Supermarket Pharmacy Trends

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FMI Research Sources

- **2009 US Grocery Shopper TRENDS**
  - Instituted in 1974, TRENDS tracks the consumer environment, as well as attitudes and behaviors of American shoppers relative to the supermarket industry.
- **Shopping for Health 2009**
  - A practical understanding of how health and nutritional concerns influence grocery purchases
  - 17th in a series sponsored by Rodale (Prevention, Men's Health, Women's Health magazines)
- **Supermarket Pharmacy Trends 2009**
  - Key pharmacy trends including financial, staffing and operational statistics

The impact of the economy ...
on consumer behavior

- The recession is felt everywhere
  - Eating out versus home-cooking
  - Channel choice for groceries
  - Trip frequency
  - Money-saving measures
  - Pantry leveraging
  - Brand preference
  - Reaction to marketing/sales promotions
  - Interest in organic and local

A Triple Trade Down….

STAGE I
Restaurant to Supermarket

- Saving money on eating out
- Fine dining to McDonald's
- Cutting back on eating out

STAGE II
Shifting Mix

- More private label (from national brand)
- More coupons, more planned shopping
- Fresh to frozen—more basics

STAGE III
Shifting Channels

- Shifting to supercenters and limited assortment stores
- Pantry leveraging (fewer products, more/less stock)

FMI Research - 2009 U.S. Grocery Shopper Trends

Money-saving behaviors relative to the economy

- Fewer impulse purchases: 50%
- Eat more left-overs: 45%
- Purchase fewer luxury foods: 45%
- More private brand products: 44%
- Make shopping lists: 43%
- Use more coupons: 42%
- Buy on deal: 42%
- Make items from scratch: 29%
- Buy in bulk: 27%

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Cross-roads at the Supermarket

- Higher food prices
- Down economy
- Low consumer confidence
- Healthy eating perceived as costly

Consumers are in a “need to take action” mode!

How shoppers pick their primary store

- Very important factors

	2008	2009
– High-quality produce	75%	72%
– Low prices	73%	**75%**
– Clean, neat store	72%	68%
– High-quality meat	72%	69%
– Convenient location	66%	65%
– Items on sale/promotions	66%	66%
– Pharmacy	13%	12%

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Spending Shifts:

49% of consumers report spending more on all food purchases

54% spending less on eating out

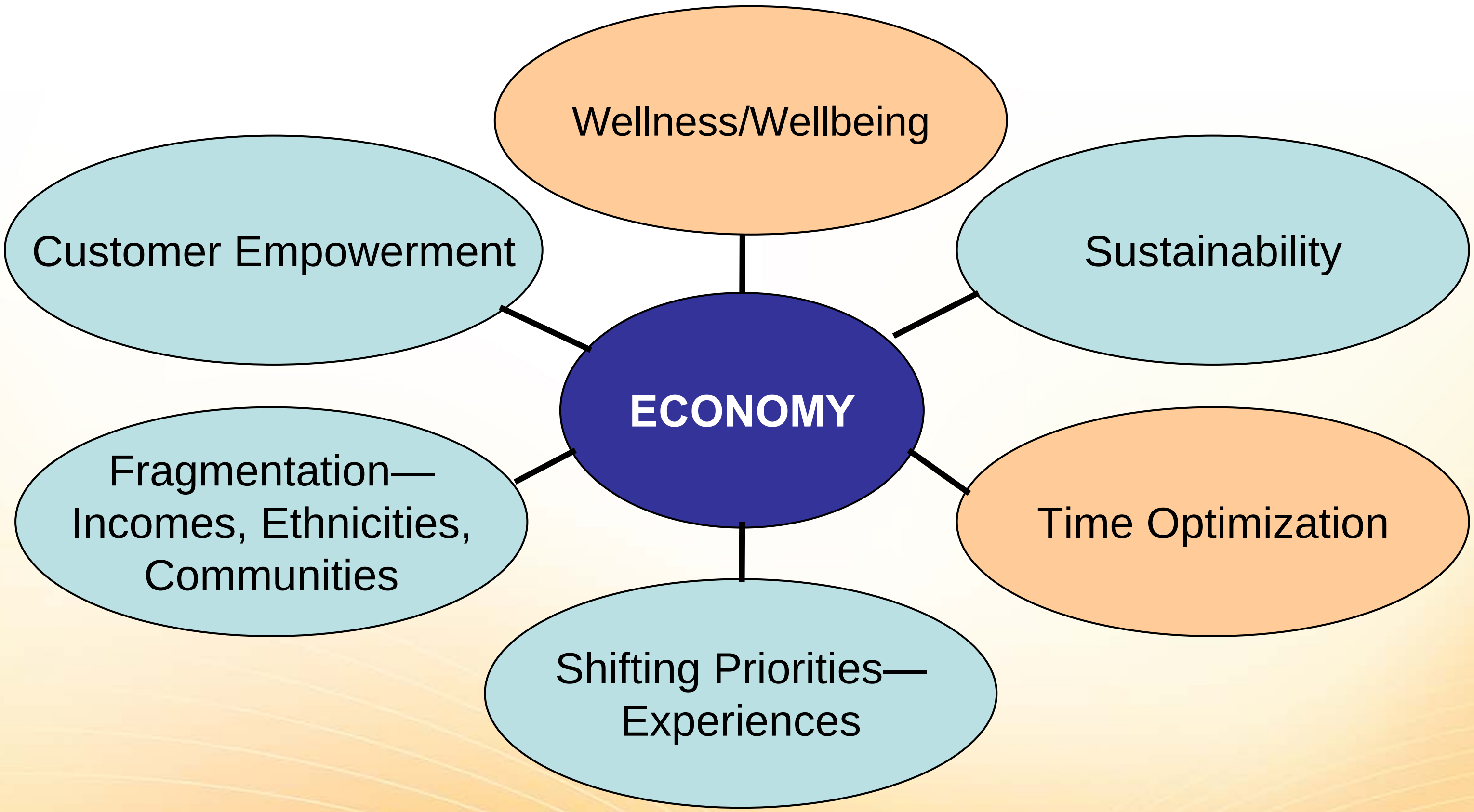
53% spending more at the grocery store

FMI Research: Shopping for Health 2009

Shopping Patterns Shift

Weekly or more frequent visits to convenience stores, discount stores and specialty/gourmet shops down from 2007.

FMI Research: Shopping for Health 2009 - Based on Respondents who are spending less eating out



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Other Factors to Consider

Today & Tomorrow

Americans Are Turning Gray

- By 2030, 1 in 5 Americans will be 65+
  - Most of them will live another +25 years
  - Every minute, from now to 2014, 10 Boomers will turn 50
  - The largest generation in history
- Boomers are the wealthiest generation in history and will be for the next 30 years!
  - Possess the physical and financial means to enjoy life
- In the US, within 2 yrs., they will spend at least a trillion dollars MORE than all the people under 45
- The first generation to make being older a cool thing

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Boomer Impact on Supermarkets

- For millions, social security will be only source of income
- On the other hand, millions will have increased time availability for shopping and meal preparation
- Expected changes…
  - Increased demand on health and wellness products
  - Vitamins, supplements, nutraceuticals/nutritional enhancements
  - Easier package design
  - Portion size and product development
  - Kitchen appliances
  - Store layout (carts, shelving, etc)

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Gen Y's Impact on Supermarkets

- Eat out at much greater frequency
  - 58% now say they are more meals at home
- Like fresh, quick solutions and are the drivers behind fast casual restaurants (bakery/café, ethnic, upscale pizza)
- They don't know how to cook
- Microwave is an important tool
  - Frozen meal solutions
  - Substitute for pots and pans
- Great opportunity to gain loyalty among these young shoppers

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Opportunity #1

  - As consumers strategize about better planned trips to the grocery store (and less to other outlets)
- Opportunity = Capture a new pharmacy customer
  - One-stop shopping/ time optimization
  - create a sense of wellbeing – complimentary food and pharmacy
  - Capture Gen Y through education and information on what's key for them

Health & Wellness

How about the effect of health and wellness…on consumer behavior?

- Concern about eating healthfully is high: 89%
- However, concern not translated in successful eating at home
  - Could be a lot healthier: 13%
  - Could be somewhat healthier: 44%
- Biggest barrier to eating healthfully: time and money

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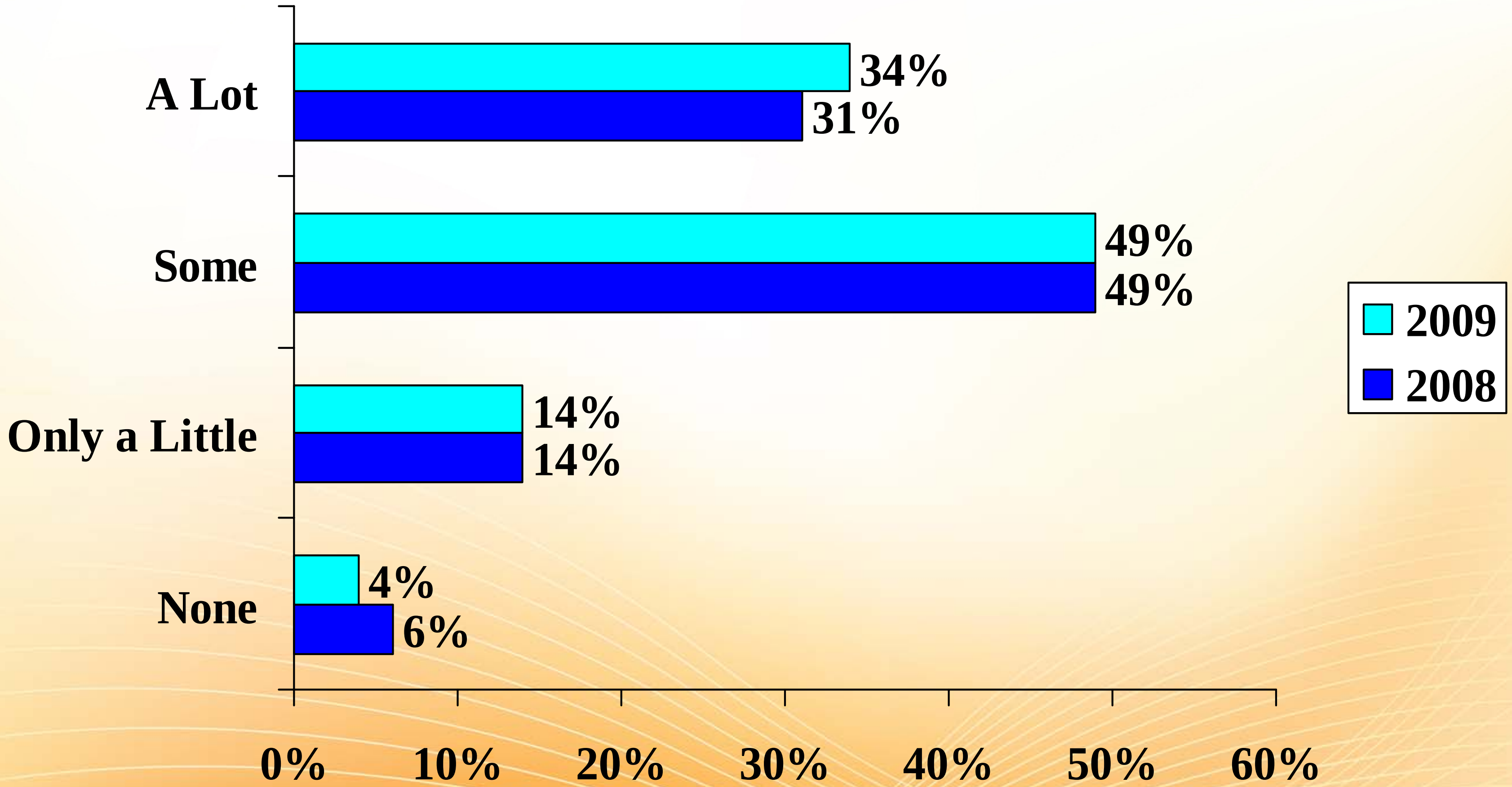
Eating Healthy:
Nearly Everyone Claims to do it



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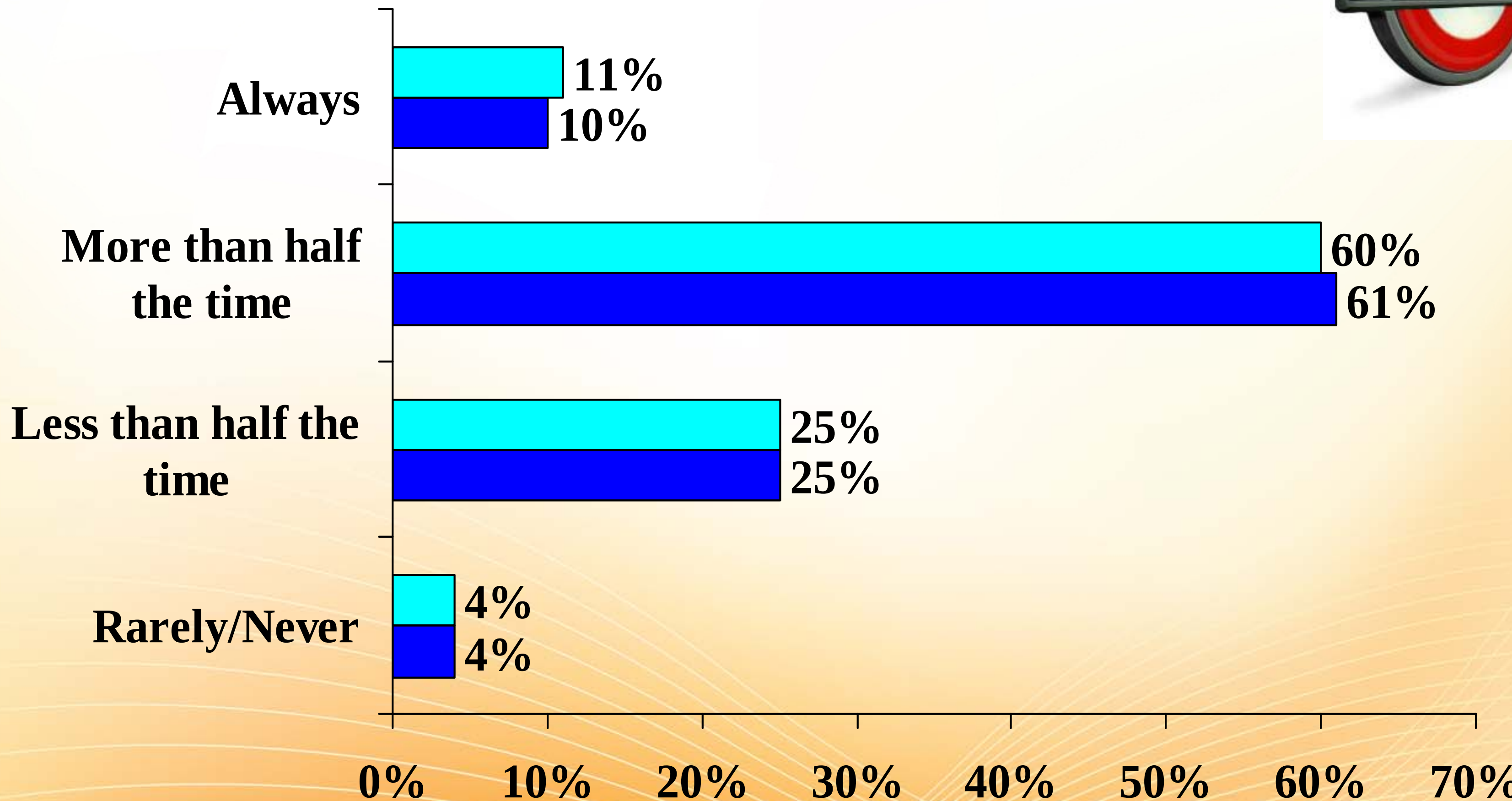
Eating Healthy with Varying Degrees of Success



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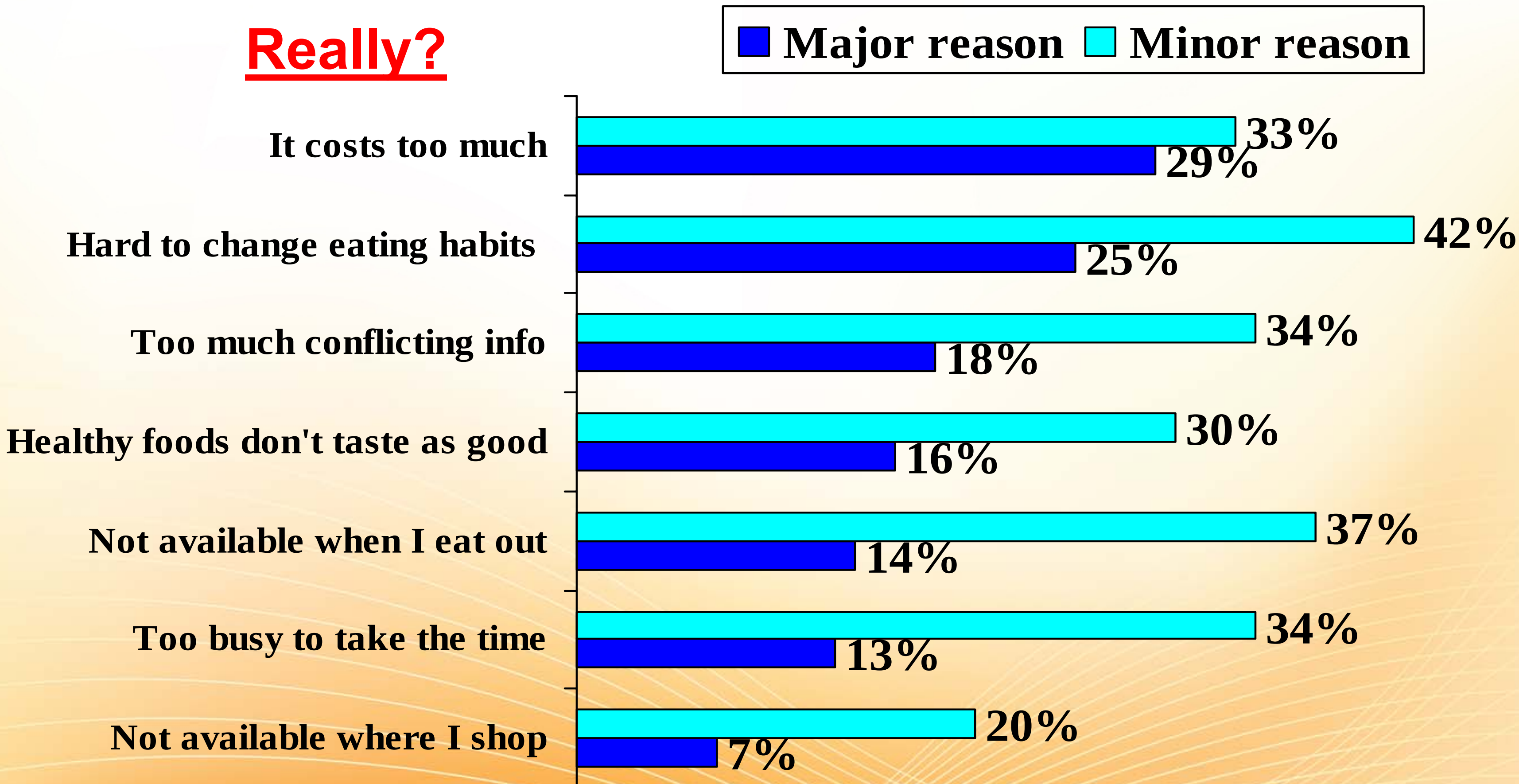
Why People Don’t Eat Healthy:
The Excuses

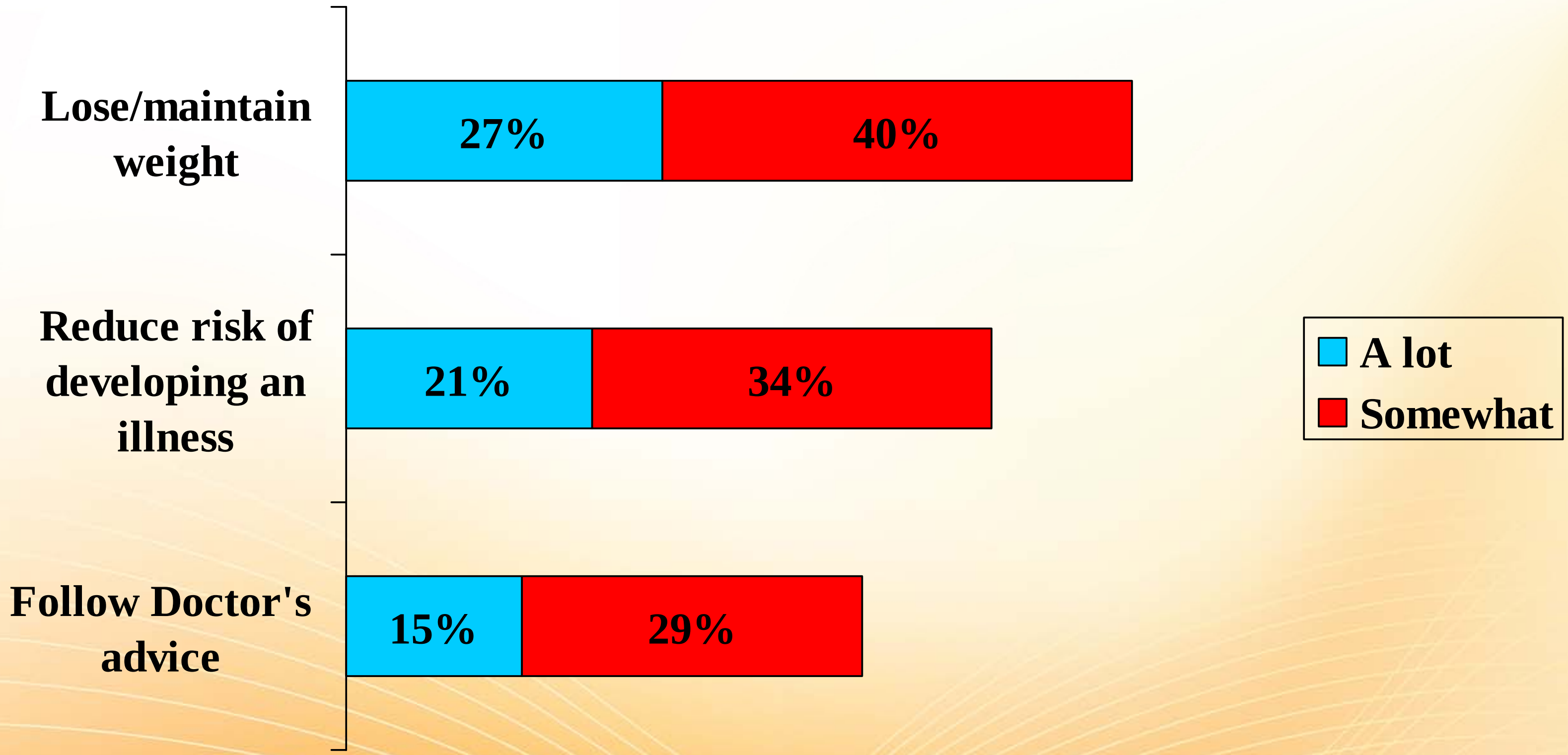
Really?



FMI Research: Shopping for Health 2009

Health Drivers:

When Shopping – No Changes vs. 2008



FMI Research: Shopping for Health 2009

Nutrition remains a great “in” for retailers

- Information sources for nutrition
  - Internet: 53%
  - Magazines: 41%
  - Doctor: 34%
  - Family/friends: 31%
  - Grocery store: 23%
- Most trusted for nutrition information
  - Doctors: 19%
  - Internet: 18%
  - Not one source the most: 28%
  - Grocery stores: 4%
- Where is the pharmacist?

FMI Research - 2009 U.S. Grocery Shopper Trends

Opportunity #2

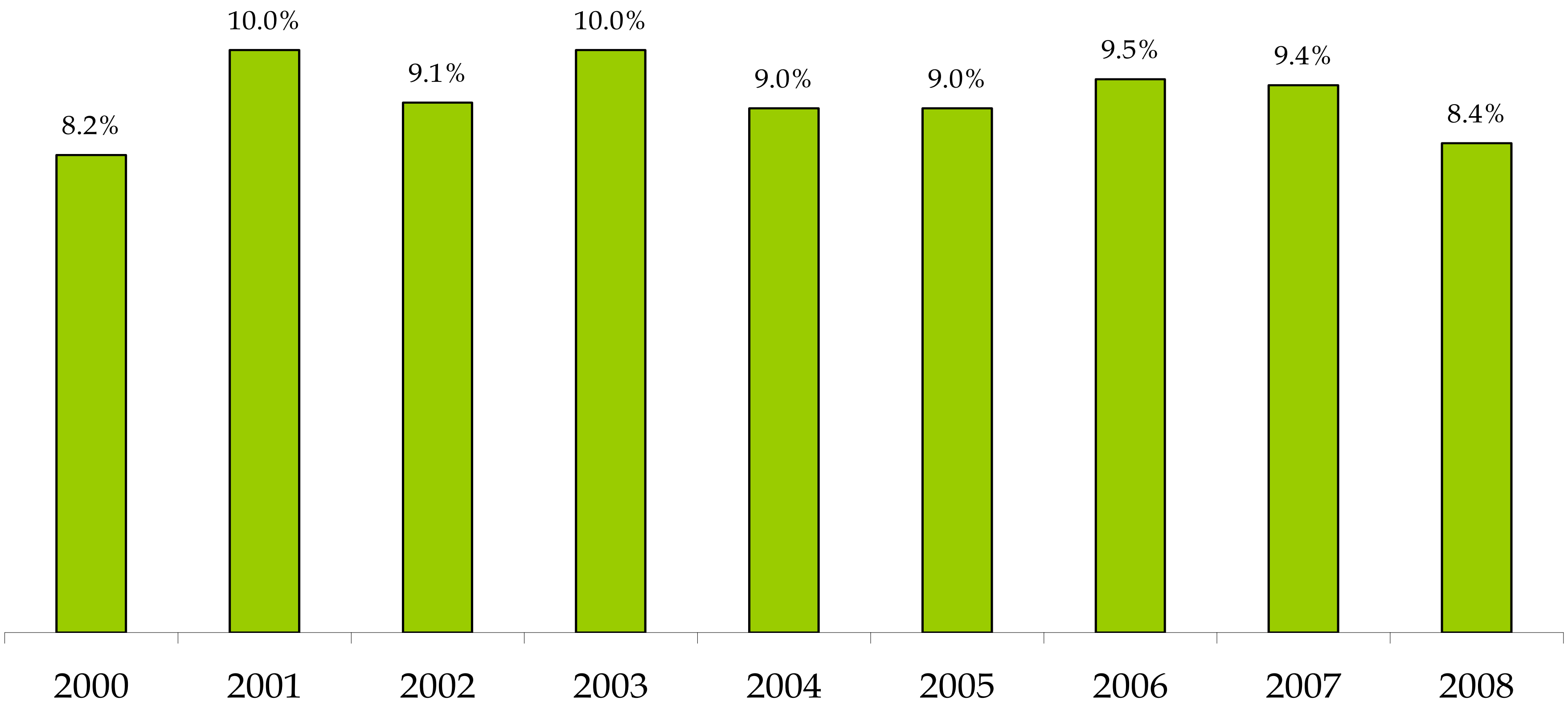
- With just 23% of shoppers considering grocery stores as a source for nutrition information
- **Opportunity = leverage food, nutrition and pharmacy to increase customer loyalty**
  - **Health focused private label**
  - **Healthful eating store tours**
  - **Complimentary pharmacy / nutrition services**
  - **Cooking classes**
  - **On-line resources**
  - **Etc, etc……**

How can Pharmacy help change consumer behavior?

Shoppers using supermarket pharmacies tend to:

- Be younger
- Have higher incomes
- Work full time
- Spend more money per trip
- Have strong habits to protect the environment

Prescription Sales as a Percentage of Total Store Sales 2000-2008



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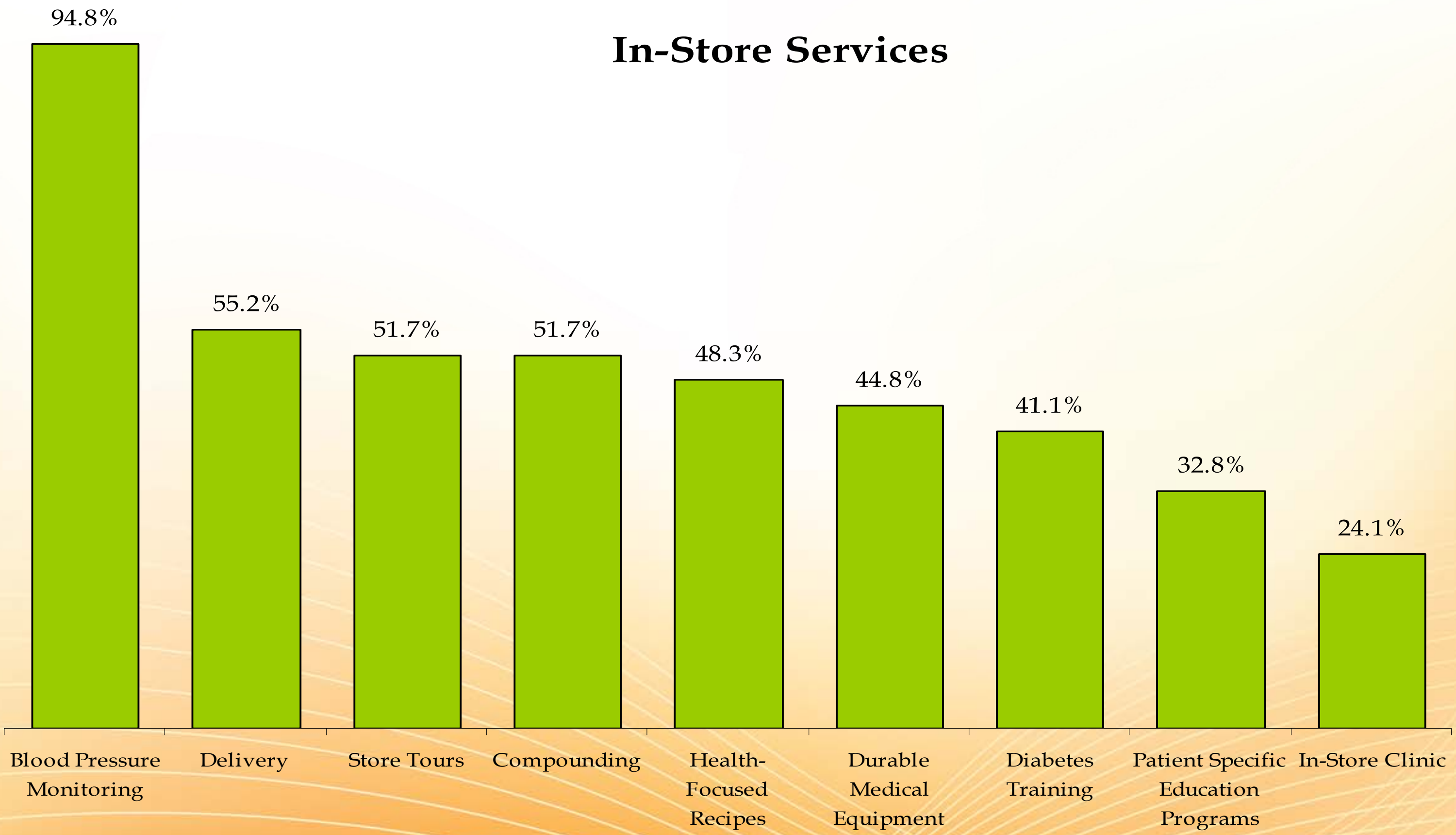
In-Store Services

- Blood pressure monitoring, delivery, store tours and compounding top in-store services
  - Percentage of companies offering service in at least one store



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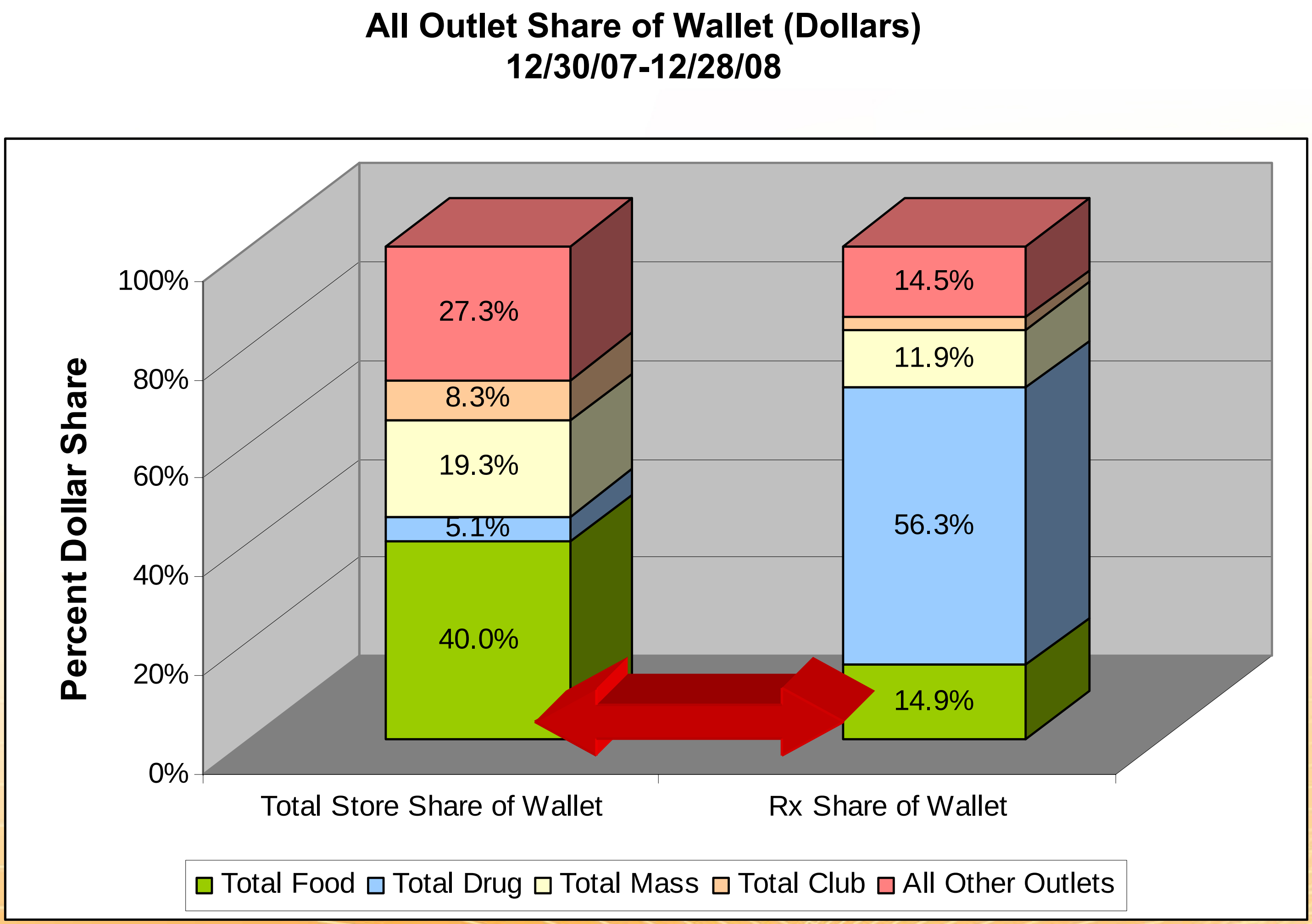
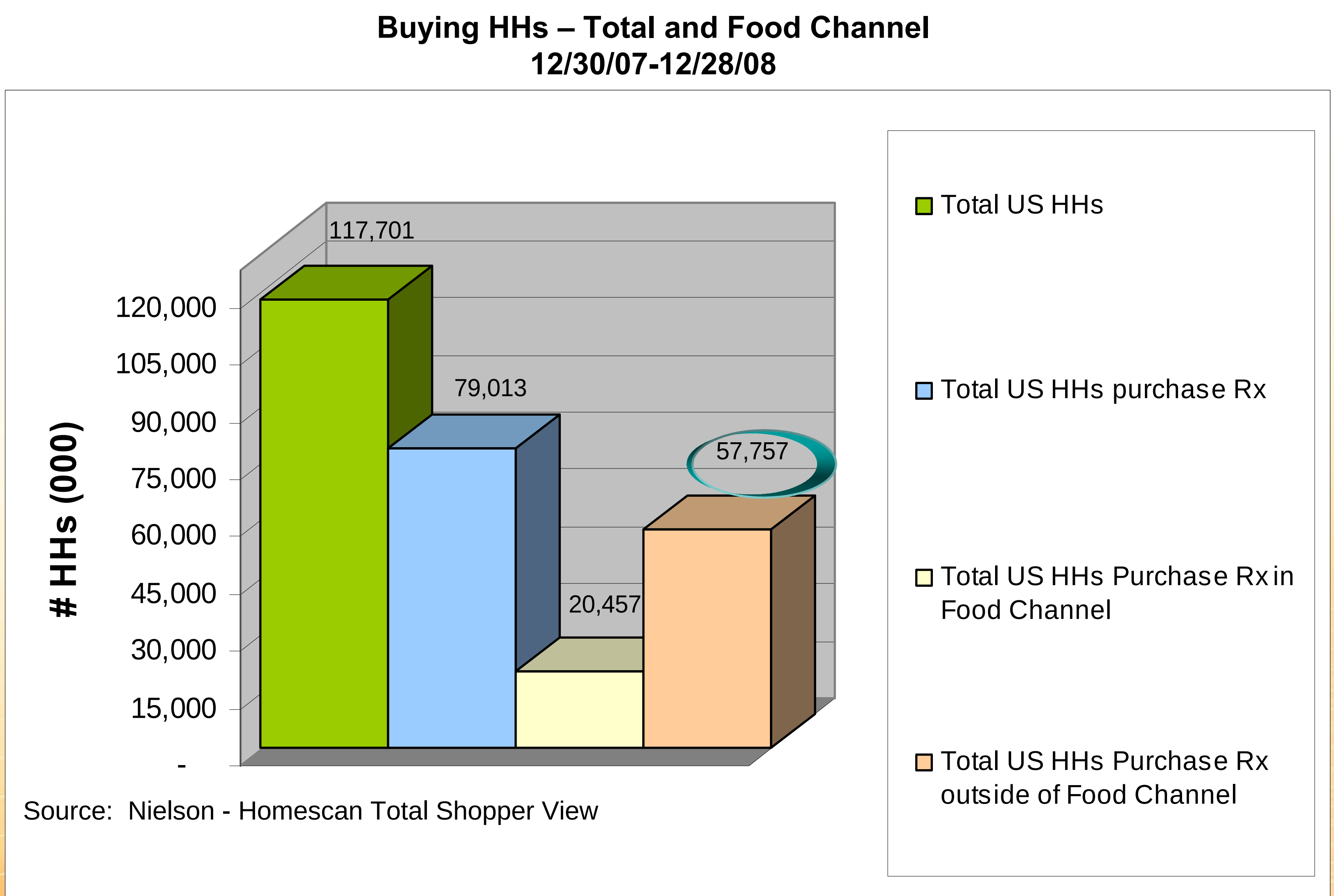
The Food Channel captures 40% of the total store dollars across All Outlets but only ≈15% of Rx dollars.

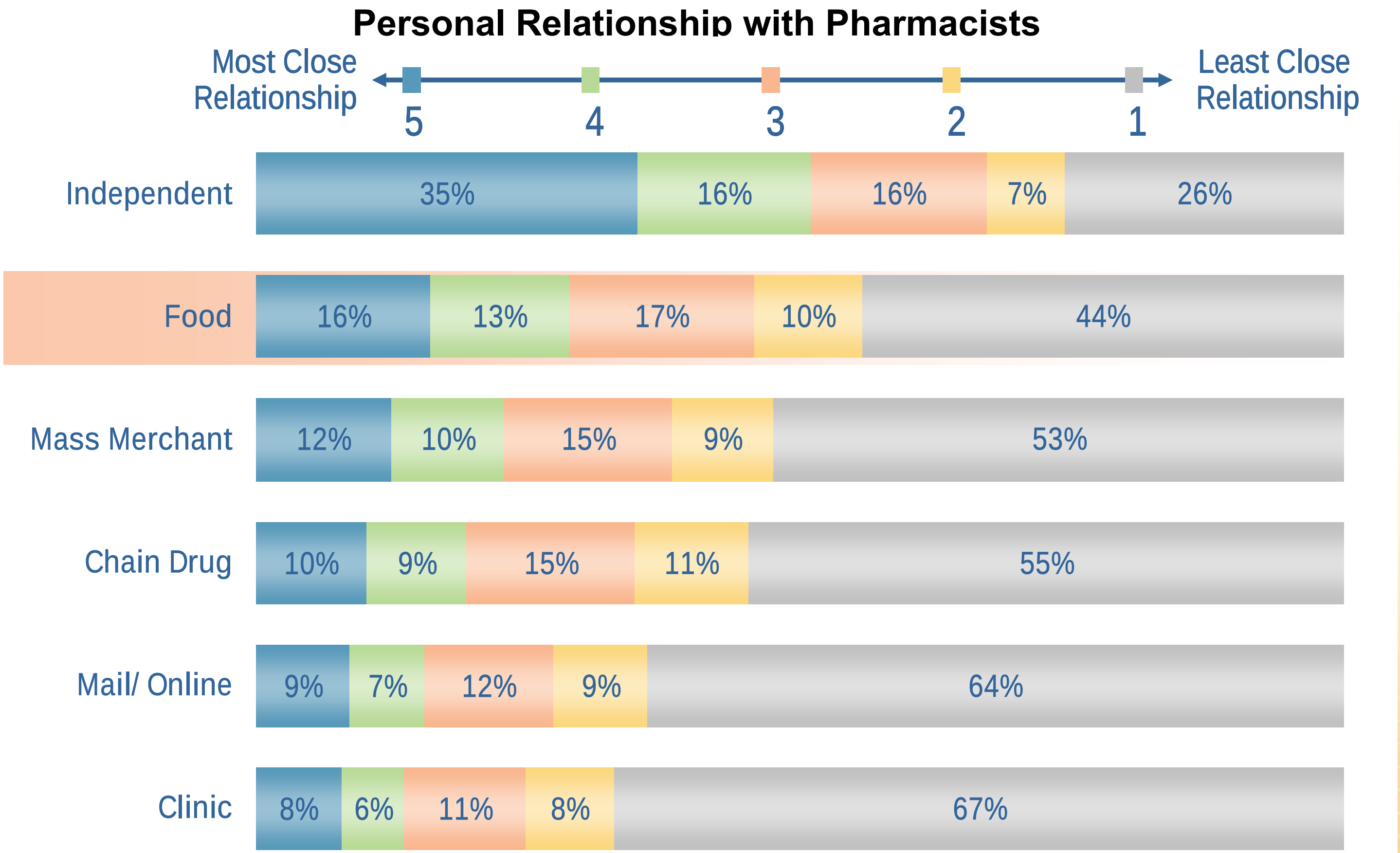


Source: Nielsen - Homescan Total Shopper View

While virtually every Rx buying household shops w/in the Food Channel, 74% of them purchase Rx in another channel.



16% of those who use a Food Channel pharmacy most often claim a very close relationship with their pharmacist.



(Using a Scale of 1 to 5 where 1 is "no personal relationship, I just see who is available" and 5 is "very close, on a first name basis, and have known for a long time")

Source: WilsonRx® Pharmacy Satisfaction Survey, © 2008 Wilson Health Information, LLC, New Hope, PA. For information visit www.WilsonRx.com

Medication Therapy Management (MTM)

- 54% of supermarkets pharmacies offer MTM services in some or all of their locations
  - 19% plan to implement
  - 28% have no MTM plan and don't plan to implement
- 40% have a central facility for MTM records
- Average MTM client uses 8 maintenance medications and spends $4,000 annually

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Supermarket Pharmacy Technology

- 79% of supermarkets pharmacies use IVR Systems
- 5% of supermarket pharmacy prescriptions are e-prescriptions
- 43% of supermarket pharmacies use robotic dispensing
- 32% of supermarket pharmacies reach out to customers online

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Opportunity #3

- **Make your grocery store the destination for health & wellness shopping**
  - 70% of consumers have an in-store pharmacy in their primary store.
  - **24% actually use it**
  - 8% have in store clinics
  - **16% use them**
  - 6% have a dietician or nutritionist in their primary store.
  - **20% of consumers use them**

Opportunities

- **Capture a new pharmacy customer**
- **Leverage food, nutrition and pharmacy to increase customer loyalty**
- **Make your grocery store the destination for health & wellness shopping**

Thank you

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www.fmi.org/store/