

Debate

Should Pharmacies Sell Harmful Products?

ISSUE: Should major pharmacies discontinue selling cigarettes because they are in the healthcare business?

CVS, the second-largest pharmacy chain in the United States, has announced it is discontinuing sales of cigarettes and other tobacco products. In a risky move that will cost it \$2 billion in sales, CVS believes that selling cigarettes is incompatible with its intention to position itself as a healthcare provider. By the end of 2014, it is estimated that the number of insured Americans will increase by 11 to 13 million. Pharmacies such as Walgreen's, CVS, and Rite Aid are competing with one another to capture a share of this growing market. They are attempting to move away from their position as drugstores and move toward becoming healthcare providers.

CVS believes that the move, although costly in the short-term, will provide it with a competitive advantage. It has formed partnerships with about two dozen health systems in its quest to embrace healthcare. According to CVS Caremark's Chief Medical Officer, doctors from these organizations questioned how CVS could claim to be a healthcare company but still sell cigarettes. Tobacco products are the number one cause of preventable death in the United States. CVS believes discontinuing sales of tobacco products will increase its standing with its health system partners, providing it with a competitive advantage over rival pharmacies that continue to sell cigarettes.

This creates an ethical dilemma for CVS's rivals. Walgreen's has argued that selling cigarettes is necessary in remaining competitive with its rivals. It has, however, partnered with GlaxoSmithKline Consumer Healthcare to launch Sponsorship to Quit, a free online smoking cessation clinic. Rite Aid, the third largest pharmacy in the nation, has stated it will continue selling cigarettes based on the needs and demands of its customers. However, it also offers a number of smoking cessation products to help tobacco users who want to quit.

From a stakeholder orientation, this issue can be examined a variety of ways. Those that believe Walgreen's, Rite Aid, and other pharmacies should follow CVS's lead feel that it is the most ethical response if they want to position themselves as health services companies. They feel it is hypocritical to offer customers access to harmful products while promoting that they care about consumer health. Possible advantages also exist for pharmacies choosing to discontinue tobacco-related product sales. CVS has been praised by a number of stakeholders, including President Barack Obama, for taking a stand and being socially responsible. It is possible that health care partners will be more inclined to do business with CVS over other pharmacies who continue to sell cigarettes. These lucrative partnerships could serve to give pharmacies a long-term competitive advantage.

On the other hand, there are potential downsides for companies that follow CVS's lead. One of the most obvious would be loss of profits. CVS acknowledges that it will lose revenue from cigarette sales, and other companies face the same losses should they choose to discontinue tobacco products. In fact, CVS's stock went down after the announcement that it was eliminating cigarette sales. Conversely, the stock of Walgreen's and Rite Aid increased. This shows that investors believe selling cigarettes is more beneficial financially, at least in the short-term. From a stakeholder perspective, it is necessary to consider the needs of investors as well as customers because the firm has a duty to work toward profitability. Finally, cigarettes and tobacco products might be harmful, but they are not illegal. While many customers might applaud CVS for taking a stand, cigarette smokers lose out. According to

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Walgreen's and Rite Aid, their decision to sell cigarette products is based on consumer demand. While this might seem to contradict these pharmacies' intentions to become healthcare firms, critics claim that as retailers, they must listen to consumer demands and offer products that consumers desire.

There are two sides to every issue:

1. Major pharmacies should stop selling cigarettes because they are harmful products that are not consistent with their healthcare focus.
 2. Major pharmacies should not stop selling cigarettes because they are legal, highly profitable for the company, and offer consumer choice.
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