Research into action

Paths to success within independent pharmacy

Thursday, February 27, 2014
Welcome

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Before We Begin

• Today’s webinar is being recorded and is for information and educational purposes only.

• All participant lines are muted.

• Enter a question at any time in the “Q&A” box.

• The recorded presentation will be available following this webinar at www.healthcaredistribution.org
Today’s Speaker

Dave Wendland

Vice President
Hamacher Resource Group, Inc.
Today’s Agenda

• HDMA research — natural progression
• Key findings from past research
• Real-life applications/results from studies
• Preview of the independent pharmacy toolkit
• Next steps – the front-end forum
RESEARCH PROGRESSION
How does the supply chain interact to drive front-end sales?

How can suppliers, distributors, and retailers work together to maximize front-end sales? What are front-end drivers?

What subcategories drive high-performing categories that excel in independents over chain drug stores?

Who is shopping independent pharmacy, what are their preferences, and what are pharmacists’ perceptions of their shoppers?

How are pharmacists communicating with their patients, specifically about OTCs?

How can SKU rationalization and store inventory be optimized to encourage sales?

Health, Beauty & Wellness: Opportunities to Enhance Independent Pharmacy Services

Supply Chain Collaboration: Maximizing Health, Beauty and Wellness Product Sales in Independent Pharmacy

Growth Drivers: The Factors Behind Independent Pharmacy OTC Sales

Independent Pharmacy Shoppers: Who, What, and Why?

Pharmacist Recommendations and Patient Interaction

Inventory Management Best Practices

Future
RESEARCH HIGHLIGHTS
How does the supply chain interact to drive front-end sales within independents?

Key findings

- Four areas of business enhancement emerged:
  - Communications — data sharing, service familiarity, and program deployment
  - SKU rationalization — better align inventory with independent pharmacy needs
  - Marketing support — more frequent interaction via in-person meetings, email, and web-based methods
  - New item launches — give more focus to independent pharmacy-focused products; offer more advance notification of new items
How can suppliers, distributors, and retailers work together to maximize front-end sales? What drives front-end sales?

Key findings

• Six categories were identified as “ones to watch” based on their growth in independent pharmacy between 2009 and 2010 — outperforming chain drug during the same period:
  - First Aid
  - Eye/Ear Care
  - Sun Care
  - Smoking Deterrents
  - Incontinence
  - Foot Care
What subcategories drive high-performing categories that excel in independents over chain drug stores?

Key findings

- Independent pharmacy captured $22 million across four categories from 2009 to 2010:
  - Eye/Ear Care
  - First Aid
  - Sun Care
  - Smoking Deterrents
- Subcategories driving growth within independent pharmacy differ from their chain drug and mass market counterparts
- Clinically-focused products performed better in independents
Independent Shoppers: Who, What, and Why?

Who is shopping independent pharmacy, what are their preferences and behaviors, and what are pharmacists’ perceptions?

Key findings

- 73% independent pharmacies suggest their front-end is growing or holding steady
- Nearly three in 10 of those surveyed generated 25% or more sales from their front-of-store
- 69% of shoppers request OTC info from their pharmacist
- Fifteen minutes is the magic number for time in store
- Non-prescription recommendations per day averaged ten
- The front-end’s gross margin is 38% compared to an overall store average of only 23%
- Dollar stores have emerged as a growing competitive threat to independents
# Feedback from past forum participants

- Distributor: 10
- Supplier: 7
- Service Provider: 3
Reinforced and **expanded thinking** that an independent’s front-of-store is underdeveloped

This puts a spotlight on independent pharmacy – a segment **vital** to our business

The combination of the reports have provided **credibility** for the independent pharmacy channel

Smoking cessation growth could be a **big opportunity** for independent pharmacy

**Sheds light** on healthcare trends affecting independent pharmacy and drug wholesalers

**HRG findings** fueled new **dialogue** within our company

Ensure new item availability does not lag behind the industry for independent pharmacy

We see countless opportunities to build on the strengths of independents: convenience; trust; and speed
Key Learnings from the research studies

- Reminded our organization of the **importance** of the independent pharmacy segment.
- Given the number of prescriptions per day (comparable to Rite Aid) independents’ front-ends are **not maximized**.
- Far too few recommendations for OTCs and vitamins – **missed opportunity** for independents.
- Consumer segmentation skewed younger than originally thought – perhaps varies by locale.
- Shoppers rank competitive price as inconsequential while wholesalers seem to often focus on allowances.
- Uncovered potential **misalignment** regarding correct SKUs to promote to wholesalers.
- If independents narrowed their focus to real competitors, they could develop a **better plan** to grow their business.
- Amazing to see such differences in perceptions between shoppers and pharmacists.
Spreading the news about independents

The educational component of these studies has been invaluable – fresh, new information to share with pharmacists.

Shared key statistics with the sales team to help them understand the missed opportunities in the front-end.

Buyers have used the intelligence in supplier conversations.

Put the information into the hands of merchandisers which increased their value to our customers.

Pharmacist kits were provided to independent pharmacists to support their interaction with patients.

Excerpts from Growth Drivers and Shopper Profiles were used in newsletters to independents.

Provided new talking points ... we continue to mine the data.
Enabled us to make better-informed decisions about what is stocked and included in core assortments

Pinpointed categories and subcategories that index high within independent pharmacies

Interesting to look at what is really inside an independent pharmacy’s market basket

Confirmed that the mix for independents should differ from the mass market – more clinically-focused

Inspired us to examine how our brands perform within independents and highlighted under-developed opportunities

Added credibility to discussions with suppliers about SKU rationalization

Focused conversations with manufacturers from a new vantage point

Used findings of Growth Drivers and Shopper Profiles to align SKU priorities with the independent pharmacy channel
Category strategies and pharmacist’s role

- Used the Growth Driver information to reset stores and emphasize the core independent categories
- Drilled down within core Growth Driver categories and used estimates to identify white space opportunities for our brands
- Underscored the need to better educate and equip pharmacists to counsel their patients
- Identified top need states that consumers seek to solve within independent pharmacy
- You should see our First Aid and Wound Care sections now!
- Made commitment to allocate necessary inventory to this channel and to be first to market on drug-oriented product launches
- Front-end management teams gained focus and commitment from independents around key growth categories
- You should see our First Aid and Wound Care sections now!
Shaping independent pharmacy promotions

- Placed more resources against regional wholesalers that derive the majority of their sales from independent pharmacy
- Co-promoted our products in a number of drug wholesaler programs to capitalize on what’s in an independent pharmacy market basket
- Linked findings from the study to our promotional programs; placed more emphasis on core categories
- Contacted vendors in the core Growth Driver categories and gained new marketing support
- Enabled us to get funding and additional resources around products in the Growth Driver categories
- Provided new vision to share with Eye Care manufacturers (pun intended!)
- Used findings to secure additional funding to support independent pharmacy programs
Putting the information into action

Some independents have commented that the insights inspired them to take a fresh look at their front-end business.

Matched shopper profiles to area demographics – profiles were spot on and helped pharmacies take a fresh look at their market.

Honestly, we’ve only just scratched the surface of the data’s potential.

Findings are terrific to incorporate into consumer insight platforms.

The content has been used in multiple presentations – internal and external.

The data has a huge impact on the industry – and it directly applies to our business.

Combining this new knowledge with additional HRG insight has enabled us to boost resource commitments to independents.

Used the findings as the basis for one of our biggest trading partner events of the year.
Industry’s commitment to front-end categories

HDMA’s commitment to our non-Rx business has made conversations with suppliers easier and more productive.

Keep up the great work! The annual forums are getting better and better.

Can’t believe this type of research has never been done – it’s about time!

Our company has renewed interest to engage with HDMA ... we now have top-down support.

Too few in the industry are aware of these insights!

Attending the Forum again ... it’s terrific!

Let’s keep the momentum building!

It’s great to see HDMA more closely examining the non-prescription side of the business.

Would like to see representation and attendance from other OTC suppliers.

These studies have become increasingly relevant – and actionable.

Things in this research for anyone interested in independent pharmacy.

Reports show wholesalers and suppliers willing to help independents maximize their retail space.

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NEXT STEPS
Join us June 1-3 at the front-end forum!

HDMA's FRONT-END FORUM
Convening at the 2014 Business and Leadership Conference

73% of independent
pharmacists say front-end is
growing or holding steady

In 2012, HRG reviewed over 2,400
items introduced to the market.
For 2013, new items are
trending at a rate to hit 3,000+

who is shopping
independent
pharmacies

6% 14% 18% 30% 22% 10%
under 25 26–40 41–50 51–64 65–74 age 75+

80–90% of products, when
recommended by a
pharmacist, are
generally purchased

Independents represent
38% of pharmacies across
the United States

Where are they?

17% 22% 25%
7% 28%

Produced in cooperation with Consumer Healthcare Products Association (CHPA) and National Community Pharmacists Association (NCPA)
Key elements

- Diagram depicting progression of research
- Research factoids and Infographic(s)
- Easy access to prior (and planned) research
- PowerPoint of survey findings/application
Continue the dialogue – plan to attend the 2014 HDMA Front-End Forum in June. Discover new insights and new strategies to better serve the needs of the independent pharmacy market.

Key details for the Front-End Forum
June 1-3, 2014 in Phoenix, Ariz.

- Special registration rates for 1st time attendees
- Includes education and one-on-one business appointments within the 2014 HDMA Business and Leadership Conference
- Contact Lisa Kanfer, Director, Membership Development, HDMA
  lkanfer@hdmanet.org, 703-885-0270
  www.healthcaredistribution.org

Research studies are available online:
http://www.healthcaredistribution.org/ir_issues/hbw.asp
Acknowledgments to the 2014 Front-end Forum Advisory Committee

Mr. Timothy Buskey*  
Mr. David H. Heist  
Ms. Naomi Duvall  
Mr. Ted Peterson  
Miss Lauren J. Tracy  
Mr. Robert Dynek  
Ms. Carolyn Webb  
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Smith Drug Company, Div. J M Smith Corporation  
Smith Drug Company, Div. J M Smith Corporation  
Upsher-Smith Laboratories, Inc.  
Value Drug Company

*Co-chairs, HDMA Health, Beauty and Wellness Committee
Thank You

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