

Amazon takes on pharmacy sector with new acquisition (Update)

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Amazon set its sights on the pharmacy market Thursday with the acquisition of tech-focused retailer PillPack, sending shock waves through the sector over prospects of disruption by the US online

colossus.

Amazon has long been rumored to be interested in the pharmacy business, and the entry by a powerful new player could unsettle a business dominated by large American chains including CVS and Walgreens.

Terms were not disclosed on the deal for PillPack, an online pharmacy which operates in all 50 US states and offers pre-sorted dose packaging and home delivery. Some media reports said Amazon paid \$1 billion and outbid rival retail giant Walmart.

"PillPack's visionary team has a combination of deep pharmacy experience and a focus on technology," said Jeff Wilke, head of Amazon Worldwide Consumer, in a statement.

"We want to help them continue making it easy for people to save time, simplify their lives, and feel healthier."

CVS shares slid 6.1 percent in closing trading on the news, while Walgreens Boots Alliance slumped 9.9 percent.

Neil Saunders of the research firm GlobalData Retail called the Amazon acquisition "a warning shot" for the pharmacy sector.

"Not only has Amazon finally made a solid move into pharmacy, it has done so via an innovative supplier which helps patients manage and organize their prescription drugs," Saunders said in a research note.

He added this "is only the first play in an increasingly aggressive strategy" by Amazon in the sector.

"This is incredibly bad news for traditional players, like Walgreens and

CVS, who stand to lose the most from Amazon's determination to grow its share," Saunders said.

Saunders added that "Amazon's entry into any market will put downward pressure on prices and upward pressure on costs as others try to match its service," and that CVS and Walgreens could be vulnerable.

Walgreens CEO Stefano Pessina told a conference call on its quarterly results Thursday that "we are not particularly worried" about Amazon but added that "we know that we have to change the level of our services to the customers and we are working quite hard on that."



Amazon began two decades ago as an online bookseller but has mushroomed into one of the world's largest companies whose assets also include groceries and a hardware division

'Hacking medicine'

PillPack was launched by two members of the "hacking medicine" initiative at the Massachusetts Institute of Technology, and helps people manage multiple medications with a software platform that offers reminders, dose-specific packaging and delivery.

The Boston-based company has said it has raised \$118 million from investors and venture funds since its launch in 2013.

"Together with Amazon, we are eager to continue working with partners across the healthcare industry to help people throughout the US who can benefit from a better pharmacy experience," PillPack co-founder and CEO TJ Parker said in a statement.

Amazon and PillPack said they expected to close the deal by the end of the year, subject to regulatory approval.

Seattle-based Amazon, which began two decades ago as an online bookseller, has mushroomed into one of the world's largest companies.

It has retail operations across the globe, a large cloud computing business, a video service that competes with Netflix and a hardware division that makes devices powered by its digital assistant Alexa, which is available to makers of appliances, cars and other products.

Last year, Amazon closed a deal to acquire the Whole Foods grocery chain and has begun offering discounts to consumers who are members of its Prime subscription service.

Separately Thursday, Amazon announced plans to expand its own

delivery fleet to reduce its dependence on services like Fedex and the US Postal Service.

Amazon said it has committed \$1 million to a fund to help individuals and entrepreneurs set up a contractual delivery service with Amazon.

"Individual owners can build their business knowing they will have delivery volume from Amazon, access to the company's sophisticated delivery technology, hands-on training, and discounts on a suite of assets and services, including vehicle leases and comprehensive insurance," an Amazon statement said.

"Over time, Amazon will empower hundreds of new, small business owners to hire tens of thousands of delivery drivers across the US."

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