

Nicholas Robertson

Business issue

Online retail is rapidly growing, due to the fast and reliable services they offer, all within the comforts of your home. This has been amazing for not only online retailers, but customers as well, as certain items that might not be available to them within the confines of their city can now be purchased and delivered to them with ease. With the increase of online shopping, companies like Amazon have taken the liberty of tapping into the pharmaceutical field and are now shipping drugs to peoples houses. This has spelled trouble for most of the major brick and mortar pharmaceutical stores like CVS, Walgreens and Rite Aid as they begin to close down stores nationwide. So what happened? Why are these stores really closing down? What were the leadership challenges and what leadership approach should have been used to mitigate these issues?

Issues

As stated before, the main issue in why these companies are shutting down their stores is because online retailers are providing similar if not better services for customers to get their products. While this is a big issue, the main issue revolves more around the leaderships as shake ups, leaders who are not experts in the field that they lead and leaders making terrible decisions, instead of focusing on the main issues. To further explain my point, let's look at three companies whose leaders encompass these traits in full. CVS has dealt with issues over the last few years that has forced them to close down 900 stores across the country within a three year period (300 stores for every year). They are quoted by saying that “the company has been evaluating changes in population, consumer buying patterns and future health needs to ensure it has the right kinds of stores in the right locations for consumers and for the business.” (Jena Warburton, 2023). In their explanation they explicitly explained that the reason for them closing down these stores is due to the shopping habits of the consumers and the evaluating changes within the population. This directly correlates to the ever evolving changes within the pharmaceutical industry and how most companies are providing people with more of a convenient way to get their prescriptions and that downgrading and closing up shops might be a good thing, as peoples accessibility has now changed. But that does this have to do with leadership shakeup within the company. In 2023

Shawn Guertin CVS's CFO and president of Health Services took a leave of absence from the company, due to family reasons. After this the company's vice president of Corporate Finance Tom Cowhey was assigned to be an interim (temporary) CFO and Oak Street Health CEO Mike Pykosz was appointed as an interim president of health services. Shawn Guertin stepping down temporarily taking a leave of absence for family matters, only comes about a month after he took the title of president of health services, while also considering the fact that there were multiple other executive and leadership shakeups. These leadership change ups and the company switching their priorities over from being a pharmaceutical to more of a health provider role, has left the company understaffed and in an uncertain position. To give an example of how poorly they have been performing, an article by Financhill claimed that at the beginning of 2024, "CVS had fallen by close to 20 percent since the start of the year." (Financhill, 2024). The understaffing of employees has only stoked the flames even more, as staffing shortages due to skill level has taken into effect, causing the stores to close even sooner.

Taking a look at Walgreens, their problems are very similar to CVS, as major executive leaders within the company are constantly being shifted around. Also while the switching of executives are happening, the staff at these Walgreen locations are overworked and understaffed, due to the additional demands that were brought upon them during the COVID-19 pandemic. This caused stress then, and continues to persist even now. Taking this all into consideration, it didn't help that during 2021 the chief executive at the time Rosalind Brewer, had bigger intentions for the company and "aimed to make the company a bigger player in the healthcare sector through acquisitions and expansion." (Pymnts, 2023). While this might seem like a good idea, the issue quickly comes up when you take into consideration that they were already running short of staff and being strained due to COVID and because of this they lost over half of their value within the stock market during her two and a half years as chief executive. It's not that her ideas were bad, it was mainly execution, had she had made that decision to expand during a point in which the company wasn't already strained and low on help, she might have made some actual progress expanding the company. Also keep in mind that before this, she was a former Chief operating officer of Starbucks and a Chief executive of Sam's Club. While those are major retail and service chains, Walgreens operates a little differently than that. As they specialize more

within the pharmaceutical division, a division that is not easy to come across capable/qualified workers with a degree.

Finally we have Rite Aid, a company that made terrible decisions which led to their downfall. To start off with, Rite Aid filed for chapter 11 bankruptcy on October 15 2023, due to the company being marred in debt due to the amount of lawsuits they had gathered throughout the time as a company. These lawsuits were spearheaded by the opioid crisis, back when pharmaceutical companies were upping the dosage of prescribed opioids to customers, causing them to become addicted and overdose on the medication. On top of this, it suffered from the same issues that CVS and Walgreens face, with the advent of having the customers order the drugs online and have them mail it to them at their house. However with Rite Aid being a smaller company than CVS and Walgreens, they have even more of a hurdle to cross, as they don't have the money and resources to compete. But some good news was on the way, as Rite Aid and Walgreens were planning a merger back in 2015, which would have given them the support of Walgreens to help them in their debt. Unfortunately the merger fell through, "Walgreens canceled the merger in June 2017 after the federal Trade Commission refused to approve it" (Bill Wilson, 2023). But as a backup plan Walgreens purchased almost 50% of Rite Aid's stores (over 2,000 locations) for somewhere between \$4.38 billion (Supermarkt News numbers) and \$5.18 billion (Forbes numbers). With this the leadership's plan was to downsize the company and try to stop the money loss in the process. However they never paid off their debts for the opioid lawsuits, which caused them to lose money from the closure of their stores (during this time, their stores were closing at a rapid rate) but also from the debt and from the lawsuits that were piling up. So, during all of this, Rite Aid was continually losing money and not paying any one back to at least get rid of some of the debt, which caused them to file for bankruptcy.

Conclusion

So, what could have been done differently when it comes to how these companies were run. Well I don't have all of the answers for that, but what I can say is that the main unifying issue that persisted throughout all of these companies was the switching of leaderships as it really doesn't seem like anyone had a proper focus on where to take the company. Do these companies compete with Amazon and grow their online pharmaceutical escapades in an ever

evolving landscape? Do they stay brick and mortar and cater to the older generation who will rely on them to get their medication, because they don't know how to use the internet? Or could they do both and still survive, while expanding their business? To me there is no sure fire way to handle this, but what I can give is some advice for what I believe should have been done with each of these companies. First CVS should have focused more on embarrassing new ideas, long before 2020 even came around. The main issue I see with them is the idea of them closing down 900 stores within a three year period, pretty much downsizing to an extreme level and focusing on patient care rather than just focusing on providing the custom with the drugs they came there for. I know that Amazon is a tough competitor to compete with but I think the simpler solution to all of this would be to have an option for drug delivery. Have the doctors prescribe the patent the drugs and then give them an option to have it be delivered to their house or to be picked up in stores and then if they want to have it be delivered to them, CVS should have a delivery service. It will cut down on the amount of people coming to pick up their drugs on site, which will cut down on the strain. Also the CEO of the company seems very distant from the amount of information I found about them. Literally being hired for about a month before taking a leave of absence and having other executives be switched around constantly is not good for the company no matter what you are running. I think being more active and adopting new ideas can really help the company out. Walgreens is in a similar position, but in this case they would also need to hire someone who doesn't take so much of a retail angle to the expansion of the company, but rather hire an executive who knows a little more about the pharmaceutical industry better. As I said before, the concept itself could have worked, but the execution and timing was not there per say. It's like they had too much extraversion, rather than intelligence, which caused them to want to expand to a larger audience, without stopping and thinking of the strain that could be put on the workers. Finally Rite Aid was a mess, what they should have done was pay off their debts with the money they gained from selling their stores so at least they would have one less thing to worry about and then start rebuilding back up with better practices. They were bombarded with opioid overdose lawsuits, if the CEO at the time would have had a bit more integrity to make sure that customers were getting the right amount, they might not have been hit as hard. But that's just my opinion.

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