productivity at its stores has been increasing consistently. Between 2022 and 2023, the overall staff productivity increased by 26%. This is measured by units handled per hour by merchandisers and cashiers at each store. In the last quarter of 2024, the cashiers and merchandisers at the Dis-Chem pharmacy stores handled between 25 and 100 units per hour. [232]

Clicks

178. Clicks identified five service delivery factors that it considers, including customer care, convenience, product range, rewards and value for money.[233] Similar to Dis-Chem, Clicks boast a wide range of listed products, including private labels as well as inhouse labels in front shop products and medicines. Clicks submitted that in order to satisfy its customer base the group continuously refines its product offering

227 *Ibid*.
228 Submission by Arrie Nel dated 17 June 2025, p.2, para.9.
229 Dis-Chem. 2024. Integrated Report for the year ended 28 February 2024. Available at Integrated Annual Report FY2024, p. 8.
230 Dis-Chem. 2024. Integrated Report for the year ended 28 February 2024. Available at Integrated Annual Report FY2024, p. 13.
231 Submission by Dis-Chem dated 14 June 2024, pp. 10-11, para 2.19.1 and 2.19.2.
232 Submission by Dis-Chem dated 14 June 2024, Annexure T.
233 Clicks Group. 2024. Integrated Report for the financial year ended 31 August 2024. Available at Annual Integrated Report FY2025, p.10.

using market leading research benchmarks and customer surveys.[234] To measure overall customer satisfaction with the service at its stores, Clicks uses four methods (i) Net Promoter Score (NPS), which is based on a survey question asking respondents to rate the likelihood that they would recommend the company, product or service to a friend or family member; (ii) Customer Satisfaction Score, which measures how happy/satisfied consumers are with a purchase or interaction; (iii) complaints per million basket; and iv) compliments received.[235] Between 2019 and 2024, most of the Clicks stores that compete directly with the relevant Dis-Chem stores witnessed improvements both in Net Promoter Score and Customer Satisfaction Score. However, customer complaints per million baskets also surged during the same period.

Independent pharmacies and franchisees

179. As alluded to above, the independent pharmacies acknowledged that corporate pharmacies are able to leverage their position to be more competitive in certain aspects of service quality. However, there is a distinct value proposition for independent pharmacies that large corporate pharmacies are unable to fulfil. The independent pharmacies often position themselves as providers of trust-based care and personalised patient relationships, especially in the remote areas.[236] The independent pharmacies indicated that most of their customers are elderly patients with whom they have long relations with and hold their medical history.[237] This is an important role given that elderly patients use more medicine than those under 60 years of age and are more likely to experience medicine-related problems due to multi-morbidities and the associated polypharmacy.[238] [239] Academic studies indicate that of the population of the persons aged 60 - 79 years in South Africa, 51.8% suffered from at least one chronic condition.[240] Independent pharmacies tend to prioritize nurturing deeper personal relationships with their communities, offering tailored service that appeals especially to long-standing clientele.[241]

180. Some independents submitted that there are differences in the duration or tenure of independent pharmacists in one location when compared to those pharmacists that are employed by corporate-owned pharmacies. They attributed this difference to the fact that independent pharmacists tend to operate their own stores and therefore are likely to remain in that location for longer, compared to those pharmacists that are employed and may be rotated according to the needs of the group pharmacies. The independents further draw some differences in the systems used by the corporate pharmacies, which tend to limit the extent of personalised services for their customers. The submissions indicate that corporate pharmacies employ what is called a 'locum framework strategy', which allows them to deploy pharmacists where needed and to maintain trading hours without interruption. The strategy also provides the corporate pharmacies with a variable staffing model that can be scaled up or down according to demand. This reduces the need for corporates to permanently employ additional pharmacists to cover peak periods, extended trading hours, weekends and public holidays. The effect of this, they argued, was likely to be felt in the level of

234 *Ibid*.
235 Submission by Clicks dated 18 November 2024, p. 12, para. 45.
236 Submission by ICPA dated 22 April 2025, p. 13, Question 13. Submission by Arrie Nel dated 17 June 2025, p. 2, para. 6. Teleconference between the Commission and Alpha Pharm dated 8 July 2025.
237 Teleconference between the CCSA and Alpha Pharm dated 8 July 2025.
238 Polypharmacy refers to concurrent use of five or more medication concurrently.
239 Benjamin, R.M., 2010. Multiple chronic conditions: a public health challenge. Public Health Reports, 125(5), pp. 626-627.
240 Phaswana-Mafuya, N., Peltzer, K., Chirinda, W., Musekiwa, A., Kose, Z., Hoosain, E., Davids, A. and Ramlagan, S. 2013. Self-reported prevalence of chronic non-communicable diseases and associated factors among older adults in South Africa. Glob Health Action. 6: 20936 [online].
241 Submission by ICPA dated 22 April 2025, p. 13, Question 13; Submission by Arrie Nel dated 17 June 2025, p. 2, para. 6; Teleconference between the Commission and Alpha Pharm dated 8 July 2025.

clinical service outcomes as the pharmacists with longer duration are more likely to gain a direct and long-term perspective of the customer's medical history and needs. They also argued that such long-term relationships become of greater value at critical periods in their customer's life stages such as being first-time parents.[242]

181. Another factor that has been identified, which also likely impacts clinical outcomes in the corporate pharmacies relates to specific formulary of medicines, which determines medicines are dispensed by the pharmacist to the patients. It has been alleged that corporate pharmacies negotiate national contracts with suppliers, in exchange for volume commitments. This results in the corporates receiving better purchase prices (where permissible) and better trading terms. As a result, the dispensing software in a corporate pharmacy may rank certain medicines (typically generic medicines) higher than their alternatives because they generate better margins for the corporate group.[243] Additionally, corporate pharmacies seek consistency across all of their pharmacies and promote similar customer experiences across the board. Thus, their dispensing services are less tailored to patients.

182. A study by Blignault (2010), indicated that most of the non-dispensing services offered in community pharmacy in South Africa are blood pressure monitoring, medicine monitoring, nutritional advice, blood glucose monitoring and infant care.[244] The study further showed that on average, 50% of a pharmacist's workday is devoted to dispensing, with 35% of the day spent on counselling patients regarding medicine and administration.[245] Independent pharmacies excel in personal care and often act as a contact point to supply health education, counselling, disease prevention and monitoring of medicine therapy for their customers.

183. For the franchise brands, beyond exploiting their personal care advantages, the groups also focus on uniform service across their stores. Alpha Pharm and Arrie Nel indicated that they continuously provide training to owners of the franchise stores and their employees.[246] The education involves incorporation of technology and AI in the individual stores. Arrie Nel also provides ongoing training to improve assurance and empathy, to position their stores for customers seeking that dimension of service quality.[247]

184. The independent pharmacies that made submissions to the Commission acknowledge that in terms of product range, the corporate pharmacies are more competitive. The corporate pharmacies have a wider range of general and healthcare products, including cosmetics, wellness items, and lifestyle goods. ICPA submits that Medirite leverages off the fact that they are a pharmacy in a supermarket offering one-stop shopping. The supermarket has become their "front shop". Dis-Chem and Clicks have large front shop offerings from pots and pans to baby clothing and prams. Only a few independents can compete with the range of goods and services on offer in the chain pharmacies. Independent pharmacies are unable to compete at the same level, as they do not possess the same scale and geographic reach. Furthermore, given the low margins derived by independent pharmacies extending the same discounts to customers would not be sustainable.[248]

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242 Meeting between the Commission and AlphaPharm on 7 July 2025, Submission by Alpha Pharm dated 10 June 2026, pp. 1 – 2, paras. 1 – 3.
243 Submission by Alpha Pharm dated 10 June 2026, pp. 1 – 2, paras. 4 – 5.
244 Blignault, S.M., 2010. Audit of community pharmacy activities (Doctoral dissertation, PhD thesis). Port Elizabeth: Nelson Mandela Metropolitan University). Available at Audit of community pharmacy activities.
245 *Ibid*.
246 Teleconference between the Commission and Alpha Pharm dated 8 July 2025; Submission by Arrie Nel dated 17 June 2025, p. 5, para. 18.
247 Submission by Arrie Nel dated 17 June 2025, p. 5, para. 18.
248 Submission by ICPA dated 17 June 2025, p. 1, Question 1. Notes of the meeting between Alpha Pharm and the Commission dated 08 July 2025.

185. In essence, the Commission notes that the different retail pharmacy retail groups focus on different aspects of service quality dimensions, catering to different preferences and needs. The corporate pharmacies have competitive advantages that propel them to excel in certain dimensions, that independent pharmacies do not possess. However, in relation to reassurance, responsiveness and empathy, the independent pharmacies are better positioned as the focus on naturing relations with their customers. The independent pharmacies' business model, coupled with limited capital and bargaining power with property managers makes it difficult to compete with the corporate pharmacies on the tangibility dimension.

186. Given the prevalence of service differentiation in the market, it is clear that service quality is an important dimension of competition in the market. However, the Commission was unable to obtain information to assess whether there has been any impact, positive or negative, on service quality as a result of Dis-Chem's acquisitions. This is, in part, due to a lack of standardised and measurable ways in which service quality can be assessed in this market. The focus on different aspects of service quality by various market participants further strengthens the difficulty of assessing such an important element of non-price competition in this market. This notwithstanding, the acquisition of independents has implications in terms of the likely impact on service quality.

6.3. FUTURE OUTLOOK AND THE EVOLVING NATURE OF RETAIL PHARMACY SERVICES

187. The South African retail pharmacy services market appears to be an inflection point as the outlook shows changes in strategies, particularly by the corporate-owned pharmacy groups, focussed on new growth areas and diversification. The discussion below focuses on the growth strategies by the corporate-owned pharmacies and the implications of these for competition going forward.

6.3.1. THE EVOLVING NATURE OF COMPETITION IN RETAIL PHARMACY SERVICES

188. Dis-Chem first introduced its integrated primary healthcare strategy in 2021, following its PPH acquisition, which not only added to its network of in-store clinics but also introduced Healthforce, a clinic management software that enabled it to offer an integrated primary care solution that combined clinic services, telemedicine and dispensary.[249] The core pillars of the integrated primary health strategy included, among others, bricks and mortar infrastructure (clinics and pharmacy) to facilitate dispensary services; clinics operated by nurses to serve as the entry point into the healthcare system; the use of technology (Healthforce) to incorporate virtual consultation services with doctors; and growth in community pharmacy to ensure access and convenience for customers.[250]

189. As part of its integrated healthcare ecosystem strategy, Dis-Chem aims to expand its TLC network, planning to grow to up 500 stores. This strategy aims to consolidate the independent pharmacy segment of the retail pharmacy services market by absorbing these independents into the TLC brand, with Dis-Chem seeking to take up to 50% of this segment through its TLC brand. More importantly, it is reported that Dis-Chem retains first rights of refusal on TLC franchise sales, which gives it a pipeline of potential stores that could be converted into Dis-Chem corporate stores. The Sunday Times notes that "… *Dis-Chem retains first rights of refusal on TLC franchise sales, giving the retailer a pipeline of*

249 Dis-Chem. 2021. Integrated Annual Report for the financial year ended 28 February 2021. Available at Integrated Annual Report FY2021. pp.14, 16.
250 Dis-Chem. 2021. Provisional Reviewed Annual Condensed Consolidated Results for the twelve months ended 28 February 2021. Available at Analyst Presentation FY2021. p.16.

potential future corporate store conversions. "There would be that opportunity," Morais said when asked whether some TLC stores could eventually become fully fledged Dis-Chem stores…"[251]

190. There is also a move focused on the reconceptualising of store offerings, aimed at capturing residual growth in the affluent and middle-class customer segments, as well as expanding into the lower-income, underserved customer segment. In terms of capturing residual demand in the affluent customer segment, Dis-Chem has introduced new concept stores, called the Health Hubs, targeted at the high-income customer segment. The Health Hub concept seeks to reposition Dis-Chem stores as a health destination combining health services (clinics, dispensary and health insurance), the hub (centred on health service reception and customer service and Better Rewards) and front-shop retail. The shift is aimed at enhancing Dis-Chem's market position as a provider of primary healthcare services. The Financial Mail observes that "*…Dis-Chem and Clicks are resizing, re-designing and reconceptualising. The result: 24-hour medical destinations as big as 15 padel courts, high-end stores focused on meeting all consumers' health-care needs, and downscaled shops as small as 150m² – about three-quarters of one of those courts.*"[252]

191. In terms of the expansion into the lower-end, under-served the customer segment, it appears that the corporate-owned retail pharmacy groups may follow the same strategy employed by the national grocery retailers, developing a separate low-end brand targeting these consumers such as Pick n Pay's Boxer and Shoprite's U-Save. It is reported that Clicks will roll-out 10 pilot stores of a smaller size ranging between 150m² and 300m², located near transport hubs. These stores will focus on baby, health, personal care and everyday essentials, packed in smaller sizes and largely private-label products that are targeted at low-income customers. Notably, these stores will rely on the use of virtual doctors and clinic services, instead of the traditional dispensary services, as a means of reducing costs and considering the low-income nature of the customers served. Medirite, on the other hand, has focussed on incorporating pharmacies and 'smart clinics' into its existing store network, and similarly relies on the use of virtual doctor consultations and digital diagnostic tools to ensure affordable primary care.[253]

192. The evolution in the competition dynamics of the retail pharmacy services market point to an increased focus on differentiation targeted at the upper-income and affluent customer segment. The focus on store reconceptualization as health destinations, along with adjacent and complementary product markets such as baby products and financial services point to a strategy to harness residual growth in this market by increasing their share of sale with each customer visit. The strategy, at the lower-income customer segment signals a shift from non-price competition factors to entering these new geographic markets, which were previously served by independent pharmacies, with a focus on price competition. The price competition is premised on a low-cost offering that incorporates a reduced service package that relies on the use of technology, as opposed to the more costly pharmacists in independent pharmacy stores, smaller pack sizes and house brands. The ability of independents to compete with this emerging competition frontier is unclear given their lack of vertical integration and its associated benefits. What is notable, however, is that the introduction of this low-cost offering has implications for the quality of care that customers typically receive from independent pharmacies. By way of illustration, the substitution of pharmacists and traditional dispensary services with primarily virtual consultations

251 Mochiko, T. 2026, May 30. Dis-Chem sees room for 500 TLC franchise pharmacies. Business Times. Available at Dis-Chem sees room for 500 TLC franchise pharmacies.
252 Shevel, A. 2026, May 21. Big pharma gets bigger. Financial Mail. Available at Financial Mail - 21 May 2026 - PressReader.com.
253 Shevel, A. 2026, May 21. Big pharma gets bigger. Financial Mail. Available at Financial Mail - 21 May 2026 - PressReader.com.

and clinic services may potentially impact on the quality of care available to customers. That said, this study is not appropriately positioned to assess such likely impacts, save to note the relevance to consumer welfare outcomes.

193. The planned expansion of the TLC footprint, combined with Dis-Chem's first rights of refusal on store sales and the general observations about the consolidation of the independent pharmacy segment point to a continued appetite for acquisitions. As previously indicated, such acquisitions provide Dis-Chem, and other vertically integrated competitors such as Clicks, with scale economies that are deployed to shore up their competitive advantage in both the wholesale distribution and retail markets. The likely impact in the market is a change in market structure, tending towards oligopoly and its attendant imperfect competition outcomes. In particular, an oligopolistic market structure characterised by the dominance of a few large corporate-owned pharmacy groups is likely to result in a loss the differentiated service quality associated with the independent pharmacies, along with the dynamic innovation that emanated from such players as they sought to differentiate themselves in the market.

6.3.2. PARTICIPATION IN THE NATIONAL HEALTH INSURANCE

194. In 2023 the National Assembly passed the National Health Insurance (NHI) Bill, marking a significant development in the South African healthcare system. The NHI is a health financing system which seeks to pool funds together for government to buy health care services on behalf of all South Africans from healthcare providers both in private sector and the public sector.[254] The primary objective of the NHI bill is to ensure that all South African's have access to affordable and accessible healthcare at the same clinic or hospital, which is located close to their home and work without incurring out of pocket payments.[255] The main focus of the system is on primary healthcare services. In the private healthcare sector, the primary healthcare services segment consists of private clinics and private doctors.

195. Retail pharmacies are likely to play a key role in the NHI system. One of the key developments by the retail pharmacies has been the provision of primary healthcare services through their in-store clinics, complemented by the use of telemedicine technologies to offer virtual doctor consultation. The retail pharmacy clinics offer an expansive array of PHC services, including wellness and screening assessments, preventative care, medication management, adult and child vaccination, female heath care and telemedicine services. The combination of these services ensures that the clinic nurse provides personal care and is supported with specialist advice from a General Practitioner (GP) via a video link.[256]

196. The use of telemedicine services allows the clinics to extend their geographic presence by reaching a wider population that may not typically be able to access a GP. Geographic reach is an important consideration for retail pharmacies seeking inclusion in the NHI, in order for government to achieve its objectives of equitable, accessible, and high-quality primary healthcare.[257]

197. The majority of the clinic services customers at retail pharmacies include those individuals who are working but not insured.[258] The corporate pharmacies report that over the past few years the demand for primary healthcare services in private clinics has been increasing.[259]

254 National Department of Health. (n.d.,). Booklet - Understanding National Health Insurance. Available at National Health Insurance.
255 Naidoo M. 2023. Insights into the Evolution of the South African Private Primary Healthcare Clinic Market. Available at Competition Commission - Working Papers.
256 *Ibid*.
257 Ward, K., Sanders, D., Leng, H. and Pollock, A.M. 2014. Assessing equity in the geographical distribution of community pharmacies in South Africa in preparation for a national health insurance scheme. Bulletin of the World Health Organization, 92, pp.482-489.
258 Naidoo M. 2023. Insights into the Evolution of the South African Private Primary Healthcare Clinic Market. Available at Competition Commission Working Papers.
259 Clicks Group. 2022. Integrated Report for the financial year ended 31 August 2024. Available at Annual Integrated Report FY2024.

198. Dis-Chem has clinics attached to all its retail pharmacy stores across the country, and in 2024 it also established its first standalone clinic. In total (and including TLC stores), Dis-Chem has 525 clinics, staffed with 530 registered nursing practitioners.[260] Clicks has fewer clinics compared to Dis-Chem, with 206 clinics, despite it having significantly more pharmacies compared to Dis-Chem.[261] Between 2018 and 2024 Dis-Chem significantly expanded its clinics, growing from 225 to 525 clinics, respectively. In terms of telemedicine services, Clicks has partnered with Udok to offer telemedicine in 133 of its clinics.[262] Alpha pharmacies also offers telemedicine through its Alpha Doc platform. Dis-Chem has the largest network of pharmacies offering telemedicine services in 486 stores.[263]

199. Dis-Chem introduced telemedicine as part of its primary healthcare services in 2019. In 2021, through the PPH acquisition, Dis-Chem acquired 87.5% of Healthforce, a telemedicine technology platform. Healthforce provided a platform for Dis-Chem to offer an integrated primary care solution that spans dispensary and clinic. According to Dis-Chem, Healthforce has continued to experience rapid adoption of its nurse-led virtual doctor care service[264] and as a result, Dis-Chem has invested in telemedicine infrastructure and technology which has been accessible in its clinics at much lower rates and electronic scripting directly into dispensaries.[265] This has led to Dis-Chem being more competitive in telemedicine services, currently charging R275 for consultation, whilst competitors charge higher fees.[266] For instance, Clicks charges R375 for the same service.[267]

200. In line with the preceding discussion regarding Dis-Chem's Primary Healthcare Integrated Health Ecosystem, the acquisitions of independent pharmacies have played significant role in expanding its primary healthcare service offering.[268] By way of illustration, Dis-Chem's voluntary announcement relating to the PPH acquisition noted that *'PPH's 43 in-store clinics aligns with Dis-Chem's primary care ambitions and extends the clinic network'*.[269] In its 2023 annual report Dis-Chem noted that *"Our goal is to increase the scope of all clinic sisters through ongoing training to be able to facilitate a primary care point of entry role and continue to expand clinic service offering"*[270]. As noted above, the focus on primary healthcare in Dis-Chem's strategy is consistent with the primary needs of the NHI and thus provide it with a competitive edge in relation to rivals.

260 Dis-Chem. 2024. Integrated Report for the year ended 28 February 2024. Available at Integrated Annual Report FY2024.
261 Clicks Group. 2024. Integrated Report for the financial year ended 31 August 2024. Available at Annual Integrated Report FY2024.
262 Clicks Group, Interim Results for the Six Months Ended 28 February 2022. Available at Interim Results for the Six Months.
263 Dis-Chem. 2024. Integrated Report for the year ended 28 February 2024. Available at Integrated Annual Report FY2024
264 Dis-Chem. 2022. Integrated Report for the year ended 28 February 2022. Available at Integrated Annual Report FY2022.
265 Dis-Chem. 2024. Integrated Report for the year ended 28 February 2024. Available at Integrated Annual Report FY2024
266 Dis-Chem website, available at Dis-Chem Clinic Med.
267 Clicks website, available at Clicks Virtual Med.
268 Dis-Chem. 2021. Voluntary Announcement Relating to Acquisitions, 21 December 2021. Available at: SENS Update.
269 Dis-Chem 2021. Voluntary Announcement Relating to Acquisitions, 21 December 2021. Available at: SENS Update.
270 Dis-Chem. 2023. Integrated Report for the year ended 28 February 2023. Available at Integrated Annual Report FY2023.

7. INSIGHTS AND CONSIDERATIONS FOR FUTURE INTERVENTIONS

201. The acquisition of PPH and a series of individual pharmacies has strengthened the Dis-Chem group through expanding its footprint and increasing its wholesale scale, enhancing Dis-Chem's competitiveness at both a wholesale and retail level. This would include its price competitiveness and ability to enter into DSPs and partnership programmes. The acquisitions have resulted in incremental store investment and have enabled a more rapid rollout of healthcare services pioneered by PPH to a larger group of pharmacies within Dis-Chem. The latter is due to the platform of Dis-Chem's existing store base and the capital available to invest in scaling the services. There is also a likely consumer benefit at the acquired stores from lower prescription fees for scheduled drugs, the price of unscheduled drugs and front shop products given comparative group pricing. The impact on the different dimensions of quality of service could not be determined.

202. However, whilst there are immediate consumer benefits from the acquisitions, there is growing concern that the trajectory of consolidation within the pharmacy sector is likely to result in Clicks and Dis-Chem dominating with the potential detriment to consumers in the long run. The trajectory of consolidation is likely because of the clear operational advantages of the scaled vertically integrated groups within the pharmacy sector. These include lower operational costs, the ability to negotiate preferential discounts, DSP provider status across medical schemes to draw in more customers, leveraging the customer base for loyalty schemes and partnership deals and preferred tenant status in shopping malls.

203. Independent pharmacies are more competitive on dimensions of competition such as personalised service and tailored community offerings, and their current locations may offer a localised advantage if they can retain these. Medical schemes also permit independents to charge higher dispensing fees to the schemes to assist their financial sustainability given their greater reliance on the dispensing business. Despite these competitive dimensions, for independent pharmacies to remain competitive, particularly in dense urban locations targeted by the pharmacy groups, it seems essential that they either consolidate into the smaller groups or join franchise arrangements and wholesale groups as this will enable them to replicate some of the structural benefits of the scaled vertically integrated groups. In rural and less dense urban areas, independents are likely to survive given the lack of interest from the pharmacy groups. However, as observed in the developments in the sector, there is a move by the pharmacy groups to expand into these areas as part of their growth and expansion strategies.

204. The need for the independent pharmacies to find mechanisms to harness the benefits of vertical integration is also necessitated by the fact that the pharmacy groups have already moved into the franchise and wholesaling space to scale their own operations with considerable success. Both Clicks and Dis-Chem have their own franchise operations which increase their presence amongst the independent pharmacies and provide wholesale services to an even larger group of independents. Dis-Chem exerts a degree of control over TLC stores, benefits from the wholesale

sales to TLC stores and has first right of refusal for corporate store conversion of TLC franchisees. Dis-Chem already has 240 TLC franchisees and is targeting 500 TLC stores or a 50% share of independent pharmacies.

205. Smaller corporate groups seek to replicate the Clicks and Dis-Chem model, but the evidence indicates that they currently lack the scale of the large pharmacy groups and are hence less competitive across the full product range and services. Some of these corporate pharmacy groups are national grocery retailers, which offers potential strengths around store locations, landlord bargaining power and centralised operations. However, the disadvantage is that the dispensing business is non-core to these national grocery chains and dispensing does not benefit from the broader grocery scale. Already, one national grocery retailer, Pick n Pay, has abandoned the in-store pharmacy strategy.

206. Curtailing the trajectory towards a duopoly market structure through merger control has its limits as store numbers have continued to grow for Dis-Chem, including in dense urban areas occupied by the independents. One reason for this is that independent stores in shopping malls are often displaced by Dis-Chem (or Clicks) as landlords terminate leases to allow in the pharmacy groups to comply with the licence number restrictions imposed by the NDoH. For the independent pharmacy, there is the Hobsons Choice of either selling to the pharmacy groups or simply being displaced by the landlord without an alternative licence location within the statutory 500m radius. Another reason is that franchisees are added to the franchise network without oversight from the merger control regime.

207. The above insights raise the following issues for further consideration:

    207.1. Firstly, the pharmacy licencing regime may need to be revisited to determine what is optimal for ensuring a competitive future pharmacy market. Licence restrictions in shopping malls may serve to reinforce the dominance of the pharmacy groups as independents are forced out to make way for the pharmacy groups. The granting of licences does not consider competition in the assessment of licence transfers and may not be stringent enough in greenfield locations, resulting in a densification of the pharmacy groups in urban areas and the gradual removal of alternative constraints from independents or smaller groups. Licencing may be a more useful tool than competition law given the difficulties in proving a substantial lessening of competition on a single store transaction. The Commission is already engaging the NDoH on the licensing regime.

    207.2. Secondly, merger control in pharmacy retail needs some reconsideration too. Often the competition assessment is reduced to market share based on store numbers within local areas, where the mere existence of alternatives is used to suggest competitive constraints will remain. However, more consideration needs to be given to whether the two large vertically integrated pharmacy groups have a degree of market power stemming from their broader retail network, loyalty programmes, DSP positioning in medical schemes, corporate partnerships and scaled wholesale operations. This would inform whether revenue share is more appropriate than store count, and if independents can still offer sufficient constraints where densification in local areas occurs.

    207.3. Thirdly, there needs to be more consideration given to the competitive implications of the franchise operations of the two large pharmacy groups. Given that Dis-Chem does exert some control

over aspects of the TLC franchisees and has first right of refusal on corporate conversion, the franchise operations should form part of any merger or conduct assessment given their impact on size, reach and market power. Additionally, greater scrutiny is required of the franchise and licensing arrangements and whether these have implications for restrictive practices, merger notification and coordinated conduct.

207.4. Fourthly, consideration needs to be given to how to strengthen competing smaller corporate groups and franchisors to ensure a stronger competitive constraint in the pharmacy market. Wholesale arrangements enable bulk purchases across individual pharmacies or franchisees, but it is not clear whether this also extends to joint negotiation of DSP arrangements or other corporate partnerships and technological integration for compliance with DSP requirements. To the extent that this does not include such joint negotiations, it would be beneficial to consider whether such joint initiatives, facilitated through an exemption process or an advisory opinion, could enable the realisation of geographic and service scale typically required by medical schemes in such arrangements. A more permissive merger control or licensing regime for smaller groups is another aspect that could be explored.

207.5. Lastly, DSP arrangements, corporate partnerships and loyalty schemes need greater scrutiny to determine if they are exclusionary and are reinforcing the consolidation behind the two large vertically integrated pharmacy groups. For DSPs this may include whether the criteria are exclusionary, whether the dispensing fee discounts of the groups to gain selection are predatory or the practice in selection effectively has sidelined the smaller groups or independents. The Commission is currently investigating a complaint from the Minister of Health on whether the loyalty schemes apply to dispensed drugs with regulated SEPs and the implications of such conduct on competition in the market.

ANNEXURE 1 – DISAGGREGATED PRICE ANALYSIS

1. DISAGGREGATED PRICE ANALYSIS FOR SCHEDULED MEDICINES

Schedule 1 – 2 medicines

1. For schedule 1 – 2 medicines, the analysis included the prices for Adco Dol, Corenza C, and Gen-Payne from each of the competitors. Table 21 below provides the estimated price differentials for cash paying customers.

Table 21: Schedule 1-2 cash price differentials between Dis-Chem and competing pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Period average
Adco-Dol tabs 40s					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)
Firm B	0 – (10%)	0 – (10%)	0 – 10%	0 – 10%	0 – (10%)
Firm C	0 – (10%)	0 – (10%)	0 – 10%	0 – 10%	0 – 10%
Corenza C 20s					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	0 – 10%	0 – (10%)	0 – (10%)
Firm B	0 – (10%)	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm C	0 – 10%	0 – 10%	10 – 20%	10 – 20%	0 – 10%
Gen-Payne caps 30s					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)
Firm B	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)
Firm C	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)	0 – (10%)
Average % difference from Dis-Chem	0 – (10%)	0 – (10%)	0 – 10%	0 – 10%	0 – (10%)

Source: Commission's calculations based on submissions from Dis-Chem and other market players

2. Firm A appears, on average, to have the lowest prices for cash-paying customers when compared to Dis-Chem, followed by Firm B. Firm C, on the other hand, has the highest prices, compared to Dis-Chem, across all the comparator products, apart from Gen-Payne, where all the competitors appear to be cheaper than Dis-Chem.

3. Table **22** below provides the estimated price differentials for customers covered by medical schemes for schedule 1 – 2 medicines.

Table 22: Schedule 1-2 medical scheme price differentials between Dis-Chem and competing pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Period average
Adco-Dol tabs 40s					
Dis-Chem	-	-	-	-	-
Firm A	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm B	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm C	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Corenza C 20s					
Dis-Chem	-	-	-	-	-
Firm A	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm B	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm C	10 - 20%	10 - 20%	10 - 20%	10 - 20%	10 - 20%
Gen-Payne caps 30s					
Dis-Chem	-	-	-	-	-
Firm A	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm B	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm C	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Average % difference from Dis-Chem	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

4. Dis-Chem is the most price competitive across all years for all medicines across pharmacies for all years, while Firm B and Firm A compete thereafter. Firm C is the least competitive in this segment with its price differential from Dis-Chem ✂.[1]

Schedule 3-8 pharmaceuticals

5. Price differentials for schedule 3-8 medicines were analysed for the following medicines: Synaleve capsules 40`s, Eltroxin NF tablets 100mcg 30`s, Diaglucide MR 60mg tablets 30`s, and Bilocor tablets 5mg -30s. Table 23 below provides the estimated price differentials for cash paying customers.

Table 23: Schedule 3+ pharmaceuticals cash price differentials between Dis-Chem and other pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Period average
Diaglucide MR 60mg tabs 30s					
Dis-Chem	-	-	-	-	-
Firm A	0 - (10%)	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm B	0 - (10%)	0 - 10%	0 - 10%	0 - 10%	0 - 10%
Firm C	0 - (10%)	0 - (10%)	0 - (10%)	0 - (10%)	0 - (10%)

271 Medical scheme dispensing rates vary according to each medical scheme provider, and pharmacies submitted rates specific to a medical scheme that the majority of its customers used and/or could be used as a proxy for the general rate for medical schemes.

Medicine type	2021	2022	2023	2024	Period average
Eltroxin NF tabs 100mcg 30s					
Dis-Chem	–	–	–	–	–
Firm A	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm B	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm C	0 – (10%)	0 – (10%)	0 – (10%)	(10) – (20%)	0 – (10%)
Synaleve Caps 40a					
Dis-Chem	–	–	–	–	–
Firm A	10 – 20%	20 – 30%	20 – 30%	20 – 30%	20 – 30%
Firm B	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm C	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Bilcoor 5mg tab - 30s					
Dis-Chem	–	–	–	–	–
Firm A	10 – 20%	10 – 20%	30 – 40%	20 – 30%	20 – 30%
Firm B	10 – 20%	10 – 20%	30 – 40%	10 – 20%	10 – 20%
Firm C	0 – (10%)	0 – (10%)	10 – 20%	0 – (10%)	0 – (10%)
Average % difference from Dis-Chem	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

6. Firm C is, on average, the most competitive in the cash-paying customer segment of scheduled 3-8 pharmaceuticals being ✂ lower priced than Dis-Chem in the pharmaceuticals observed across the period. Interestingly, Firm A reflected the highest price differences ✂ relative to Dis-Chem for Synaleve and Bilocor across the period and significantly lower differentials for Diaglucide and Eltroxin. On average, Firm A was priced ✂ higher over all medicines across the observed period for cash paying customers. Firm B was also priced significantly higher for Bilocor ✂ and overall, was on average ✂ higher priced than Dis-Chem for cash-paying customers On average overall, Dis-Chem was relatively lower priced to all other pharmacies for cash-paying customers between 2021 – 2024, with other pharmacies pricing ✂ higher than Dis-Chem over the period.

7. Table 24 below provides the estimated price differentials for customers covered by medical schemes for schedule 3+ medicines.

Table 24: Schedule 3+ pharmaceuticals medical scheme price differentials between Dis-Chem and other pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Period average
Diaglucide MR 60mg tabs 30s					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	0 – 10%	0 – (10%)	0 – (10%)
Firm B	0 – 10%	0 – (10%)	0 – 10%	0 – 10%	0 – 10%
Firm C	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Eltroxin NF tabs 100mcg 30s					
Dis-Chem	–	–	–	–	–
Firm A	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm B	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm C	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Synaleve Caps 40a					
Dis-Chem	–	–	–	–	–
Firm A	20 – 30%	20 – 30%	20 – 30%	20 – 30%	20 – 30%
Firm B	10 – 20%	10 – 20%	10 – 20%	0 – 10%	10 – 20%
Firm C	10 – 20%	10 – 20%	10 – 20%	10 – 20%	10 – 20%
Bilcoor 5mg tab - 30s					
Dis-Chem	–	–	–	–	–
Firm A	10 – 20%	10 – 20%	30 – 40%	20 – 30%	20 – 30%
Firm B	10 – 20%	10 – 20%	30 – 40%	10 – 20%	10 – 20%
Firm C	0 – 10%	0 – 10%	20 – 30%	0 – 10%	10 – 20%
Average % difference from Dis-Chem	0 – 10%	0 – 10%	10 – 20%	0 – 10%	10 – 20%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

8. For customers covered by medical schemes, Dis-Chem appears to be the most competitive for schedule 3+ medicines. While Firm C reflected lower prices in the schedule 3+ pricing for cash paying customers, its pricing for customers covered by medical schemes appears to be higher than Dis-Chem's across all medicines observed. As noted in the Dis-Chem/ PPH merger, the Commission identified that medical schemes have adopted an approach to grant higher dispensing fees to independent pharmacies to encourage the competitiveness of independents relative to corporate pharmacy groups.[2] Moreover, the lower dispensing fee rates that schemes reimburse to corporate pharmacies compared to independent pharmacies is also because of their differentiated service offerings (i.e. independent pharmacies as a differentiated service with shorter queues, more time with the pharmacist, having a relationship with the pharmacist, etc).[3] While Firm A was more competitively priced

272 Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd, case no: 2020Dec0043, para. 190
273 Dis-Chem Pharmacies Ltd and Pure Pharmacy Holdings Pty Ltd, case no: 2020Dec0043, para. 193.

relative to Dis-Chem for Diaglucide, its average differentials ranged between ✂ for the other three pharmaceuticals. Firm B was also priced higher on average by around ✂ for customers covered by medical schemes.

2. DISAGGREGATED PRICE ANALYSIS FOR UNSCHEDULED MEDICINES (SCHEDULE 0)

9. Price differentials were analysed for unscheduled pharmaceuticals that include Panado tablets, Movicol sachets, and Calpol syrup for cash paying customers in Table 25 below.

Table 25: Schedule 0 pharmaceuticals cash price differentials between Dis-Chem and other pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Average across the period
Calpol Syrup 100ml					
Dis-Chem	–	–	–	–	–
Firm A	30 – 40%	20 – 30%	0 – 10%	10 – 20%	10 – 20%
Firm B	10 – 20%	10 – 20%	0 – 10%	0 – 10%	0 – 10%
Firm C	10 – 20%	10 – 20%	10 – 20%	0 – 10%	10 – 20%
Movicol sachets 20's					
Dis-Chem	–	–	–	–	–
Firm A	30 – 40%	30 – 40%	40 – 50%	40 – 50%	30 – 40%
Firm B	10 – 20%	20 – 30%	20 – 30%	10 – 20%	20 – 30%
Firm C	30 – 40%	40 – 50%	10 – 20%	20 – 30%	20 – 30%
Panado tabs 24 spartan					
Dis-Chem	–	–	–	–	–
Firm A	40 – 50%	20 – 30%	0 – 10%	10 – 20%	20 – 30%
Firm B	0 – 10%	0 – 10%	0 – (10%)	0 – 10%	0 – 10%
Firm C	10 – 20%	20 – 30%	(10) – -20%	0 – (10%)	0 – 10%
Average % difference from Dis-Chem	20 – 30%	20 – 30%	10 – 20%	10 – 20%	10 – 20%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

10. The largest price differentials by other pharmacies relative to Dis-Chem were reflected in schedule 0 pharmaceuticals for cash-paying customers. Dis-Chem reflected the lowest pricing for cash-paying customers in the unscheduled segment over the period 2021-2024, with Firm A appearing to be the least competitive with its prices being on average ✂ higher than Dis-Chem's across the period. Firm C also reflected higher prices on average, and the findings of the Commission in the Dis-Chem/PPH merger report identified that in the cash-paying customer segment, independent pharmacies higher priced (on average) than corporate pharmacies.[4] The

274 Commissions Dis-Chem/PPH Merger Report para 205.

Commission attributed this to the fact that corporate pharmacies are able to procure products at slightly cheaper rates compared to their competitors given its purchasing power to source large volumes and in turn obtain discounts from manufacturers; and are able to offer cheaper prices in the market (especially for unscheduled products which are unregulated).[5]

11. Table 26 below provides the estimated price differentials for customers covered by medical schemes for schedule 0 medicines.

Table 26: Schedule 0 pharmaceuticals medical scheme price differentials between Dis-Chem and other pharmacies, 2021 - 2024

Medicine type	2021	2022	2023	2024	Average across the period
Calpol syrup 100ml					
Dis-Chem	-	-	-	-	-
Firm A	0 - 10%	0 - (10%)	0 - (10%)	0 - (10%)	0 - (10%)
Firm B	0 - 10%	0 - 10%	0 - (10%)	0 - 10%	0 - 10%
Firm C	0 - 10%	0 - 10%	10 - 20%	10 - 20%	10 - 20%
Movicol sachets 20's					
Dis-Chem	-	-	-	-	-
Firm A	0 - (10%)	0 - 10%	0 - 10%	10 - 20%	0 - 10%
Firm B	10 - 20%	20 - 30%	20 - 30%	20 - 30%	20 - 30%
Firm C	20 - 30%	40 - 50%	10 - 20%	20 - 30%	20 - 30%
Panado					
Dis-Chem	-	-	-	-	-
Firm A	0 - 10%	0 - (10%)	(10%) - (20%)	0 - (10%)	0 - (10%)
Firm B	0 - 10%	0 - (10%)	0 - 10%	0 - 10%	0 - 10%
Firm C	10 - 20%	10 - 20%	0 - 10%	0 - 10%	0 - 10%
Average % difference from Dis-Chem	0 - 10%	0 - 10%	0 - 10%	0 - 10%	0 - 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

12. Dis-Chem was the most competitive on average in prices for customers covered by medical schemes for unscheduled products across the period with the difference other pharmacies being on average ✂ higher than Dis-Chem's unscheduled medical scheme prices across the period. Firm A appeared to have some competitive pricing in the unscheduled medical scheme prices having slightly lower prices relative to Dis-Chem on average in pharmaceuticals such as Calpol ✂ and Panado ✂ across the period.

13. A concern highlighted by the Commission in the Dis-Chem/PPH merger[6] was that post-merger, Dis-Chem may adopt the PPH higher dispensing fee regime, leading to medical scheme members paying more. This has, at least in the pharmaceuticals

275 Commission's Dis-Chem/PPH Merger Report para 201.
762 Commission's Merger Report para 208.

observed in this analysis, not appeared to have materialised in prices for customers covered by medical schemes in the period observed. This suggests that the constraint by large medical schemes bargaining power together with competition in these local areas through a mix of corporate, independent and grocery retail pharmacies have continued post the acquisition of the relevant independent pharmacies for the period 2021 – 2024.

3. DISAGGREGATED PRICE ANALYSIS FOR FRONT SHOP PRODUCTS

14. Table **27** reflects the retail price analysis of front-shop products that include products Procydin, Austell Piascledine and Slow Mag Fizzies.

Table 27: Front shop products retail selling price differentials between Dis-Chem and other pharmacies, 2021 - 2024

Product type[7]	2021	2022	2023	2024	Average across the period
Piascledine 200mg 30's					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	0 – 10%	0 – (10%)	0 – (10%)
Firm B	(10%) – (20%)	-20 – (30%)	0 – (10%)	(10%) – (20%)	(10%) – (20%)
Firm C	10 – 20%	0 – 10%	20 – 30%	20 – 30%	10 – 20%
Procydin 60 Caps					
Dis-Chem	–	–	–	–	–
Firm A	0 – 10%	0 – 10%	0 – 10%	0 – 10%	0 – 10%
Firm B	0 – (10%)	(10%) – (20%)	(10%) – (20%)	(10%) – (20%)	(10%) – (20%)
Firm C	30 – 40%	30 – 40%	50 – 60%	20 – 30%	30 – 40%
Slow Mag Fizzies 30's					
Dis-Chem	–	–	–	–	–
Firm A	0 – (10%)	0 – (10%)	(10%) – (20%)	(10%) – (20%)	0 – (10%)
Firm B	(10%) – (20%)	0 – 10%	(10%) – (20%)	(10%) – (20%)	0 – (10%)
Firm C	10 – 20%	20 – 30%	20 – 30%	10 – 20%	10 – 20%
Average % difference from Dis-Chem	**0 – 10%**	**0 – 10%**	**0 – 10%**	**0 – 10%**	0 – 10%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

15. Prices by independent pharmacies for front-shop products appear to be uncompetitive relative to corporate pharmacies. While Dis-Chem had the lowest pricing on an overall average, Firm B and Firm A reflected stronger price competitiveness in this segment. In this regard, Firm B appeared to have lowest retail selling prices ✂; while Firm A had lower prices relative to Dis-Chem in Piascledine and Slow Mag across the period. Firm C reflected the highest retail selling price and mark-ups throughout 2021 – 2024.

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Overall price differentials

16. Table 13 to Table 17 above illustrated the variances in price competitiveness by each pharmaceutical price observed, across pharmacy. In Table 18 below, the averages of pharmaceuticals by schedule segment are taken for each pharmacy to observe the average competitiveness of pharmacies relative to Dis-Chem by each schedule and to analyse whether there have been any changes in average price competitiveness across 2021 – 2024.

4. DISAGGREGATED YEAR-ON-YEAR PRICE DIFFERENTIALS

Table 28: Annual average price differentials relative to Dis-Chem, by pharmacy and pharmaceutical schedule

	2021 average		
Segment	**Firm A**	**Firm B**	**Firm C**
Schedule 3+ cash	0 – 10%	0 – 10%	0 – (10%)
Schedule 3+ medical scheme	10 – 20%	0 – 10%	0 – 10%
Schedule 1-2 cash	0 – (10%)	0 – (10%)	0 – (10%)
Schedule 1-2 medical scheme	0 – 10%	0 – 10%	0 – 10%
Schedule 0 cash	30 – 40%	10 – 20%	20 – 30%
Schedule 0 medical scheme	0 – 10%	0 – 10%	10 – 20%
Front shop products	0 – (10%)	(10) – (20%)	20 – 30%
	2022 average		
Segment	**Firm A**	**Firm B**	**Firm C**
Schedule 3+ cash	0 – 10%	0 – 10%	0 – (10%)
Schedule 3+ medical scheme	10 – 20%	0 – 10%	0 – 10%
Schedule 1-2 cash	0 – (10%)	0 – (10%)	0 – 10%
Schedule 1-2 medical scheme	0 – 10%	0 – 10%	0 – 10%
Schedule 0 cash	20 – 30%	10 – 20%	20 – 30%
Schedule 0 medical scheme	0 – (10%)	0 – 10%	20 – 30%
Front shop products	0 – (10%)	(10) – (20%)	10 – 20%
	2023 average		
Segment	**Firm A**	**Firm B**	**Firm C**
Schedule 3+ cash	10 – 20%	10 – 20%	0 – (10%)
Schedule 3+ medical scheme	10 – 20%	10 – 20%	10 – 20%
Schedule 1-2 cash	0 – (10%)	0 – (10%)	0 – 10%
Schedule 1-2 medical scheme	0 – 10%	0 – 10%	10 – 20%
Schedule 0 cash	10 – 20%	0 – 10%	0 – 10%
Schedule 0 medical scheme	0 – (10%)	10 – 20%	10 – 20%
Front shop products	0 – (10%)	(10) – (20%)	30 – 40%
	2024 average		
Segment	**Firm A**	**Firm B**	**Firm C**
Schedule 3+ cash	10 – 20%	0 – 10%	0 – (10%)
Schedule 3+ medical scheme	10 – 20%	0 – 10%	0 – 10%
Schedule 1-2 cash	0 – (10%)	0 – 10%	0 – 10%
Schedule 1-2 medical scheme	0 – 10%	0 – 10%	0 – 10%

Schedule 0 cash	20 – 30%	0 – 10%	0 – 10%
Schedule 0 medical scheme	0 – 10%	10 – 20%	10 – 20%
Front shop products	0 – (10%)	(10) – (20%)	20 – 30%

Source: Commission's calculations based on submissions from Dis-Chem and other market players

17. Interestingly, there are fairly consistent ordinal patterns shown by each pharmacy. For example, for each of the years 2021 – 2024; Firm A is consistently the least competitive on average in Schedule 3+ cash prices; Schedule 3+ medical scheme prices; and Schedule 0 cash prices while it is most competitive in Schedule 1-2 cash prices and Schedule 0 medical scheme prices, with its four-year average reflecting that it is around -3,4% and -0,1% lower-priced than Dis-Chem for Schedule 1-2 cash prices and Schedule 0 medical scheme prices respectively. On the other hand, Firm B was lower-priced in its front-shop products across the years, being on average 12,2% lower priced than Dis-Chem in this segment. Firm C also reflected consistent patterns of schedule differentiated competitiveness where it was most competitive in the Schedule 3+ cash segment and least competitive in Schedule 1-2 cash prices; Schedule 1-2 medical scheme prices; Schedule 0 medical scheme prices and front-shop products. Dis-Chem reflected that it had the lowest prices in Schedule 3+ medical scheme prices; Schedule 1-2 medical scheme prices; and Schedule 0 cash prices on average across the four years.

Table 29: Schedule 1-2 pharmaceuticals, cash price to customers for the period 2021 - 2024

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Table 30: Schedule 1-2 pharmaceuticals, medical scheme price to customers for the period 2021 - 2024

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Table 31: Schedule 1-2 pharmaceuticals, cash price to customers for the period 2021 – 2024

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Table 32: Schedule 3+ pharmaceuticals, medical scheme price to customers for the period 2021 - 2024

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Table 33:Schedule 0 pharmaceuticals, cash price to customers for the period 2021 - 2024

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Table 34: Schedule 0 pharmaceuticals, medical scheme price to customers for the period 2021 - 2024

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Table 35: Front-shop products, retail selling price (RSP) for the period 2021 - 2024

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Notes

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