

What is the business model of drugstore.com?

[Business](#)



Drugstore. com applied the online retailing business model (Nolan, 2000), specifically a business-to-business-to consumer IT business format, although the company had plans to establish its own distribution network resulting in a business-to-consumer approach. The online retailing model for the drugstore is viable for a number of reasons. One is the large traffic of online activity involving healthcare and drug treatment that ensures a market for the company. Another is the convenience for customers similar to the online retailing purpose of other products.

Last is the added value provided by the online retailing model for consumers such as the alerts to consumers when prescription are likely to be running out, a wide range of information on various drugs, consultation with pharmacists, and notice of non-existing stock and alternatives that they may not get from traditional drugstores. 2. As a customer, would you shift your retail drug purchases to drugstore. com? Why or why not? Yes. Drugstore. com was able to establish key partnerships with Kleiner, amazon. com and Rite Aid (Nolan, 2000) to provide competitive value to consumers.

The partnership with Kleiner supported the development of its website and online product and service features. Amazon. com provided advertising for the company and linked services for consumers. Partnership with Rite Aid enabled Drugstore. com to enable customers to benefit from their insurance coverage. 3. Assess the effectiveness of the competitive responses to online drugstores. Walgreens: built their own virtual drugstore CVS: purchased Soma which was one of the original three online drugstores Rite Aid: became a major investor in drugstore. com

Drugstore. com responded to online drugstores comprising its competitors by establishing strategic partnerships. Its strategic partnership with amazon. com and Rite Aid ensured access to a wide range of consumers to address this advantage of Walgreens and the purpose of CVS acquisition of Soma. Its partnership with Rite Aid also covered its weakness relative to PBMs (Nolan, 2000). Drugstore. com looked at its competitors and identified their strengths relative to the company or the relative weaknesses of the company and slowly addressed these weaknesses.

The effectiveness of its response is due to the precision of its problem-resolution targeting approach. 4. In the July 1999 drugstore. com prospectus, it was stated that, " Many of our senior management have no prior senior management experience at public companies, and none of our executive officers have prior management experience in the healthcare or retail drugstore industry. " Do you think this is a strength or weakness? The lack of prior experience of Drugstore. com executive officers over healthcare and the retail drugstore industry could be a strength and/or weakness but the company made it strength.

It is a weakness because lack of understanding of the industry creates fulfillment and viability risks. It is strength because the executive officers were expected to contribute innovative ideas to make the online drugstore model work that requires a broad and multi-dimensional perspective that may be difficult to achieve from executive officers used to the traditional or existing business model for drugstores. The company addressed the weakness by learning about the drugstore industry and healthcare as it developed the company. 5.

In the case, Jed Smith states that once a significant Internet player enters an industry, the industry is never the same. Do you think this is true for the retail drug industry? What about for the broader healthcare industry? The entry of a significant Internet player changes the industry through the ripple effect and cycle of action-reaction-counter action of players as response to their assessment of the extent of threat and impact on them of the new player. This is true in drug retailing because the industry is highly competitive.

Although, there are only a small number of pharmaceutical companies producing various drugs, there are multiple retailers and retailing options creating a competitive environment. The entry of a significant new player comprises a competitive force to which existing need to respond strategically. This may not be the case for the broader healthcare industry because of regulations and public policy concerns, such as for healthcare providers, that limits the range of changes to the entry of new players.

Reference Nolan, R. L. (2000). Drugstore. com. Boston,