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### *Entry and Competition of Retail Pharmacies: A Case Study of OTC Drugs Sales and Ownership Deregulation*

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**Abstract:** This paper provides new empirical evidence on entry and competition in the Portuguese market of retail pharmacies after its deregulation in 2004. We estimate the market-size thresholds required for pharmacies to enter the market and analyse the toughness of competition in the market. There are three main findings in the paper. First, entry thresholds decreased over the years, which led to better coverage and availability of pharmaceutical services. Second, the toughness of competition among pharmacies increased and the deregulation of over-the-counter drug sales contributed to the expansion of services provided by pharmacies. Third, population restrictions that prevailed in the market were too restrictive and should be reconsidered by regulation authorities.

**Keywords:** Entry model, market competition, regulation, retail pharmacy.

**JEL Classification:** I11, I18, L22.