



FIGURE 5.3

Operating profit margin. (From Charles Schwab Stock Research Summaries and <http://yourbusiness.azcentral.com/average-profit-margin-pharmaceuticals-20671.html>.)

with 0.58% Despite having massive revenue and asset bases, the big three have razor-thin operating profit margins.¹⁸ Any added costs from changes through the Drug Quality and Security Act without compensatory price relief will send these large companies deep into red ink.

BACK TO STANDING IN LINE FOR A PRESCRIPTION

As I stand in line at my local Walmart pharmacy, a six-year-old girl said, “Look, Mommy, at all the pretty boxes!” What she was noticing was the many different totes in use by the Walmart pharmacy. The totes actually tell the supply chain story for the pharmacy as well.

This particular Walmart pharmacy uses red totes to receive high-value, time-sensitive pharmaceutical drugs from the McKesson distribution center. The red totes are also used for over-the-counter (OTC) drugs ordered from and delivered by McKesson. The orange totes are used by the Walmart distribution center for lower-valued drugs and orders that are not time sensitive (see Figure 5.4). It is part of a dual-sourcing strategy for the major pharmacy chains to use one of the big three for the higher-value, time-sensitive, and higher-risk pharmaceutical drugs, while using their