PRICING

Markup flat for three years. Where a pharmacy chain can still earn on price

The Russian drug market grows on the price of the pack, while pharmacy markup has stayed near 21% for three years. Grocery retail, marketplaces and pharmacy chains abroad showed in 2024–2026 which margin levers work and how to test them.

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In 2025 the Russian drug market grew by 13.3% in roubles and by 0.02% in packs (DSM Group). The whole increase came from a higher average price per pack. Pharmacy markup on medicines has stayed near 21% for the third year running; in May 2026 it was 20.9%. In the first quarter of 2026 drug sales in packs fell by 5.9% (RNC Pharma). A pharmacy cannot count on more purchases.

That leaves price, and in most pharmacy chains pricing still works the old way. In my column for Moskovskie Apteki I put it this way: pharmacies use margin tools actively but crudely. One markup covers a broad product group and changes once every few months. Repricing of stock lags by another 30–90 days of turnover. Discounts are given without a calculation, and results are compared with last year.

Boris Popov, CEO of Rigla, summed up the industry in one line: "We are fighting for 1–2% profitability" (Pharmvestnik, September 2025). At that level a pricing error of a few percent decides whether a pharmacy makes money. If net profit is 1–2% of revenue, a 1% price cut without extra volume takes away between half and all of it. Below are six levers: price by product role, repricing frequency, discounts, private label, manufacturer money and availability of fast movers. Each comes with examples from other markets in 2024–2026, followed by a section on how to test the result.

Margin under pressure in Russia and abroad

The number of pharmacies in Russia rose to 82,700 in 2025, and the three market leaders accounted for all of the growth. Without them the count fell by 1,760. Local pharmacy chains lost 2,900 outlets in a year (AlphaRM, Pharmvestnik). The top 20 pharmacy chains raised their share of sales from 46.4% in 2020 to 66.6% in 2025. Sergei Kovalev, deputy CEO of Rigla, says a pharmacy needs at least 1.5 million roubles of monthly revenue, and that assumes the manager and the accountant work for free. By his estimate, about 16,000 pharmacies fall short of that (Pharmvestnik).

In the United States different forces squeeze pharmacy retail, but the outcome looks similar. Walgreens announced 1,200 store closures over three years. In August 2025 it left the stock exchange after Sycamore Partners bought it for about $10 billion (CBS News). In autumn 2024 Walgreens' comparable front-store sales, everything outside the prescription counter, fell by 4.6%. By October 2025 Rite Aid had closed all of its stores, about 1,240.

England had 9,999 pharmacies on 31 March 2025, below 10,000 for the first time in 20 years (Chemist+Druggist). The Company Chemists' Association estimates that real-terms funding of the pharmacy contract has fallen by more than 30% since 2015. Germany had 17,041 pharmacies at the end of 2024, the lowest number since the late 1970s. About 7% of German pharmacies made a loss in 2024. The fee for dispensing a prescription pack had not been revised for 12 years (ABDA).

In my view the cause is similar everywhere. A pharmacy cannot raise the regulated part of its income, and online sales and large players take the unregulated part. What remains is the price the pharmacy sets itself.

Where a pharmacy loses money on price

In September 2026 I collected, in a single day, the online prices of 3,445 Moscow pharmacies from 33 pharmacy chains near 264 metro stations. Collection and analysis ran on the price monitoring service parso.ru. The full results are in the article "The neighbour does not count".

In 52% of "station + product" pairs the most expensive pharmacy sells the same product at least 20% above the cheapest one. In 27% of pairs the gap exceeds 30%, and in 7% it reaches one and a half times or more. One pack of 60 tablets near a single station cost between 2,370 and 3,793 roubles across 14 pharmacy chains.

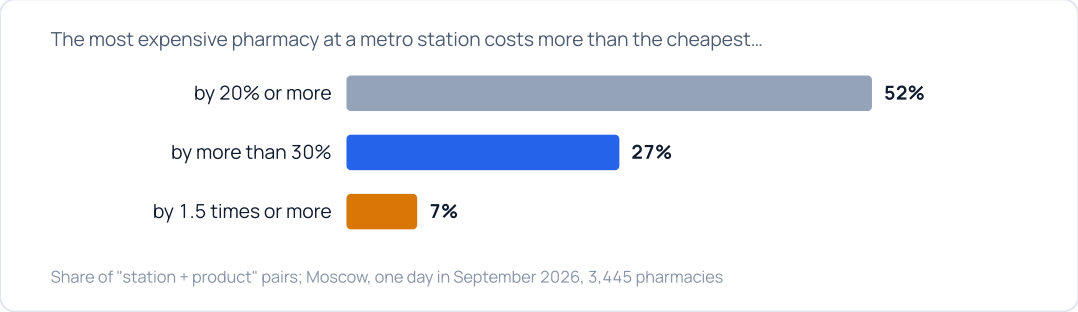


Figure 1. Price spread for one product near one metro station
Author's calculation based on online price monitoring, September 2026

In 25 pharmacy chains a store's price is almost unrelated to its neighbours' prices at the same station. Apparently their markup rules ignore the pharmacy across the street. Competitors, meanwhile, move fast. Of 28 pharmacies near one station, 8 changed a price within a day. One pharmacy chain cut a price by about 12% overnight in all of its stores. If competitors reprice weekly and a pharmacy does it monthly, its price is off the market three weeks out of four.

Price by product role

About half of drug sales come from the state list of vital and essential medicines (VED): 52% in roubles in 2025, according to DSM Group. Maximum markups on them are set by the regions. In February 2026 the Ministry of Justice registered a new methodology from the Federal Antimonopoly Service (FAS). It lets regions single out subgroups within the expensive segment and cut markups there (Retail.ru). Over the first seven months of 2026 drug prices rose by 2.5%, all of it from products outside the VED list (Pharmvestnik).

The free part of the shelf is not uniform either. Some products are price anchors: a diabetic knows the price of test strips by heart, so it has to stay in line with the market. Nobody checks the price of others, such as the wipes sold with those strips, and that is where the pharmacy earns. High-margin products and private label belong to the second group. A single markup on the whole "medical devices" group loses twice: on strips it drives customers away, and on wipes the pharmacy leaves margin unclaimed.

Grocery retail calls price anchors KVIs, key value items. In McKinsey's 2026 study of North American grocery, 81% of retailers said they would lean more on such items. Eggs, milk, cheese and ground beef shape price perception most: 47 to 52% of respondents named them (Food Trade News). Bain reached the same conclusion in March 2026. A retailer does not need discounter prices across the shelf; the sharpest price belongs on frequently bought items (Bain).

Role pricing also works in the other direction. In a 2024 BCG case a grocery chain had kept some prices 20–30% below a competitor for no reason. Prices were raised to just under the competitor, and margin grew with almost no loss in units (BCG). In my experience pharmacies have many such items: their price was cut for a promotion once and never restored.

In Russian pharmacy retail, Amurpharmacia in the Far East offers a public example. Deputy CEO Nikolai Grebennikov explained the move to an algorithm simply: "The old markup system could no longer cope" (ComNews, September 2025). The pilot ran in the online store of one city, with products split into test and control groups. According to the software vendor, gross profit on test products rose by 26–130%. The figure covers selected items, and no independent check of it is publicly available. Still, the chain set up a control group itself, and I have rarely seen that in Russian pharmacy retail.

The opposite approach, one formula for the whole range, belongs to the US online pharmacy Mark Cuban Cost Plus Drugs. Its price is calculated openly: acquisition cost plus 15%, plus $5 for pharmacy work and $5 for shipping (MUSC). On expensive generics and 90-day packs the formula wins. On cheap 30-day packs the fixed fees eat the saving. Anticonvulsants in such packs cost on average 14.85% more there than the price paid by the federal Medicare programme (Drug Topics, October 2026). Even the company that built its brand on this formula cannot apply it well to every product.

How often to change the price

Repricing frequency runs into the paper price tag. In 2024 the Russian supermarket chain Perekrestok started installing 2 million electronic shelf labels in 100 stores. By the company's estimate, one supermarket spent about 12 working hours a day changing paper tags and another 4 hours checking them (Retail.ru). After a 2025 pilot, the DIY chain Lemana PRO is moving all stores to electronic labels within two years. Each of its stores spent at least 32 person-hours a day on paper tags.

In December 2024 Walmart extended its electronic shelf label contract to all 4,600 US stores (Retail Technology Innovation Hub). Kroger has installed 36 million labels in 1,100 stores and plans to cover more than 2,400 by 2029. Among pharmacy chains, Dr. Max is rolling out electronic labels in 220 pharmacies, with the project due to finish by the end of 2026. We found no public rollouts in Russian pharmacies in 2024–2026.

Shoppers fear that electronic labels will turn prices into rush-hour taxi fares. In February 2024 the head of the restaurant chain Wendy's said it would start testing dynamic pricing in 2025. After a wave of criticism the company said it had been misunderstood and would not raise prices at peak times. In August 2024 US senators wrote to Kroger about the risk of such pricing. So far the data do not support

these fears. Researchers from UC San Diego, UT Austin and Northwestern studied 180 million observations in 114 stores before and after electronic labels were installed. They found no surge pricing: prices followed acquisition costs, competitors and manufacturer promotions (UC San Diego). One of the authors, Ioannis Stamatopoulos, still warns that surge pricing could drive customers away for good.

Regulators judge personalised prices more strictly than frequent repricing. In January 2025 the US Federal Trade Commission (FTC) published initial findings of its study. Intermediaries, it found, help retailers set prices based on location, demographics and browsing behaviour (FTC). New York State requires prices set by an algorithm using personal data to be labelled, with fines of up to $1,000 per violation. The law took effect in July 2025 and has been enforced since a court dismissed a retailers' lawsuit in October. After a Consumer Reports investigation, Instacart ended tests in which different shoppers saw the same item at prices up to 23% apart.

A Russian pharmacy should keep to the same line. Repricing more often and with an eye on competitors' public prices is both allowed and necessary. Each pharmacy chain decides its own price: agreements and price exchanges with competitors are banned by competition law. A price calculated from a specific customer's personal data is risky: a pharmacy operates under a public contract, where the price is the same for all customers except for benefits allowed by law (Article 426 of the Russian Civil Code). Open loyalty card discounts are a different matter. For VED drugs the state caps the price anyway. Prices are better tested on groups of pharmacies. The mechanics are covered in more detail in the article on dynamic pricing.

Discounts and promotions: calculate first

A markup of 21% corresponds to a gross margin of about 17%. For round numbers, take a 20% margin. At that margin a 5% discount takes a quarter of the gross profit on every pack. To earn the same, the pharmacy has to sell a third more. With a 10% discount at the same margin, sales must double. At a 17% margin, a 5% discount already needs 42% more sales.

At the scale of a pharmacy chain it looks like this. A chain sells a product for 1 million roubles a month at a 20% margin and earns 200,000 roubles on it. After a 5% discount with unchanged volume it earns 150,000 roubles and loses 50,000 roubles a month on one product. In my experience discounts more often go to products that sell well without them.



Figure 2. How much more must be sold so a discount does not reduce gross profit
Author's calculation

Russian grocery chains are cutting short-term promotions. According to NielsenIQ, the share of sales on such promotions fell from 31% to 24% in a year (New Retail, April 2025). In milk and sour cream grocery chains are dropping promotions altogether, while in chocolate, sweets and tea they are moving to everyday low prices. By mid-2025 the promotional share in food fell by 6.4 percentage points to 54.2% (Kommersant).

The financial statements show what promotions cost. Magnit's gross margin slipped from 22.5% to 22.3% in 2025. In its annual report the company named the causes directly: higher losses and promotional intensity. Like-for-like sales rose by 8.7%: the average ticket gained 8.4%, the number of purchases only 0.3%. North American shoppers, according to McKinsey's 2026 study, see promotions the same way: 71% prefer a stable low price to frequent promotions on top of a high shelf price.

Marketplaces show what happens to a seller's margin when the platform sets the discount terms. In February 2025 the FAS warned Ozon and Wildberries for putting products into sales at the sellers' expense without their consent. In the second quarter of 2026 commission plus logistics on Ozon reached 47.8% of the seller's price, up from 18.6% a year earlier (Kommersant). Market Papa estimates that seller profitability fell from 15% to 5% in a year. From 1 October 2026 the platform economy law (No. 289-FZ) requires a marketplace to get the seller's consent before cutting a price at the seller's expense.

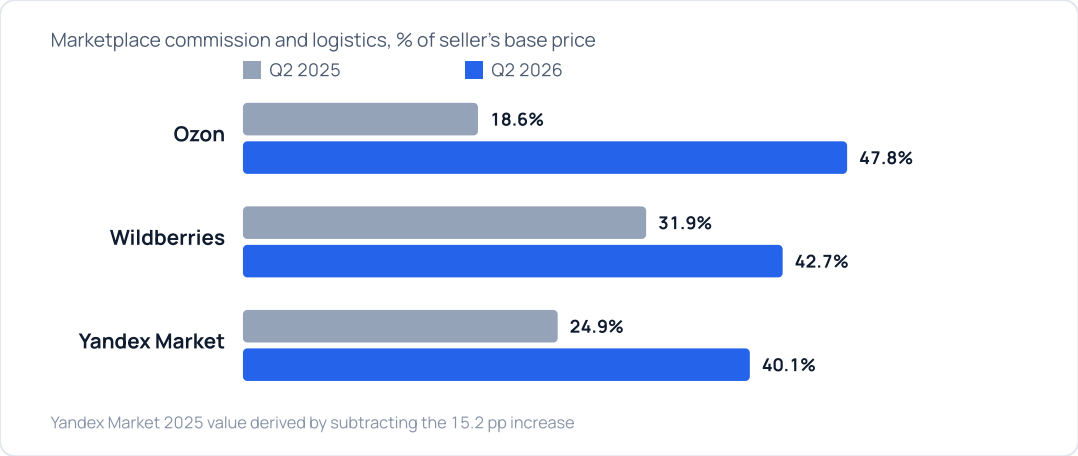


Figure 3. Marketplace commission and logistics, % of the seller's base price
APET, Kommersant, 26 August 2026

Pharmacy chains sell more and more through pharmacy aggregators, so the question of who controls the discount concerns them too.

Private label

A private label works where there is volume and where customers do not compare prices. In dietary supplements, pharmacy chains already use this. According to DSM Group for January–October 2025, pharmacy chains' private labels reached 22.5% of supplement sales in roubles (20% a year earlier) and 30.5% in packs. Five pharmacy private labels made the top 20 supplement brands (Kommersant). Sales of medicines under the Rankof private label exceeded 1 billion roubles at retail prices in 2025 (GxP News).

Manufacturers see it differently. Natalia Prokopyeva, chair of the board of Evalar, believes that excessive private label growth is pushing familiar branded products off pharmacy shelves (Kommersant). A pharmacy chain should keep this argument in mind in negotiations: a manufacturer pushed off the shelf stops paying for it.

Grocery retail has gone further. Private labels made up 25.5% of Pyaterochka's turnover in 2025. At the same time Pyaterochka cut its portfolio from 77 to 35 labels and is moving them into the mid and upper price tiers. This way it avoids head-on price competition with equivalent brands (Retail.ru). In Europe private labels hold 39.5% of sales by value, in the United States 21.3% (PLMA). Walgreens' private label share was 17.8% of sales in autumn 2024.

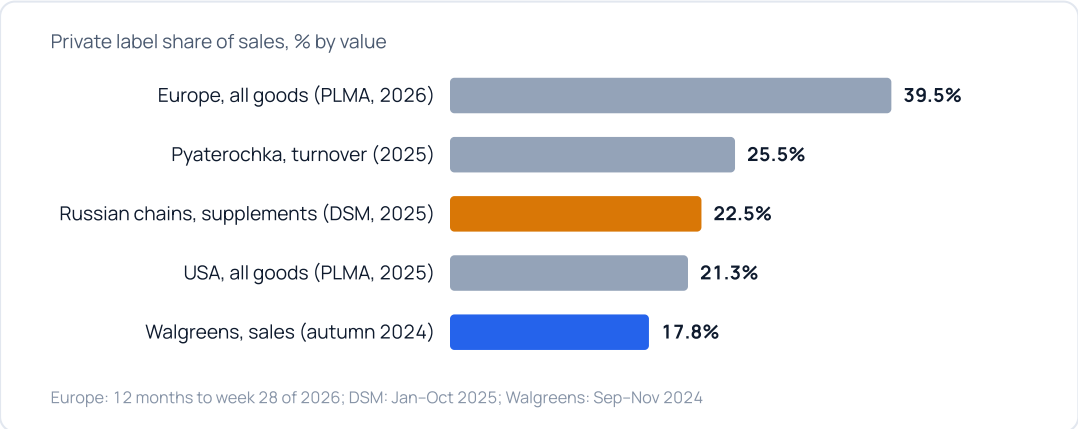


Figure 4. Private label share of sales
PLMA, DSM Group, company reports

The figures in the chart use different bases and periods, so they are comparable only in order of magnitude. Nikolai Demidov, CEO of AlphaRM, warns of a counter-risk: the highest-margin non-drug categories are gradually moving to general marketplaces (Kommersant). A private label in parapharmacy has to compete with marketplaces as well.

Manufacturer money and advertising

New launches, price incentives and merchandising in a pharmacy are mostly paid for by manufacturers. Through a marketing contract a manufacturer pays for shelf space and display and buys a place in promotions. This money is growing. In the ProApteka union the share of contracted assortment rose from 40% to 43.8% in the first half of 2025. Members' revenue from marketing contracts rose by 61% over the same period (Pharmvestnik).

According to Sergei Kovalev of Rigla, if marketing payments make up two thirds of a pharmacy chain's profit, the company has "big problems with its front margin" (Pharmvestnik, February 2026). Front margin is the income from the shelf markup. Manufacturer money has to be counted together with it. If the markup went up and manufacturer payments went down, nothing was gained.

Grocery chains have turned the shelf and the app into an advertising platform. X5's advertising revenue grew from about 20 billion roubles in 2024 to 30 billion roubles in 2025. In the first half of 2026 X5's advertising grew almost five times faster than its core revenue. Magnit's number of advertisers unrelated to its suppliers rose by 148% (Sostav).

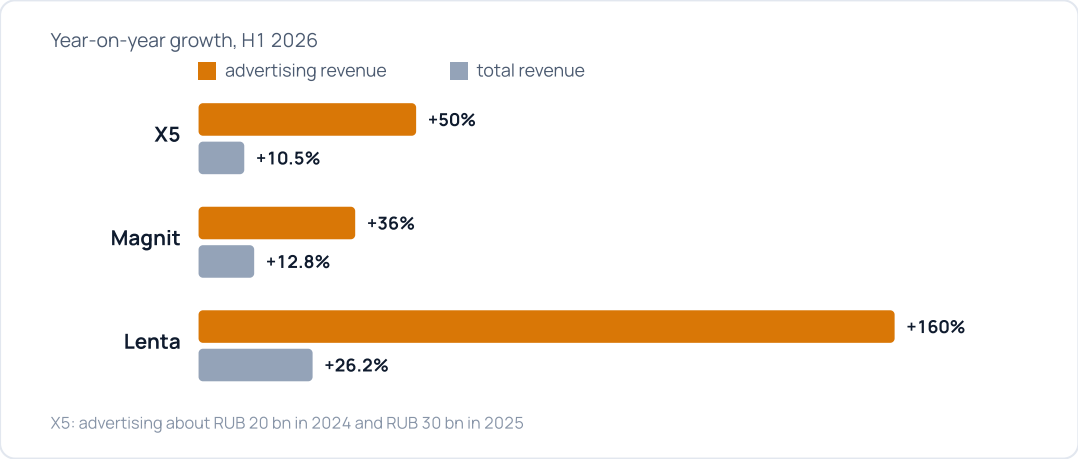


Figure 5. Growth of advertising revenue and total revenue, H1 2026
Company IFRS reports, Sostav

US pharmacy chains do not disclose advertising revenue separately. The European online pharmacy DocMorris reports it in its digital services segment together with telemedicine and its marketplace. In the second quarter of 2026 the segment grew by 80% to 13.9 million Swiss francs. A Russian pharmacy has a limit here. The federal law on public health (Article 74 of Law No. 323-FZ) forbids pharmacists to accept money and gifts from manufacturers and to hide cheaper drugs with the same international non-proprietary name. Good pharmacy practice rules (Ministry of Health Order No. 259n) require staff to tell customers about such drugs. So a pharmacist's recommendation at the counter cannot be part of a marketing contract.

Availability of fast movers

According to the same September monitoring of pharmacy aggregator listings, on average 24.6% of popular products in a Moscow pharmacy could not be picked up on the day of the order. Near the same station, three or more competitors released those products the same day. Across pharmacy chains the figure ranges from 9 to 39%. One pharmacy in ten cannot release half or more of its fast movers on the day of the order.

It helps to split the range into three parts: what is always in stock, what is brought in to order and what is needed in neither. Seasonal products belong to the first part at peak and to the second off-season. An expensive item with rare demand is the first to move to order-only, while storing a cheap item with rare demand does not pay. How online booking changes this logic is covered in the article "Selling what you do not have".

Testing with a control group

Pharmacy chains launch promotions, change markups, introduce private labels and compare sales with last year. Over a year prices and assortment change, and so do the neighbours, so that comparison proves nothing. I would test any method against a control group. A pilot takes 10–20% of pharmacies for 2–4 weeks, while similar pharmacies nearby stay unchanged. In a pharmacy chain of 50 stores that means 5–10 test pharmacies and as many controls.

Such an experiment was run in a Midwestern US grocery chain. Researchers Bray, Stamatopoulos and Sanders varied prices for 35 weeks in 82 test stores and compared them with 34 control stores. In total they randomly assigned 389,890 prices (Kellogg School). In the experiment sales fell by 0.34% for each 1% price increase. The same model estimated on ordinary sales history gave 1.97%, almost six times more.



Figure 6. Two estimates of shopper price response in one chain
Bray, Stamatopoulos, Sanders, 2024

A model trained on sales history may overstate how strongly customers react and suggest a lower price than the pharmacy could hold. Only test and control pharmacies can show this.

Consultants publish large numbers but rarely show how they were tested. In 2024 BCG wrote about a 5–10% increase in gross profit from AI-based pricing but disclosed neither the sample nor control groups. In 2025 Simon-Kucher surveyed more than 2,200 executives in 28 countries. According to the survey, companies realise less than half of planned price increases, and the return on AI in pricing is still low (Simon-Kucher). X5 put the additional operating profit from AI solutions in 2025 at about 5 billion roubles and said it checks the effect with A/B tests (ComNews). The company did not say how much of it came from pricing.

The promise of "plus 5–8 percentage points of margin" has circulated in sales decks for years, but I have never seen it confirmed by a control group. I know of two public Russian pharmacy cases with a control group: the Amurpharmacia pilot and a 2021 case published on Retail.ru. In the second, gross income rose by 15.62%, which by my calculation is about 0.7 percentage points of margin. Different approaches to competitor price monitoring are compared in the article on Pharmliga.

A new channel: AI assistant answers

Pharmacy chains barely use one more channel: answers from AI assistants. Yandex's Alice AI picks products from Yandex Products and search results. As far as I know, a place in the answer itself cannot be bought. Yandex is only testing ads labelled "promo" below the answer. In my estimate, a pharmacy has a better chance of appearing in the answer if it feeds its products to Yandex Products and keeps the listing complete: name, dosage, availability, price. This channel is covered in detail in the article on agentic search.

Where to start

1. Find 20 of your fast movers on a pharmacy aggregator and compare your pharmacies' prices with their neighbours. It takes about an hour.
2. Split the free range into price anchors and products whose price nobody checks, and set markup by product role.
3. Shorten the time between a pricing decision and the new price on the shelf. When competitors reprice weekly, monthly repricing is expensive.
4. Before every discount, calculate how much extra you need to sell and compare it with the result of the last promotion.
5. Combine manufacturer money and markup into one margin.
6. Test every change on 10–20% of pharmacies alongside control pharmacies that keep the old rules.

Methodology. Online price monitoring: Moscow, one day in September 2026, 3,445 pharmacies of 33 pharmacy chains near 264 metro stations, 16,673 "station + product" pairs. The share of products that cannot be picked up on the day of the order is based on pharmacy aggregator listings, not on pharmacy stock. Discount calculation: the sales increase at which gross profit stays unchanged equals m / (m − d) − 1, where m is gross margin and d is the discount, both as shares of price. Private label shares in the chart come from different sources with different bases and periods. Conversion of the 2021 case into margin points is the author's. The foreign studies of 2024–2025 were published as working papers.

This material is for information and analysis only and is not advertising of medicines, medical devices or dietary supplements.

SOURCES

- Moskovskie Apteki, author's column, 12 November 2026
- DSM Group, RNC Pharma, AlphaRM, NielsenIQ, PLMA, APET
- Annual reports and financial statements of Magnit, X5, Walgreens, DocMorris
- McKinsey, BCG, Bain, Simon-Kucher
- Bray, Stamatopoulos, Sanders (Northwestern, UT Austin, UC San Diego)
- FTC, ABDA, Company Chemists' Association
- Federal Law No. 323-FZ; Ministry of Health Order No. 259n; Federal Law No. 289-FZ; Civil Code of the Russian Federation
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