Independent Pharmacy Shoppers:
Who, What, and Why?

about this study

Purpose

The Healthcare Distribution Management Association (HDMA), with the support of several sponsoring organizations, commissioned Hamacher Resource Group, Inc. (HRG) to conduct this study in summer 2012. The objectives of the study were twofold: 1) to define shopper segments that currently patronize the independent pharmacy retail channel, and 2) to identify the types of products and services they rely on these pharmacies to provide. HDMA and its members plan to use the insights revealed to better understand the independent pharmacy market and to develop more targeted programs to support it.

Objectivity

In its role as an objective source of retail consumer healthcare intelligence and programs, HRG designed and executed the field research, electronic surveying, and data analytics that inform the final results of this study.

Collaboration

A cross-functional team of HRG associates from the disciplines of market research, category management, data management, customer service, consumer healthcare marketing, and healthcare product and pricing management created the study's scope in full collaboration with HDMA and the sponsors.

Questions for study

Some of the questions we explored included:

- Who is really shopping independent pharmacy?
- What are key purchase drivers?
- Where else do these consumers shop, and why?
- How are shoppers segmented?
- How and why do different shopper segments bundle certain purchases?
- Could store personnel drive additional purchases?
- How do independents learn of new products, and how do they manage their front-end?

This research was made possible through the generous sponsorship of the following organizations:

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W229N2510 Duplainville Road
Waukesha, Wisconsin 53186
www.hamacher.com

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1. executive summary

Independent pharmacy landscape

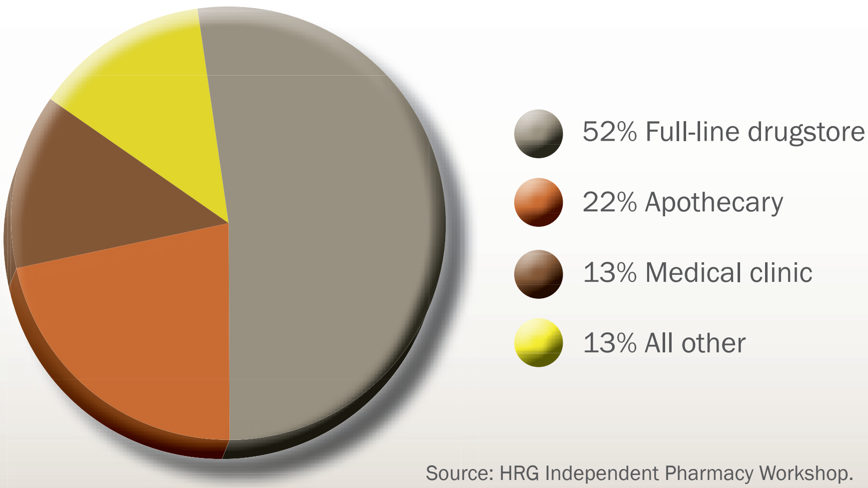
Retail pharmacy faces an increasingly competitive marketplace. Nowhere is that more apparent than within the independent pharmacy sector. Independent pharmacy is one of the cornerstones of modern medicine, yet the decades-long debate about its future viability continues.

> Independent pharmacies' strongest positioning is as community-based healthcare providers.

There are some who would like to commoditize the pharmacy industry and reduce the value of the patient-pharmacist relationship to merely a tactical function. This valuation is far from the truth about the role of independent pharmacists, who not only care for their customers 24/7, but may own the building in which they operate, live in the community in which they work, devote their career to helping manage medication regimens, recommend the appropriate over-the-counter (OTC) product, and provide information to keep their customers healthy.

This report puts a spotlight on the independent pharmacy front-end — also known as front-of-store — customer. It identifies shoppers' behaviors, their purchase preferences and practices*, and potential barriers that stand in the way of further engagement with independents. Ideally, it will serve as a springboard to action that encourages organization-wide enthusiasm to effectively market to and serve independent pharmacy.

FIGURE 1a. INDEPENDENT PHARMACIES COME IN VIRTUALLY EVERY SHAPE AND SIZE.



Source: HRG Independent Pharmacy Workshop.

* For purposes of this study, purchase preferences of health, beauty, and wellness products (HBW) were separated into OTC medicines and personal care items to facilitate data collection. See Appendix page 37 for the categories included in each segment.

The largest pharmacy segment

The National Community Pharmacists Association (NCPA) reports that as of 2011, independent pharmacies in the United States numbered 23,106. This population has changed very little in recent years. Included within this total, as detailed in the *2012 NCPA Digest*, are independent pharmacist-owned regional chain operations, franchise stores, compounding pharmacies, and long-term care pharmacies, as well as some supermarket pharmacies.

NCPA also reports that a total of 38 percent of all retail pharmacies are independents, representing $88.5 billion in sales of prescription medicines, over-the-counter remedies, home health equipment and supplies, consumable food and beverage, gift items, and other merchandise. The average independent pharmacy dispenses 201 prescriptions per day. This level of traffic offers opportunity for consultation with the pharmacist and browsing of the front-end by prescription customers.

With a rapidly aging population and a dramatic rise in chronic conditions, independent pharmacies could find themselves ideally positioned to become a consumer's first choice for care. That said, investments to the infrastructure of the pharmacies themselves, staff training, greater use of tools developed by their wholesalers, and improved efficiencies overall will become critical factors in their success.

Source: *2012 NCPA Digest*.

Methodology

The analysis that follows is based on a comparison of information gathered from independent pharmacists, point-of-sale (POS) data, and independent pharmacy shoppers.

Three-pronged study methodology

Pharmacist surveys

12,000+ invited to participate

multiple contact attempts

600+ completed

Shopper interviews

51 stores

variety of geographies/ demographics

477 shoppers participated

Point-of-sale data

52 weeks

38 stores

930,000 market baskets

1.8 million transactions

HRG identified more than 12,000 high-performing independent pharmacies and invited the pharmacists to complete online or fax-based surveys during September and October 2012. Six hundred completed the survey. Once data were cleansed, 581 surveys were found viable for statistical analysis.

Between September and November 2012, researchers visited 51 pharmacies in a mix of urban, suburban, and rural locations. They recruited shoppers spontaneously to participate in on-the-spot interviews. In most pharmacies, at least ten shoppers participated in interviews.

Programmers developed a custom data format accommodating the lowest available level of granularity in preparation for the gathering and analysis of 52 weeks of transaction-level POS data from 38 pharmacies representing sales from October 1, 2011, through September 30, 2012.

Key findings

In brief, this research confirms that independent pharmacies are best characterized by their self-determination which demonstrates the ability to adapt, improvise, and thrive during challenging times. The insights and recommended actions offered in this report can form a roadmap for continued success for retailers, their distributors, and manufacturers of health and wellness products.

The list at right represents the most significant discoveries made during the course of this research.

Six study highlights

- Seventy-three percent of pharmacists surveyed say their front-end business is either growing or holding steady. (See page 11.)
- Independent pharmacy shoppers overwhelmingly cite satisfaction with service as the key reason they are loyal to their pharmacy. (See page 8.)
- Consumers choose non-drug retailers, e.g., grocery and mass retailers, for OTC and personal care purchases most often because of convenience or price considerations. (See page 6.)
- The dollar channel (led by Dollar General, Family Dollar, and Dollar Tree) is a rapidly growing competitor to the drug channel. (See page 6.)
- Pharmacists and shoppers often see things differently in terms of category popularity. (See page 15.)
- Increased frequency of shopping trips to the independent pharmacy resulted in higher percentages of OTC and personal care purchases. (See page 8.)

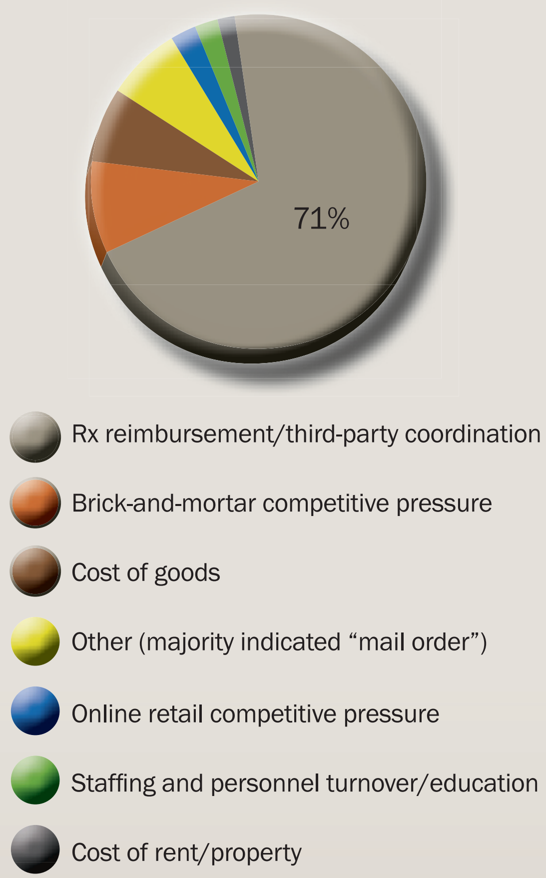
2. competitive threats and advantages

A myth endures surrounding the supposed disappearance of "mom and pop" pharmacies from many shopping districts. Numbering more than 23,000, independent pharmacies are still part of the glue that holds local economies together. In many cases, however, it cannot be denied that this bond is dissolving.

Competition not the biggest threat

Most independently owned pharmacy operations see their most threatening challenge coming from reimbursement levels and third-party pressure. An overwhelming seven of ten independent pharmacists surveyed named it their most formidable challenge (see Figure 2a).

FIGURE 2a. RANK OF INDEPENDENT PHARMACISTS' SELF-IDENTIFIED CHALLENGES



Although mail order was not an answer choice for the survey question regarding significant challenges, the majority of respondents who answered "other" indicated mail order. While this sector of competition may not directly fulfill large quantities of OTC medicines, the fact that mail order customers are not visiting independent pharmacies for their prescriptions puts significant pressure on independents. This may dramatically reduce foot traffic to stores and erode the potential for growing OTC sales.

Perhaps surprisingly in some respects, competitive pressure from other brick-and-mortar stores — specifically drug chain operators and mass merchants — registered a distant second among the pharmacists who participated in the survey. However, understanding the strengths and vulnerabilities of these competitors remains important.

Chain drugstores continue to introduce innovative store formats, in some cases placing pharmacists in the front of the store. Revised product assortments are designed to position chain operators as everything from beauty consultants to wellness experts to a seasonal decoration source.

Drug chains also have aggressively expanded their food offerings — both fresh and packaged consumables and beverages — to create a one-stop-shopping experience and to capture fill-in trips from their grocery store rivals.

For its part, mass retailer Walmart remains committed to opening more of its neighborhood market stores, a smaller format that includes grocery, HBW, and pharmacy.

The dollar channel is perhaps the surprise entry into the health retailing competition. Clearly, dollar stores are emerging as a direct competitor to independent pharmacy, with many consumers surveyed mentioning dollar stores as an alternate outlet that they frequent for HBW purchases.

TABLE 2b. PHARMACISTS' AND SHOPPERS' RANKING OF OTHER RETAIL OUTLETS THAT COMPETE FOR HBW SALES.

Competitor for HBW	Pharmacists	Shoppers
Chain Drugstore	1	2
Mass Merchant	2	1
Another Independent	3	N/A
Grocery Store	4	3
Club (e.g., Costco)	5	5
Dollar Store (e.g., Dollar General)	6	4
Online Store (e.g., drugstore.com)	7	7
Convenience Store (e.g., 7-Eleven)	8	8
Natural Products/Specialty (e.g., Vitamin Shoppe)	9	6

Dollar stores are emerging as a direct competitor to independent pharmacy.

Consumers like choices

Competitive pressure for OTC and personal care purchases from other brick-and-mortar stores is apparent through the shopper interview responses (see Table 2b). Rarely did a shopper report patronizing just one other retail format.

Mass retailers were shoppers' top response for where else they shop for OTC and personal care items. This pairs with the fact that shoppers frequently referenced one-stop-shopping and price as reasons they do not purchase OTCs and personal care products at independent pharmacy.

Chain drug was cited second most frequently for OTC purchases. With a pharmacist available for consultation, chain drugstores may be a more comfortable fit for consumers of OTCs. Conversely, a preference for grocery emerged for personal care purchases. It is possible that the convenience factor drives grocery's ranking higher than chain drug's for these products.

Online stores do not appear to pose a threat at this time. However, as young adults born during the 1980s and 1990s ("Millenials") move into middle age, independents should consider exploring mobile platforms and social media.

FIGURE 2c.

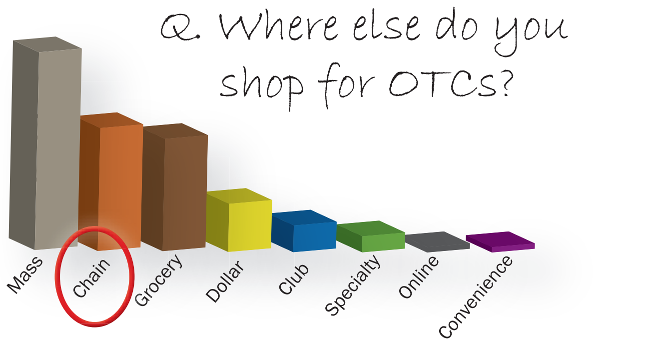


FIGURE 2d.

The threat from within

An additional threat to independent pharmacy may be from within. To thrive in today's competitive — and connected — market, "Main Street" stores must reject complacency and the inertia that comes with doing things "the way they've always been done." They must continue to evolve to remain competitive.

The key is cultivating conditions that create success while protecting independent pharmacy's most loyal shopper base.

Competitive advantages

Of equal importance to recognizing the threats that independent pharmacies face is understanding their competitive advantages as a retail channel.

It is no secret that pharmacists are among the most trusted professionals in the United States. Year after year, consumer surveys such as annual Gallup polls place pharmacists near the top of the list, along with other healthcare professionals, in terms of their honesty and ethics.

This vote of confidence from the public is borne out by this research. The results of this study's interviews with independent pharmacy shoppers indicate that pharmacists' service and reliability is consistently the top reason that shoppers return to the store. Some patrons remain loyal throughout their lives, and some families throughout generations.

Trust. Frequency. Longevity.

Results of the shopper interviews showed a strong correlation between a trusting relationship with the pharmacist and longevity (10+ years) of shopping at the independent pharmacy.

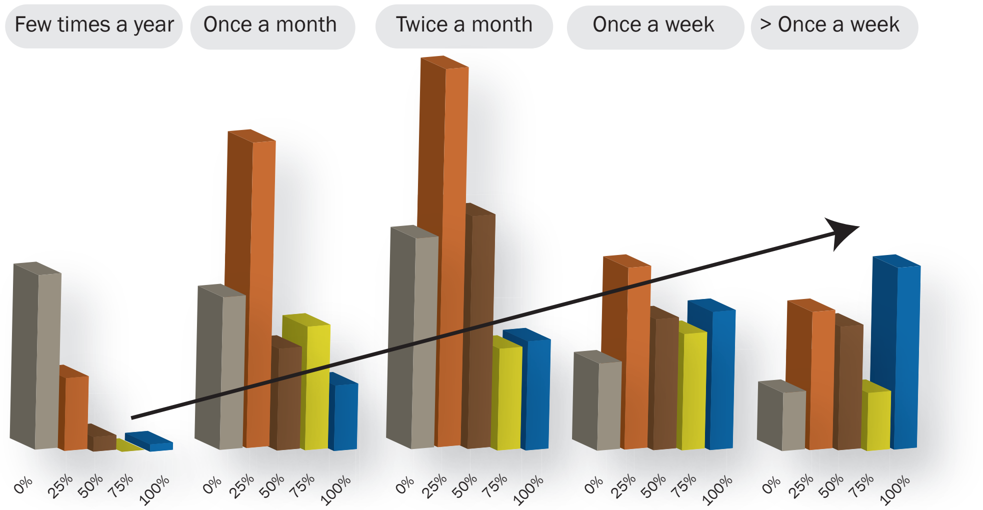
The benefit to retailers is clear: those shoppers who credited their relationship with the pharmacist as a reason for loyalty to their independent pharmacy were more likely to reward them. This group purchased approximately 50 percent of personal care items and OTCs at the independent.

Only 19 percent of pharmacists felt that trust was a reason people continued shopping at their store. Clearly, the profession sells itself short. Pharmacists may not recognize the tremendous credibility they truly have with their loyal shoppers.

At the same time, shopper interviews revealed that the frequency of pharmacy visits had a measurable influence on the volume of their front-end purchases. This correlation amplifies the need for consistent and effective pharmacy marketing activities, both to retain the existing customer base and to attract new business.

Recognizing and meeting the distinct needs of typical shoppers (see “Shopper Profiles” on page 17) is the key to long-standing relationships, trust, and ultimately shopper loyalty.

FIGURE 2e. PERCENTAGE OF OTCs PURCHASED AT INDEPENDENT, BY FREQUENCY OF VISIT.



Creating more occasions for the shopper to be in the store will increase the likelihood for health, beauty, and wellness purchases.

Service is king

The independent pharmacy shoppers interviewed verified their strong preference for the independent’s customer service, convenience, personal relationships, and speed of service. Many of those interviewed reported knowing their pharmacist by name, knowing the families who have owned the pharmacies for generations, and relying on their pharmacists even after business hours or on holidays when an unexpected need arose.

In fact, whether a shopper had patronized the pharmacy for one year or ten, “service” was the chief reason named for their repeat business.

Pharmacists seem to understand the importance of service as well. A full 40 percent of those surveyed responded that service is their greatest strength.

TABLE 2f. RANKING OF PHARMACISTS’ PERCEPTIONS OF AND SHOPPERS’ ACTUAL ANSWERS TO “WHY DO YOU SHOP AT INDEPENDENT PHARMACY?”

Reason for shopping	Pharmacists	Shoppers
Service	1	1
Relationship with RPh	2	4
Prescriptions	3	2
Close to home	4	3
Competitive prices	5	9
Convenience	6	5
Product selection	7	8
Other	8	7
Family-owned	N/A	6

15 minutes or less

Among all shoppers interviewed, those who spent approximately 15 minutes in the store made the most OTC purchases. Those who spent less than 15 minutes in the store made the most purchases of personal care products.

The lesson to independent pharmacies is to ensure those 15 minutes are "productive" time. For example, they could train staff to interact with customers by recommending companion purchases. The goal is to match the speed of front-end service with the speed of prescription transactions.

Pharmacists' advice on OTCs

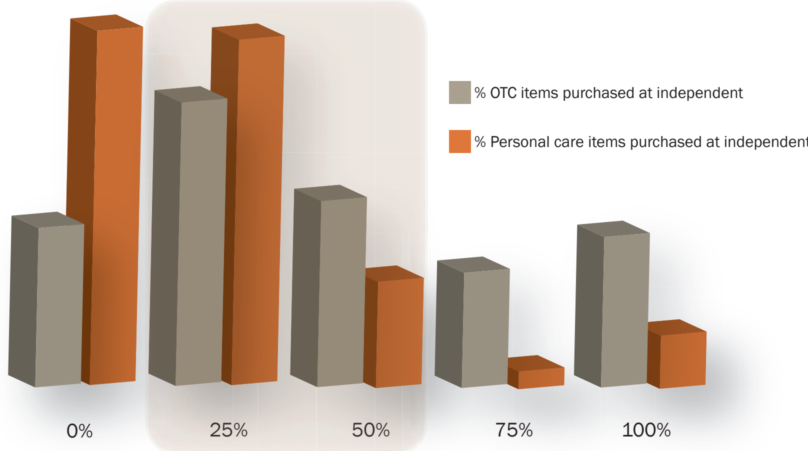
When asked "Where do you most often seek information on OTC medications?" as part of the in-store interviews, a large majority — 69 percent of shoppers — chose the pharmacist more than other sources of information such as doctors, friends/family, the Internet, advertising, and television.

This vote of confidence indicates a level of trust in pharmacists' care that extends beyond the pharmacy counter. Anecdotally, a number of shoppers candidly expressed their trust in the pharmacist, noting that the pharmacist knows the most about what medications they are taking, and how they interact, and can anticipate their OTC medication needs.

Linking back-end (prescription department) with front-end

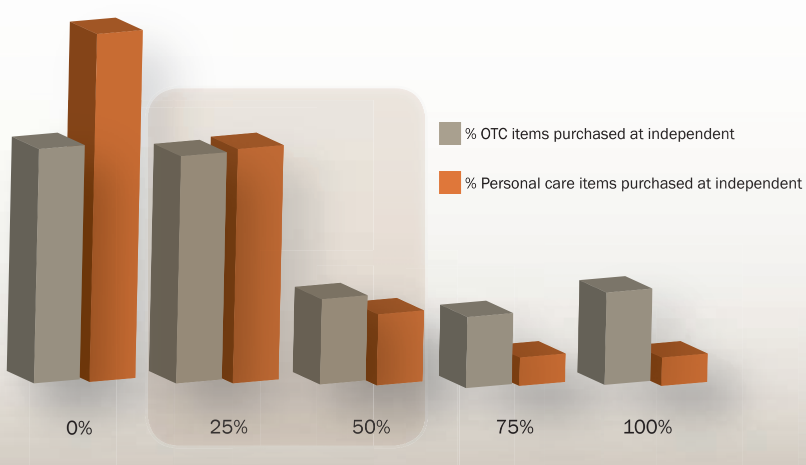
A pharmacy cannot reach its full profit potential until steps are taken to link its prescription and non-prescription sales. Product recommendations are a big piece of the puzzle. The estimated average number of recommendations per day made by independents was approximately ten. Yet, 41 percent of pharmacists surveyed mentioned that they only make 1-5 OTC recommendations per day.

FIGURE 2g. PURCHASE BEHAVIOR OF SHOPPERS WHO SEEK PHARMACIST ADVICE



Shoppers who seek pharmacist advice are more likely to make 25 to 50 percent or more of their OTC and personal care purchases at the independent pharmacy.

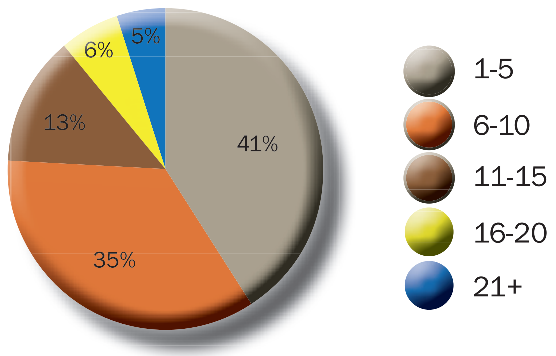
FIGURE 2h. PURCHASE BEHAVIOR OF SHOPPERS WHO **DO NOT** SEEK PHARMACIST ADVICE



With an average of 1,173 prescriptions filled in a week, a significant opportunity exists to recommend a companion product with nearly every prescription transaction.

The 41-50 and 51-64 age ranges are least likely of all shoppers over 25 to seek advice from the pharmacist, respectively, but also are the most likely to seek information from television or advertisements. Since pharmacists reported that these two age brackets comprise 85 percent of their shopper base, a large opportunity emerges for pharmacists to proactively reach out to shoppers with information on companion OTC products.

FIGURE 2i. OTC RECOMMENDATIONS MADE PER DAY BY INDEPENDENT PHARMACISTS

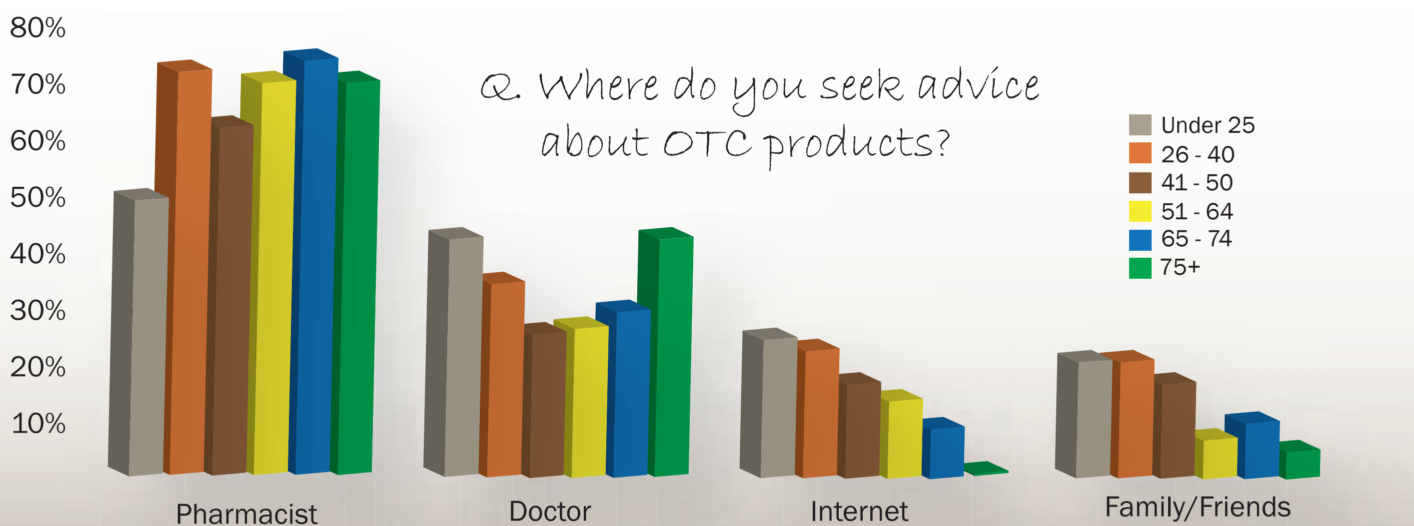


Seize the advantages

To make the most of their business, independent pharmacists and their partners must capitalize upon their advantages while respecting their competitive threats. Chief among those advantages are the advice and availability of the pharmacist, the speed of transactions, and providing friendly, dependable service. Loyalty will follow as pharmacists and staff members build and maintain relationships with their customers and communities.

Capitalizing on the relationships this retail channel fosters can increase revenues for all links in the supply chain.

FIGURE 2j.



3. front-end importance

It is well documented that independent pharmacies rely on prescription business for the lion's share of their annual sales. The *2012 NCPA Digest* reported average annual prescription sales of 92.2 percent of a typical independent's revenues. In contrast, the research conducted for this study revealed prescription sales averaging 81 percent of annual revenues among the independents surveyed. The difference is not surprising, as the methodology behind this research targeted pharmacies with a stronger than typical front-of-store emphasis.

Perhaps because the contribution of front-end sales is small by comparison, its significance is often overlooked. According to HRG's analysis of store-level POS scan data, the front-end's average gross margin is 38 percent. In contrast, the total store average gross margin is 23 percent, including the prescription department (source: *2012 NCPA Digest*).

Front-end to the rescue

A well-managed front-end can help offset profitability challenges. This research suggests that on average, front-end business, particularly personal care and OTC items, comprises 11 percent of a pharmacy's total sales. General merchandise accounts for the remaining 8 percent.

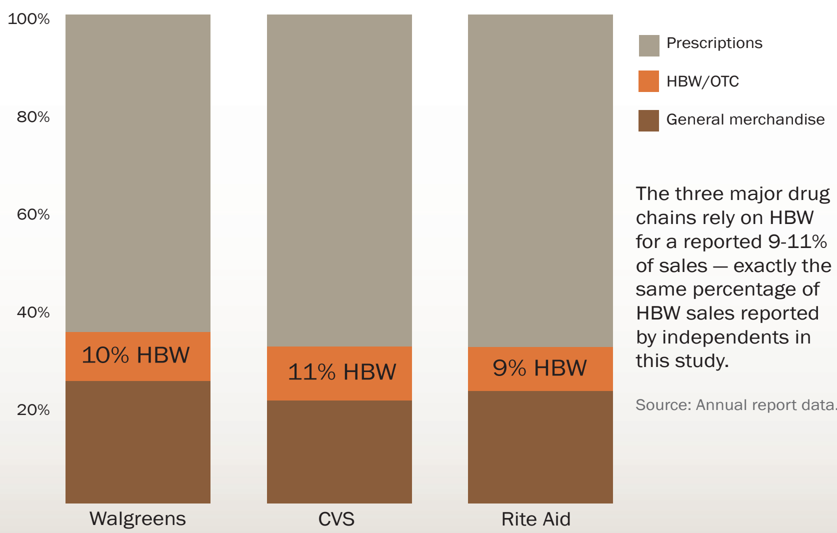
Myth: front-end in decline

A common misperception endures that independent pharmacies as a retail channel are on the decline.

73% of pharmacists surveyed reported the front-end is *growing* or holding *steady*.

Only 27 percent of pharmacists surveyed reported that front-end sales are decreasing. Thirty-two percent reported that their front-end sales have grown over the last few years. Another 41 percent shared that front-end sales are holding steady.

FIGURE 3a.

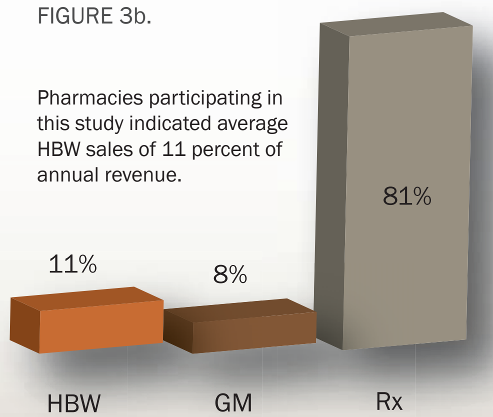


The three major drug chains rely on HBW for a reported 9-11% of sales — exactly the same percentage of HBW sales reported by independents in this study.

Source: Annual report data.

FIGURE 3b.

Pharmacies participating in this study indicated average HBW sales of 11 percent of annual revenue.



What's working in the front-end?

The pharmacists who reported front-end growth were more likely to rely almost equally on planograms and in-store merchandisers than those who indicated that their sales are decreasing or holding steady (see Figure 3c). The implication is that stores committed to front-end growth recognize the importance of carrying the right products, in the right places, with the right pricing and promotion.

On the other hand, the 27 percent of pharmacies with front-ends in reported decline rely more on planograms than in-store merchandisers. This dichotomy suggests that planograms perhaps are not implemented in a timely or accurate manner. Follow-through at shelf remains a critical factor in front-end shopability. (See related information on page 16, "Strategic planograms deliver increased sales.")

What would work better?

The pharmacists who indicated their front-end sales were decreasing shared that they wanted to grow their front-end especially through advertising, a new layout, or staff training in the next year (see Figure 3d). Stores with growing or steady front-ends also expressed interest in advertising and training.

FIGURE 3c.

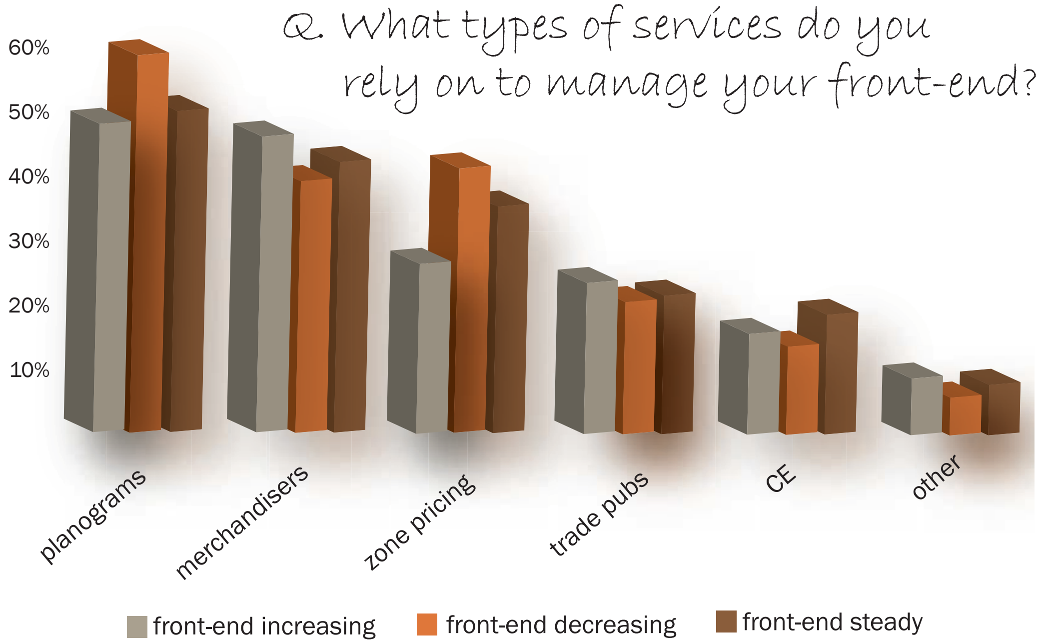
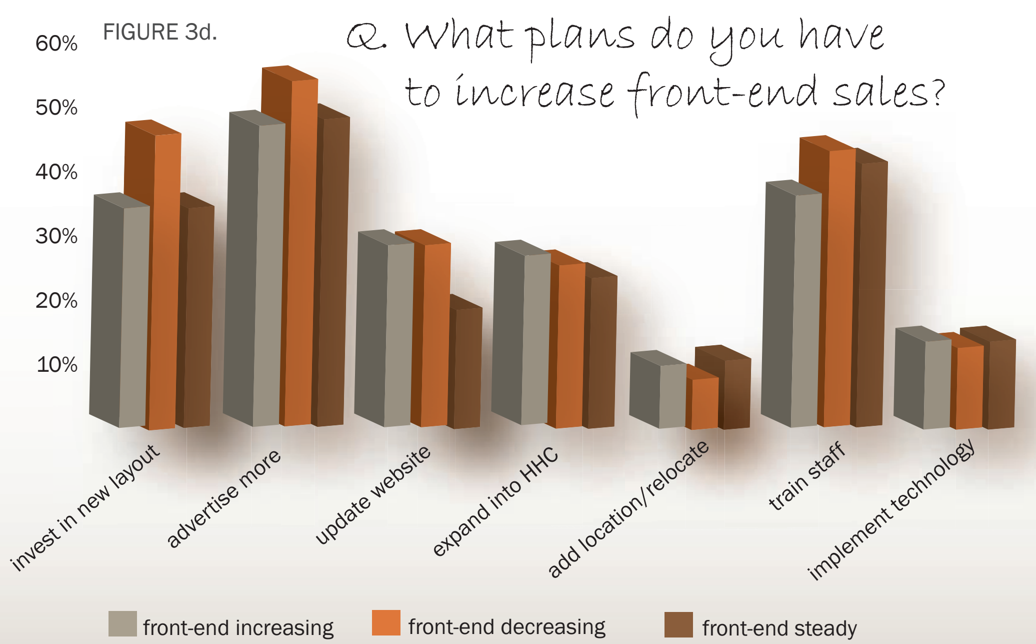


FIGURE 3d.



Unmasking front-end sales in the independent pharmacy

Independent pharmacy front-end sales have long been cloaked in secrecy — not because of reluctance on the part of pharmacy operators to share information, but rather a lack of reliable data and the objectivity to analyze and assess key factors. Through this study, HRG has shed new light on the practices within the independent pharmacy channel and shopper preferences and habits. The series of graphs on this page are based on POS data and examines peak transaction times, days of week, and month-by-month performance factors which can help unmask independent pharmacy. Putting these newly discovered findings into action can help with such activities as timing of communication, in-store implementation activities, and product launch timetables.

FIGURE 3e.
HBW dollar sales by month

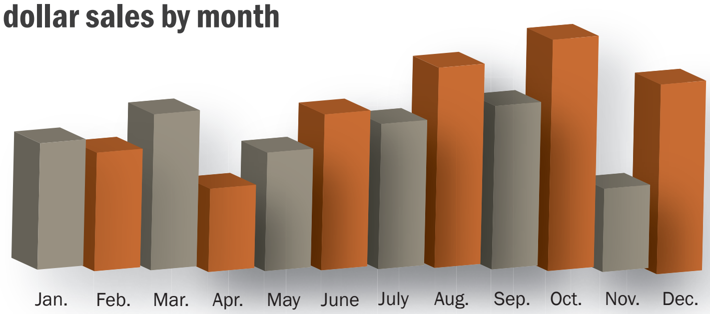


FIGURE 3f.
HBW sales by day of week

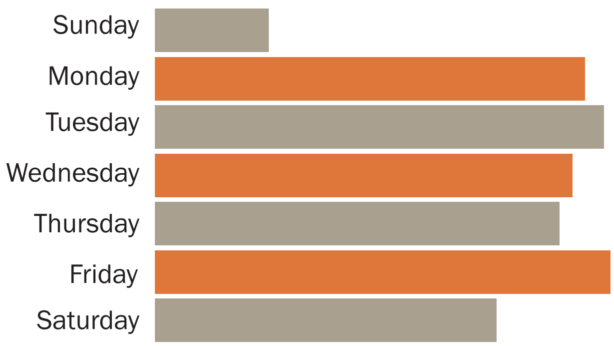
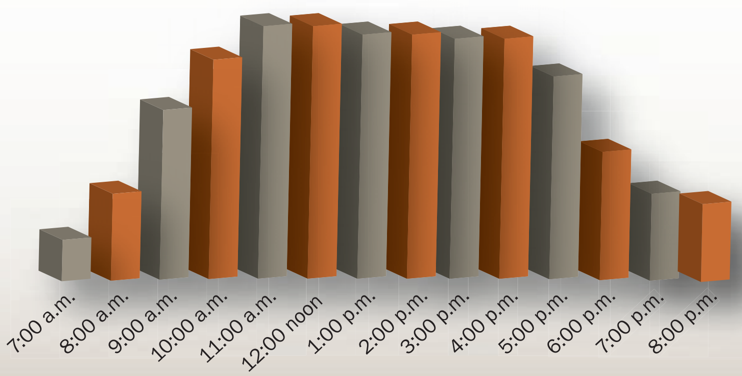


FIGURE 3g.
Front-end sales by time of day



The story behind the data

As in many retail channels, POS data show that overall total dollar sales for independent pharmacies are at their highest in December. Dollar sales quickly decline in the new year. The rest of the year remains relatively consistent.

However, October is the highest sales month for strictly HBW, followed by August and then December.

Friday is typically the day that generates the most dollars for the pharmacy front-end, followed by Tuesday. Purchases of HBW are also heaviest on these two days. The data show the busiest times of day for front-end sales are between 11:00 a.m. and 12:00 noon.

Understanding these peaks and valleys can assist wholesalers in planning merchandising support and communication strategies.

The average independent pharmacy market basket:

Deconstructing the independent pharmacy market basket

This table represents the most likely combinations of category purchases to be found in the same market basket, according to POS data analysis.

TABLE 3h. RANK OF CATEGORIES MOST LIKELY TO BE FOUND IN THE SAME MARKET BASKET WITH A PURCHASE FROM THE CATEGORY IN THE FIRST COLUMN.

Category Purchased	1st	2nd	3rd	4th	5th
Cold & Allergy	Confections	Pain Relief	Food/Beverage	Digestive	Vitamins
Digestive Health	Cold & Allergy	Pain Relief	Vitamins	Confections	Food/Beverage
Pain Relief	Cold & Allergy	Confections	Digestive	Vitamins	Food/Beverage
Skin Care	Confections	Oral Care	Cold & Allergy	Household	First Aid
Vitamins/Supplements	Cold & Allergy	Pain Relief	Digestive	Confections	Food/Beverage

Cold and allergy and pain relief are most likely to be found together in a market basket. This suggests that these categories should be considered for adjacent positioning.

Capitalizing on the "growth driver" market basket

Examining market basket purchase behavior among the strongest-performing categories reveals similarities to the top performers depicted above.

The chart at right examines the market basket when a purchase is made from one of the growth driver categories.

POS data show that first aid purchases ranked third in terms of unit sales. First aid was identified as a growth driver for the independent pharmacy channel in *Growth Drivers: The Factors Behind Independent Pharmacy OTC Sales*.*

TABLE 3i. RANK OF CATEGORIES MOST LIKELY TO BE FOUND IN THE SAME MARKET BASKET WITH A PURCHASE FROM ONE OF THE GROWTH DRIVER CATEGORIES.

Growth Driver	1st	2nd	3rd
First Aid	Cold & Allergy	Confections	Pain Relief
Eye/Ear Care	Cold & Allergy	Confections	Oral Care
Sun Care	Gifts/Novelties	Skin Care	Confections
Smoking Deterrents	Food/Beverage	Confections	Vitamins
Foot Care	First Aid	Confections	Cold & Allergy

* This white paper was co-sponsored by HDMA and Consumer Healthcare Products Association (CHPA), www.chpa-info.org.

The most popular front-end categories

Certain front-end categories typically receive credit for generating the most traffic and register rings. What has not been compared until now is the difference, if any, between pharmacists' perceptions of the most-shopped categories, shoppers' perceptions, and the "tale of the tape" told by the POS data. Table 3j shows this side-by-side comparison.

TABLE 3j. PHARMACIST PERCEPTIONS AND SHOPPER ANSWERS OF THE MOST SHOPPED FRONT-END CATEGORIES, VERSUS ACTUAL SALES DATA

Category Most Shopped	Pharmacists	Shoppers	POS Data
Cold & Allergy	1	2	1
Pain Relief	2	1	2
Vitamins/Supplements	3	4	5
Diabetes Care	4	11	15
First Aid/Wound Care	5	3	3
Digestive Health	6	5	4
Home Health Care	7	7	6
Skin Care	8	6	8
Eye/Ear Care	9	8	7

The first three categories listed — cold and allergy, pain relief, and vitamins/supplements — received a combined 68 percent of pharmacist responses. Where their perception differed most from the sales data was in the area of first aid/wound care and digestive health, which are responsible for the third and fourth most unit sales, respectively.

Front-end more important to older shoppers

The importance of the front-end increases with age. Research indicated that shoppers over 75 years old relied more heavily on the independent pharmacy for their OTC purchases than shoppers under 25 years of age (see Figures 3k and 3l).

FIGURE 3k. PERCENT OF SHOPPERS, BY AGE, WHO PURCHASE 75% OR MORE OF OTCs AT INDEPENDENT PHARMACY

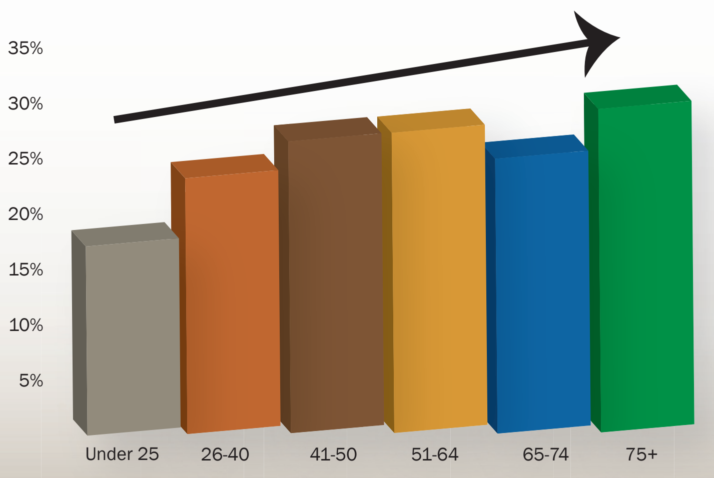
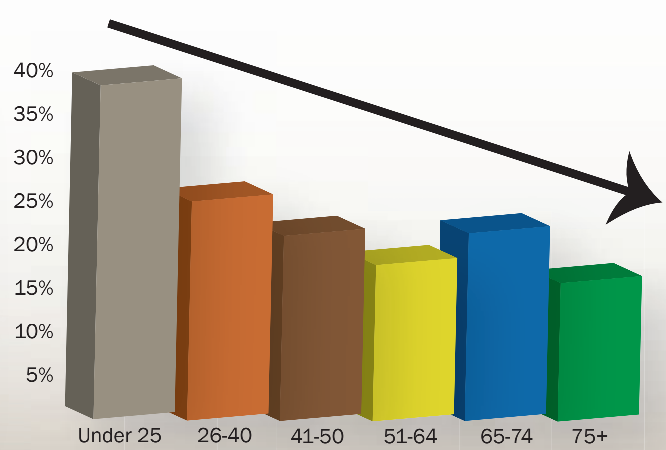


FIGURE 3l. PERCENT OF SHOPPERS, BY AGE, WHO PURCHASE **NO** OTCs AT INDEPENDENT PHARMACY



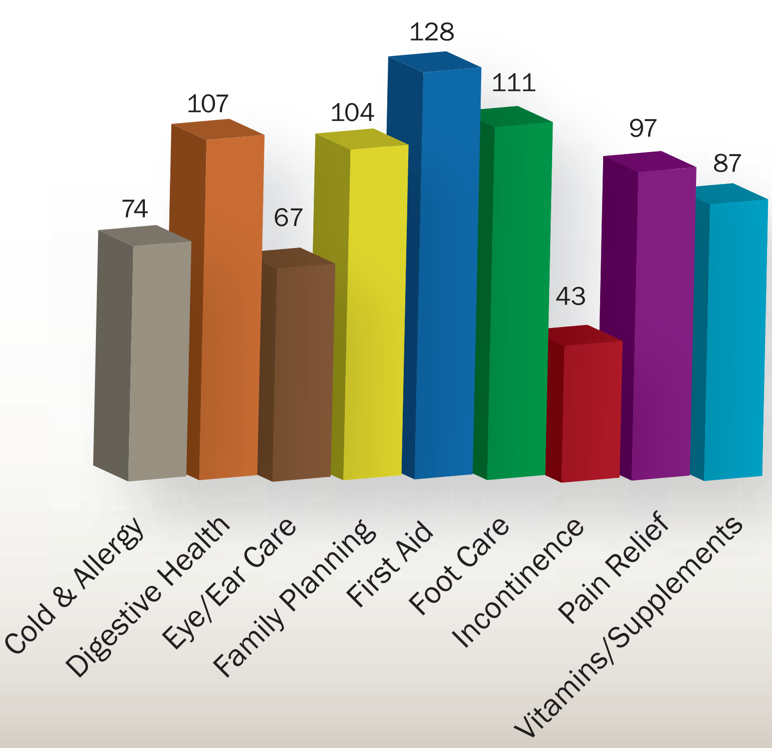
Speed to market of new items

Analysis of the robust, transactional-level POS data revealed how long it takes for a new item to receive its first register ring in independent pharmacies from the date it is assessed for inclusion in independent pharmacy planograms as part of HRG's new item review process. The average across all categories was 113 days.

The graph below highlights the average number of days to first scan for core OTC categories. Categories such as incontinence products that feature items with more frequent inventory turns often have new items with the most timely first sales.

Although the graph indicates "average" new item launches, there are certainly examples of very close alignment between manufacturers and wholesalers to ensure the independent pharmacy is adequately equipped to capture sales of new items in a timely manner. Collaborative efforts are essential.

FIGURE 3m. AVERAGE NUMBER OF DAYS TO FIRST SCAN, BY CATEGORY



Strategic planograms deliver increased sales

In its role as an objective category manager for independent pharmacies, HRG recommends specific item assortments for each category to achieve maximum profitability. When compared to the POS data to determine sales performance, HRG-recommended items for digestive health planograms represented 48 percent of the total items stocked within the reporting independents (581 of 1,214 uniquely stocked items). They proved to be well worth their shelf space as they contributed nearly 80 percent of category sales dollars.

Similarly, within cold and allergy, HRG-planogrammed items (746 of 2,091 uniquely stocked items) accounted for about 36 percent of total category items stocked and 75 percent of category sales dollars. In pain relief, 552 planogrammed items generated more than 70 percent of category sales. The reporting data, however, reveal 1,550 unique items — perhaps too many under-performers within the category.

This analysis underscores the importance of strategic planograms and reveals potential opportunities to refine inventories to more productive stock-keeping units (SKUs) with higher sales likelihood.

4. shopper profiles

As previously noted, the objective of this study was to get to know independent pharmacy shoppers better: how and why they shop, as well as characteristics of their buying behavior. This very diverse demographic classification resists easy stereotyping.

Customers of independent pharmacies are looking for help meeting their essential health and wellness needs.

The data show that 20 percent of consumers shop for more than half of their personal care products at independent pharmacy. This leaves 80 percent of consumers who shop for less than half of their personal care products at independents. Those under age 25 or over age 75 were the most likely to report shopping for more than half of their personal care items in an independent pharmacy. Herein lies an opportunity to engage those aged 25-74 to purchase more personal care products in independent pharmacy. Imaginative cross-merchandising and eye-catching in-store displays are two potential approaches.

In contrast, 45 percent of shoppers reported shopping for 50 percent or more of their OTC items at independent pharmacy. When filtered by age of shopper, 39 percent of those aged 26-40 and 47 percent of the 51-64 age group purchase 50 percent or more of their OTC items at an independent.

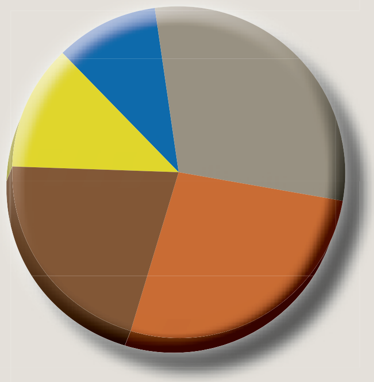
The data confirm that Baby Boomers, those aged 48 to 66 as of 2012, are a particular “sweet spot” for independent pharmacy. This is a segment worth nurturing. They will reach out for more services in the future as they continue to age. In other words, build loyalty now and you’ll gain a “Long-time Loyalist.”

FIGURE 4a.

Understanding shoppers' needs

Although shopper marketing has been around since at least 2005, it is a technique that has not been employed for the independent pharmacy segment as it has for other channels such as chain drugstores. Shopper marketing offers a fresh approach to how independent pharmacies can attract and retain customers.

FIGURE 4b. INDEPENDENT PHARMACY SHOPPER TYPES



A diverse group

As revealed in the shopper profiles, "homogenous" does not describe independent pharmacy shoppers. Generalization about shoppers has its risks.

Yet one common thread emerges: customers of independents are looking for help meeting their essential health and wellness needs.

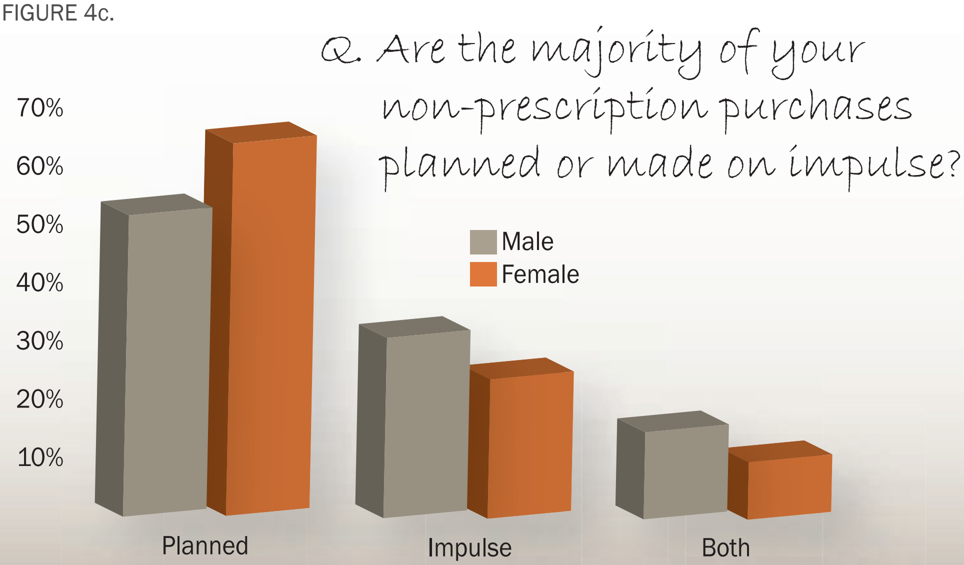
Five main types

Five unique shopper profiles emerged from this research, clustered around need states and shopping occasions. They range from "Long-time Loyalist" — an energetic, loyal customer focused on pharmacy, OTC medicines, and personal care — to "Conscientious Carer," a shopper who heavily relies on the advice of the pharmacist, who seldom uses the Internet, and whose needs center on care for themselves and a loved one.

It is important to note that successful merchandising for these customer segments is partly a matter of items and categories, but more so it is about service, and in some cases, advice and access to reliable information.

It also is notable that across all age groups and segments, the majority of purchases made at independent pharmacies are planned rather than based on impulse, although male shoppers tend to make more impulse purchases than females.

FIGURE 4c.



Differences are pronounced

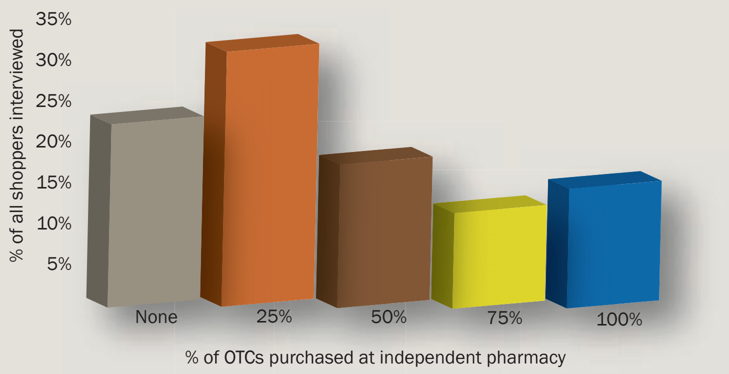
Shopper behavior varies drastically across different groups. Some have been deeply affected by economic volatility. They seek value and convenience above all else. Other groups rely heavily on pharmacist interaction and are especially loyal to a particular pharmacy.

With this new understanding of each group's values and perceptions, distributors, manufacturers, and retailers will be able to use segmentation to identify key consumer preferences and successfully meet the needs of their target shoppers.

The following pages illustrate HRG's segmentation of the shoppers interviewed as part of the store intercept process. Because each independent is unique unto itself, each pharmacy must define its own shopper base in order to make the most effective decisions for that location. Likewise, wholesalers should segment the independent pharmacies they service and customize program offerings to fit the individual store profiles.

Q. What percentage of your over-the-counter medication purchases are made here?

FIGURE 4d.



Independent pharmacies must create opportunities to increase the amount of OTC purchases made by all shoppers.

shopper profile:

The Efficient Economist

These shoppers want to get their shopping done as easily and cost-effectively as possible. Although they appreciate good service, they are not willing to pay more unless it makes their life easier.

Efficient Economists are marked by a very pragmatic and practical mindset. They do what is necessary to maintain good health and don't spend money on things they don't need or want. Therefore, they are not attracted to trendy indulgences.

Wellness is the focus

This self-aware segment manages their health thoughtfully by remaining active and wellness-focused. They anticipate that their best years are yet to come, and they want to protect their health.

Achieving shopper engagement

To engage this shopper, retailers must stock key items across multiple categories with an emphasis on store brand items and everyday essentials. Loyalty programs and personal assistance may be ways to connect with the Efficient Economist.

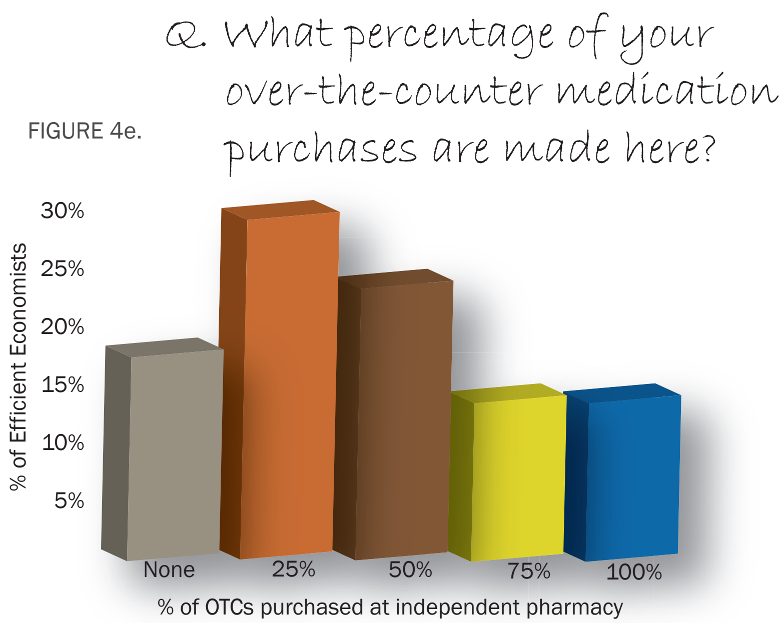
The Efficient Economist at-a-glance

Gender	66% Female; 34% Male
Age	51-64+
Rx/OTC	80%/20%
Purchases	Majority planned
Frequency	At least once per month

How to attract: Merchandise a broad assortment of health-focused items, especially "everyday essentials." Remember this shopper's higher-than-average consumption of vitamins, nutritionals, and home fitness products. Offer speedy, personal assistance.

"Make my life easier and more affordable."

FIGURE 4e.



Efficient Economists anticipate that their best years are ahead. They want a retail experience that helps them live actively and with a focus on wellness.

The largest portion of this group is represented by Baby Boomers (48–66) and the "young old" (65–74), accounting for 85 percent of this shopper segment.

Efficient Economists visit the pharmacy once per month or more; the majority of their trips are prompted by a prescription refill. Although focused on the prescription-dispensing role of the pharmacy, possibly for a maintenance drug, more than half of this group purchases one in four over-the-counter medications at the independent pharmacy. This disparity represents a significant difference when compared to the general shopper base.

shopper profile:

The Conscientious Carer

Focused on providing the best possible care to his or her loved ones, this shopper often seeks advice from the pharmacist. These frequent visitors to the pharmacy require straightforward communication and clear signage. They value the convenience of a smaller store format and the personal attention offered by the pharmacist and other staff.

Under pressure

Represented primarily by women between the ages of 41 and 74, possibly caring for an aging parent or spouse, a large segment of this group is part of the so-called “sandwich generation” because they often provide some level of care for their parents and grandparents as well as their own children or grandchildren. They are under significant time pressure from all of their family and professional responsibilities. As a result, they prefer to spend 15 minutes or less in the store.

Unrealized opportunity

While their dependence on the prescription department is heavy, the opportunity within the OTC and personal care categories is largely underdeveloped. More than two-thirds of this segment purchases 50 percent or less of their OTCs at the independent pharmacy.

The Conscientious Carer at-a-glance

Gender	70% Female; 30% Male
Age	41-74
Rx/OTC	80%/20%
Purchases	Majority planned
Frequency	At least once per month

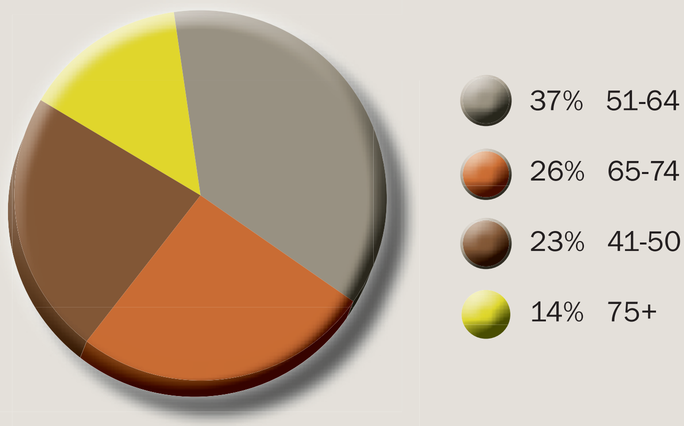
How to attract: Merchandise a strong assortment of home health care, wound care, nutrition, skin care, and OTCs. Ensure the pharmacist is accessible for consultation.

“I need help to provide quality care.”

This group is often budget-restricted. They tend to pre-plan their shopping trips and purchase only what is on their list.

Because these shoppers are focused on the needs of the person for whom they are providing care, an opportunity exists for pharmacies to develop condition-specific shopping solutions. A “healthy heart” or “women’s health” center could appeal to Conscientious Carers’ need for convenience and help in providing the best care for their loved ones.

FIGURE 4f. AGE DISTRIBUTION OF CONSCIENTIOUS CARERS



Conscientious Carers would purchase more OTCs at the independent pharmacy if they perceived the store offers them convenience and good prices.

shopper profile:

The Long-time Loyalist

These shoppers represent the most loyal of the segments. Committed to supporting local businesses and giving back to their communities, these shoppers are ambassadors for the store. They thrive on connection with others, whether family, friends, past colleagues, or acquaintances made through hobbies, civic group participation, and free-time activities.

Their opinion counts

An endorsement from this shopper segment can mean tangible results for independent pharmacies in terms of new customers who come in based on the Loyalist's recommendation. The Loyalist is also most likely to engender an appreciation for the independent pharmacy in future generations. The pharmacy that earns a Long-time Loyalist may very well earn the patronage of an entire family.

They are ready to pay for quality service and reliable products, and will spend time planning what to buy — often conducting research on the best choices for themselves and their families. They seek a positive, fulfilling, and personal shopping experience.

This group's time in the pharmacy is typically short, generally less than 15 minutes. Most of their shopping trips (65 percent) consist of planned purchases. These are consumers who do their homework and make deliberate choices about what they will buy.

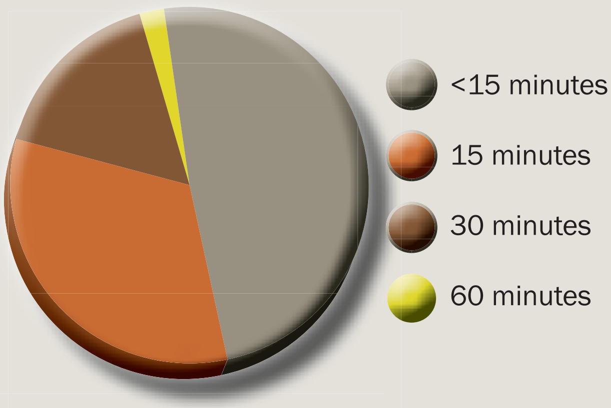
The Long-time Loyalist at-a-glance

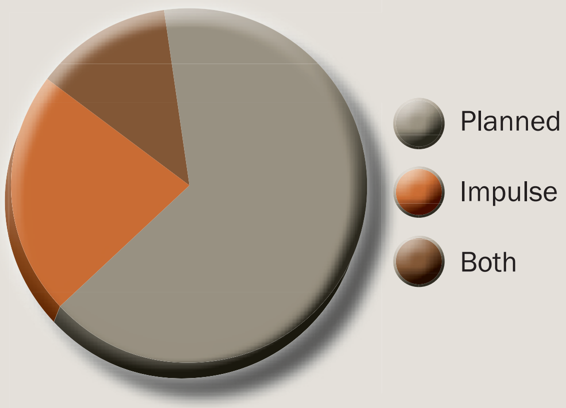
Gender	65% Female; 35% Male
Age	65+
Rx/OTC	75%/25%
Purchases	Planned and impulse
Frequency	At least once per month

How to attract: Health-focused products as well as personal care items both find their way into this shopper's basket with each visit. Reward their loyalty with a high-touch, personal approach.

"What I buy and who I buy from reflects who I am."

FIGURE 4g. TIME SPENT IN-STORE AND PLANNED VS. IMPULSE PURCHASES BY LONG-TIME LOYALISTS





OTC purchasing preference

Most notably, approximately three in ten Long-time Loyalists purchase all of their OTC medicines at the independent pharmacy. Another two-thirds purchase at least half of their OTCs at independents.

This is a shopper segment that retailers can cultivate with careful attention to the categories, brands, and product types they most favor.

Service is a deciding factor

Like all shopper segments, Long-time Loyalists have particular motivations for continuing to shop independent pharmacy. The top two reasons that Loyalists cited for their ongoing patronage to the pharmacy were the prescription department and the service level.

The pharmacy that earns a Long-time Loyalist may very well win the patronage of an entire family.

shopper profile:
Grab-and-Go Getter

This group exhibits very limited loyalty and makes infrequent trips to the pharmacy. When they do visit, their focus is usually on meeting a specific need. Less likely to engage with staff during their visit, this shopper's need state changes for each occasion.

Meeting real-time needs

This segment of the shopper population is least likely to be dependent on the prescription side of the pharmacy. They enter the pharmacy with a planned front-end purchase in mind. They also are often likely to purchase a product for convenience, such as a snack or beverage. Likewise, they may have a fill-in need for their young family.

Opportunity to increase sales

Although loyalty is not necessarily a hallmark of this group, 50 percent of the shoppers in this segment purchase 50 percent or more of their OTCs at the independent pharmacy. That spells potential for earning additional front-end sales in the OTC aisles. Though they comprise a modest 12 percent of the current independent pharmacy shopper base, today's Grab-and-Go Getters could become tomorrow's Long-time Loyalists.

The Grab-and-Go Getter at-a-glance

Gender	75% Female; 25% Male
Age	Under 25 to 40
Rx/OTC	30%/70%
Purchases	Planned
Frequency	As needed

How to attract: Offer interesting and relevant general merchandise in addition to core OTCs that meet common health needs. Pay close attention to maintaining helpful signage or other shelf navigation tools.

"I don't want to wait. I need answers now."

shopper profile:

Apathetic Actives

For this group, shopping is a distasteful activity, another routine task just like any other everyday job. Yet they aspire to improved health and wellness and want to make the best purchase decisions for themselves and their loved ones.

They feel time-pressured and always seem in a hurry. This is the shopper who impatiently taps a foot while waiting in the check-out line, or who roams the aisles talking on a cell phone while trying to locate a product.

Keep it simple

Engage this group with simplified communication, ease of aisle navigation, and quick access to what they're seeking. Realigning adjacencies within the store to more quickly expose these shoppers to the products they may be seeking can increase their market basket.

Facilitate prevention

At least half of OTC purchases made by this group are transacted at the independent pharmacy. And the vast majority of items purchased (85 percent) are planned prior to their visit. They may be attracted by flu shots and other vaccinations if they could prevent future outbreaks of illness or an additional need to take medication.

Composed almost entirely of Baby Boomers but with a considerable representation of younger shoppers, this segment favors wellness and prevention to treatment of illness.

Apathetic Actives at-a-glance

Gender	70% Female; 30% Male
Age	26 to 64
Rx/OTC	90%/10%
Purchases	Mostly planned
Frequency	Once per month

How to attract: Keep it simple. Offer a limited assortment that is very easy to shop. Include the category's top sellers, and plenty of private label. Make health-related advice available in printed or digital form.

"Let's just get this over with."

5. turning insights into action

Five steps to put these insights into action:

1. Assess which key performance factors and independent pharmacy differentiators are most relevant to your business. How can you build on these pillars?

2. Review the section that describes threats to independent pharmacy and assess which can be acted upon and which are uncontrollable. Develop strategies around those you can directly affect.

3. Compare the performance of your own pharmacy, your distribution activities, or your product portfolio to the key categories and shoppers within this channel.

4. Segment retail customers by creating your own shopper profiles. Create specific programs and services to cater to their needs.

5. Continue to feed your hunger for knowledge and understanding of the independent pharmacy channel. Innovate to produce positive business outcomes.

Leverage the trust and credibility of the independent pharmacist.

Insight

Shoppers turn to pharmacists for advice on OTC medicine more than 70 percent of the time.

Retailer actions

- Engage with customers (patients) more often and suggest appropriate products and/or services.
- Place products that complement prescription regimens within easy access to the pharmacy counter.
- Coach store staff to be more attentive to the needs of shoppers.

Distributors/Manufacturers

- Create tools and resources that help facilitate pharmacists' recommendations on non-prescription items.
- Develop sampling programs and materials to promote the pharmacist-patient relationship.

Encourage more frequent trips to the independent pharmacy.

Insight

Seven of ten interviewed were intending to only fill a prescription at the pharmacy.

Retailer actions

- Arrange categories to expose shoppers to more merchandise on their way to and near the pharmacy department.
- Implement loyalty-building programs and engagement tools (in-store screenings) to increase frequency of visits.
- Better utilize displays, end caps, and signage to encourage front-end shopping.

Distributors/Manufacturers

- Provide promotional ideas and display accessories to support the independent's shopping environment.
- Advertise and create promotions to generate more frequent consumer trips.

Focusing on store inventory management and timely execution are critical.

Insight

Independents with growing front-ends more often rely on fully-executed planograms.

Retailer actions

- Take advantage of programs available from distributors — including in-store merchandising assistance.
- Ensure key new items are available on shelf in a timely manner.

Distributors/Manufacturers

- Aggressively work with retail customers to help them maximize the profit of the limited shelf space in their stores.
- Create optimum category planograms using performance data and other objective information.

Downsize under-performing categories and increase emphasis on star-performers.

Insight

Consumers generally spend 15 minutes or less in in the independent pharmacy.

Retailer/Distributor actions

- Rationalize size of categories and breadth of available products based on shopper expectations.
- Focus on chronic condition management (e.g., diabetes, heart health, etc.) by creating in-store destinations that help consumers navigate the store and make better-informed purchase decisions.
- Identify ways to move from “treatment-focused” to “prevention-centered” solutions to engage consumers most interested in prevention and self-care.

Identify unique shopper preferences.

Insight

Five distinct shopper profiles emerged from the study.

Retailer actions

- Accentuate unique points of difference by deploying programs that align with identified shopper preferences.
- Ensure good in-stock condition on items most likely sought by each independent pharmacy consumer segment.

Distributors/Manufacturers

- Develop greater understanding of independent pharmacy shopper segments.
- Re-focus inventory and item introductions around those that will lead to greater loyalty among independent pharmacy shopper base(s).

Collaborate to enhance new item availability within independent pharmacy.

Insight

The average time lapse between new item launch dates and first scan within independent pharmacy was 113 days.

Retailer actions

- Continue to rely on wholesaler partners for new item information – and act on those deemed most likely to succeed.
- New items can account for as much as 35 percent of category sales – ensuring timely stocking is crucial.

Distributors/Manufacturers

- Work to leverage the resources and reach of wholesalers as it relates to new items entering the market.
- Recognize that independents most often rely on their wholesaler as their primary source of new item introduction.
- Establish and clearly communicate exit strategies for non-performers as they are often replaced by new offerings.

Focus on merchandising, marketing, and pricing strategies to attract independent pharmacy shoppers.

Insight

Shoppers rely on a variety of outlets for their OTC and personal care purchases.

Retailer actions

- Highlight personalized service as a key differentiator for your patients.
- Develop unique health and wellness programs that retain existing customers and attract new shoppers.
- Listen to customer feedback to learn the new products or categories that would make the pharmacy a health and wellness destination for them.
- Optimally manage retail pricing strategies to remain competitive.

Distributors/Manufacturers

- Align the pharmacist's goals for their store with appropriate assortment and promotional plans.
- Ensure independent pharmacies are using available marketing and program support.

6. appendix

This appendix provides supplemental information on the study itself and includes examples of the research instruments used for the online pharmacy survey and in-store intercepts. The results of the empirical research conducted for this study confirm that the three-pronged approach did indeed shed new light on independent pharmacy and open gates to further exploration. For additional details regarding the methodologies employed in development of this report or for more information on secondary resources used in developing the content, please contact Hamacher Resource Group, Inc.

Pharmacist Survey

Would you rather take the survey online? Please visit **http://pharmacist.surveyconsole.com** by 11/2/12.

1. Think about your front-end sales over the last few years. Are they (circle one):
   Increasing   Decreasing   Holding steady

2. Which of the following areas would help you increase front-end sales in the coming year? (circle all that apply)
   a. **Invest in a new store layout**
   b. **Advertise more frequently**
   c. **Update my website**
   d. **Expand into Home Health Care**
   e. **Add another location or relocate**
   f. **Train my staff**
   g. **Implement POS or other technology**

3. Please indicate by percentage which buckets your total sales fall into. Please make sure the three percentages you indicate total 100%.

Health, Beauty, and Wellness Products (including OTCs)	**___% of 100%**
General Merchandise (greeting cards, food, etc.)	**___% of 100%**
Prescriptions	**___% of 100%**

4. On average, how many OTC recommendations do you make per **DAY**? (circle one)
   0   1-5   6-10   11-15   16-20   21-25   26+

5. Which type of store do you consider to be your biggest competitor for health, beauty, and wellness products, including OTCs? (select **ONE**)

	Another independent pharmacy		**Chain drugstore (such as CVS, Walgreens, Rite Aid)**
	Grocery store		**Mass merchant (such as Target, Walmart)**
	Convenience stores (such as 7-Eleven)		**Club store (such as Costco)**
	Online store (such as drugstore.com)		**Natural store (such as Whole Foods or Trader Joes)**
	Specialty store (such as GNC or Ulta)		**Dollar store (such as Dollar Tree or Dollar General)**

6. What is your greatest competitive advantage? (Please write answer below)

____

7. Please indicate by percentage (%) your reliance on your wholesaler(s) for the following: (rows must equal 100%)

	Primary	Secondary	Tertiary
Branded prescription drugs	_____**% of 100%**	_____**% of 100%**	_____**% of 100%**
Generic prescription drugs	_____**% of 100%**	_____**% of 100%**	_____**% of 100%**
Health and beauty products	_____**% of 100%**	_____**% of 100%**	_____**% of 100%**
General merchandise	_____**% of 100%**	_____**% of 100%**	_____**% of 100%**

8. Where do you typically seek information about new over-the-counter medications? (circle **ONE**)
   My wholesaler   Trade publications   Internet   Manufacturers

   Other (please specify) ____

9. What type of services do you rely on to manage your front-of-store? (circle all that apply)
   Planograms   In-store merchandisers   Retail zone pricing   Trade articles/publications
   Continuing education & seminars   Other (please specify) ______________________________

10. What is the biggest challenge facing your operation today? (Circle **ONE**)
    a. **Competitive pressure from other brick-and-mortar stores**
    b. **Competitive pressure from online retailers**
    c. **Cost of goods**
    d. **Cost of rent/property**
    e. **Staffing and personnel turnover/education**
    f. **Rx reimbursement/third party coordination**
    g. **Other (please specify)**

Continue to next page. . .

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Pharmacist Survey

11. Think about all of your customers. What would you guess the average age is for your shoppers? (circle **ONE**)
Under 25 **26-40** **41-50** **51-65** **over 65**

12. What are the **THREE** most popular front-end departments in your store in terms of units sold? (circle THREE)

Diabetes Care	Cold & Allergy	Digestive Health
Vitamins/Dietary Supplements	Pain Relief	Skin Care
First Aid	Eye & Ear Care	Incontinence
Oral Care	Baby Care	Smoking Deterrents
Hair Care	Cosmetics	Health Supports/Hosiery
Home Health Care	Shaving & Men's Grooming	Feminine Care
Foot Care	Weight Control/Nutritional Foods	Deodorants
Sun Care	Family Planning	Batteries
Other (please specify)		

13. If you had to guess from what you've observed, how many departments does a front-end customer typically shop during an average trip? (circle **ONE**)
1-2 **3-4** **5-6** **6 or more**

14. On average, how many prescriptions do you fill in a **week**? _______________

15. How many days a week is your store open? (circle one)
7 days **6 days** **5 days** **4 days** **3 days** **2 days** **1 day**

16. Please indicate what percentage of your shoppers you think are driven to your store for the following reasons.

	To fill a prescription only		____ of 100%
	To fill a prescription and seek pharmacist counseling		____ of 100%
	To fill a prescription and purchase front-end merchandise		____ of 100%
	To purchase front-end merchandise only		____ of 100%

17. Why do you think your customers continue to shop in your store (Check all that apply)?

	Purchase their prescriptions here		Close to their home, workplace, or doctor's office
	Competitive prices		Good customer service
	Product selection		Convenience of smaller floor plan
	Trusted relationship with pharmacist		Other (please specify)

18. My Pharmacy Name ____

19. My Store Number

<Number>

20. My ZIP code ____________________________

21. My email address (As a thank you for taking our survey, you will receive our home health care assessment, Retail Building Blocks, a $249 value. You must provide us with your email address to receive this FREE gift.)

____

Please fax this completed survey to 414-355-1032 by November 2, 2012

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Community Pharmacy Shopper Survey

Interviewer ____ Store Name ____ Day ____ Time ____

Question	Response
Please indicate your age range and gender.	Under 25 F 26 – 40 M 41 – 50 51 – 64 65 – 74 75+
Are you shopping for yourself or someone else?	Self Other: Children Spouse Parent Neighbor Friend Other ____________
1. How did you **first** learn about this pharmacy? ***(Show list)*** *choose all that apply*	a) Doctor or **primary care provider** b) **Friend or family** member **c) Advertisements** d) **My neighborhood** / live nearby e) Drive by here / work **nearby** / doctor nearby f) A special **coupon or offer** g) Other ____________

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Community Pharmacy Shopper Survey

2. How long have you been shopping here? ***(Choose closest fit)***	a) First time in this store b) A few weeks c) A month or two d) Less than a year e) Years 1 – 3 4 – 6 7 – 10 10+
3. Why do you shop here? ***(Show list)*** *choose all that apply*	a) I get **my prescriptions** here b) **Close** to home, workplace, doctor's office c) The **prices** are competitive d) The **service** is outstanding e) It carries non-prescription health products or personal care **items I use** f) **Convenience** of a smaller store g) **Family-owned**, independent business h) **Relationship** and trust i) **Cards and gifts** j) Other: ____________________
3a. What would you say is the number one reason?	______________________________
4. How often do you shop here? ***(Choose closest fit)***	a) More than once a week b) Once a week c) Twice a month d) Once a month e) A few times a year

Community Pharmacy Shopper Survey

5. When shopping at this store, how much time do you typically spend shopping for **non-prescription items** (in minutes)?	a) 60 minutes or more b) Approximately 30 minutes c) Approximately 15 minutes d) Less than 15 minutes
6. Are the majority of your non-prescription purchases planned or made on impulse?	**Planned** **Impulse** (why?)
7. What percentage of your personal care product purchases are made here?	a) 100% b) 75% c) 50% d) 25% or less e) None
7a. If you are unable to come up with a percentage, which categories do you generally purchase here?	Deodorants / Hair Care / Oral Care / Baby Care / Hair Coloring / Shaving / Grooming / Skin Care
8. When you're not shopping here, where else do you shop for personal care products? ***Choose all that apply***	a) Chain drug stores (CVS, Walgreens) b) Mass retail stores (Target, Walmart) c) Grocery stores / Supermarkets d) Online stores (Amazon, Drugstore) e) Specialty (Vitamin Shoppe / GNC / Salon) f) Convenience Store g) Dollar Stores h) Warehouse clubs (Sam's, Costco)

Deodorants	Hair Care	Oral Care
Baby Care	Hair Coloring	Shaving / Grooming
Skin Care		

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Community Pharmacy Shopper Survey

8a. For what types of products (categories)?

Deodorants	Hair Care	Oral Care
Baby Care	Hair Coloring	Shaving / Grooming
Skin Care		

8b. How often?

More than once a week

Once a week

Twice a month

Once a month

A few times a year

8c. Why do you shop at other locations?

(Choose all that apply)

a) Product assortment / availability
b) Prices
c) Service
d) Convenience when making other purchases (one-stop shopping)
e) Hours of operation

9. What percentage of your over-the-counter medication purchases are made here?

a) 100%
b) 75%
c) 50%
d) 25% or less
e) None

9a. If you are unable to come up with a percentage, which categories do you generally purchase here?

Cold Allergy	Smoking Deterrents	Incontinence
Pain Relief	Skin Care	Home Health Care
Digestive Health	Sun Care	Personal Diagnostics
First Aid	Eye & Ear Care	Diabetes Care
Wound Care	Family Planning	Compression Hosiery
Vitamins	Feminine Hygiene	Health Supports
Vaporizers		

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Community Pharmacy Shopper Survey

10. When you're not shopping here, where else do you shop for over-the-counter medications? ***(Choose all that apply)***	a) Chain drug stores (CVS, Walgreens) b) Mass retail stores (Target, Walmart) c) Grocery stores / Supermarkets d) Online stores (Amazon, Drugstore) e) Specialty (Vitamin Shoppe / GNC) f) Convenience Store g) Dollar Stores h) Warehouse clubs (Sam's, Costco)
10a. For what types of products (categories)?	see table below
10b. How often?	a) More than once a week b) Once a week c) Twice a month d) Once a month e) A few times a year
10c. Why do you shop at other locations? ***(Choose all that apply)***	a) Product assortment / availability b) Prices c) Service d) Convenience when making other purchases (one-stop shopping) e) Hours of operation

Cold Allergy	Smoking Deterrents	Incontinence
Pain Relief	Skin Care	Home Health Care
Digestive Health	Sun Care	Personal Diagnostics
First Aid	Eye & Ear Care	Diabetes Care
Wound Care	Family Planning	Compression Hosiery
Vitamins	Feminine Hygiene	Health Supports
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Community Pharmacy Shopper Survey

11. Where do you typically look for information or recommendations about over-the-counter medications? Not coupons or offers, but information about what symptoms it treats, side effects, or dosage and how effective it is. ***(Choose all that apply)***	a) **Pharmacist** or pharmacy staff b) **Doctor** or primary care provider c) **Internet** (blogs, website, social media) d) **Friends** and family e) Print **publications** f) **Television** shows or advertisements g) Shelf **signs in store** h) Other **store display** i) Product **packages** (QR code)
12. What might make you switch to buying personal care or medication items here?	
13. If comfortable, please share your household annual income range. ***(Show list)***	Under \$25,000 · \$126,000–\$200,000 \$26,000–50,000 · over \$200,000 \$51,000–126,000 · Not comfortable
Additional comments about why you shop here?	

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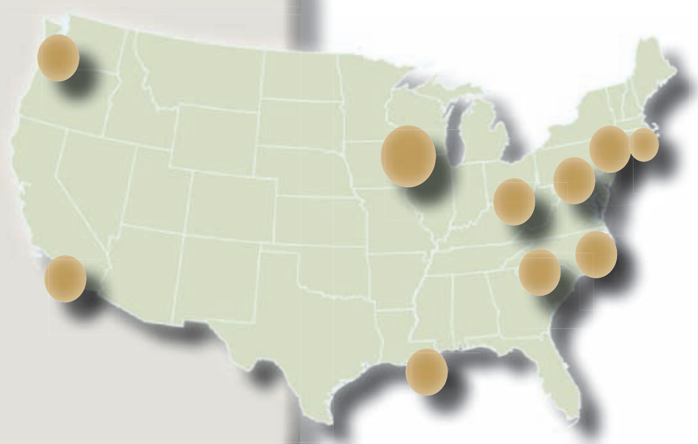
In-store Intercept Market Area Profiles and Shopper Demographics

51 pharmacies in **10** geographic markets representing a 150 mile radius around the following cities participated in site visits:

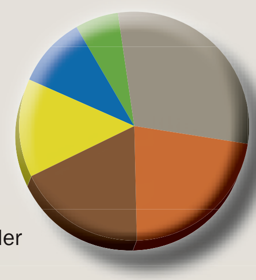
Charlotte, NC
Raleigh, NC
Los Angeles, CA
Columbus, OH
New Orleans, LA
Boston, MA
Pittsburgh, PA
Seattle, WA
New York, NY
Madison, WI

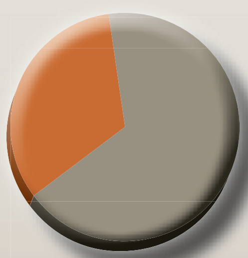


477 independent pharmacy shoppers participated in on-the-spot interviews.

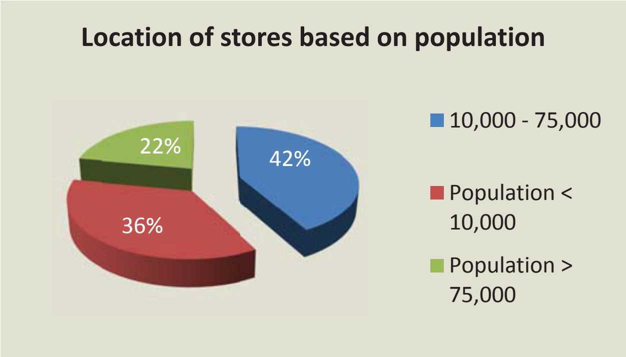
52% aged 51-74
67% female

30% Age 51-64
22% Age 65-74
18% Age 41-50
14% Age 26-40
10% Age 75+
6% Age 25 and under



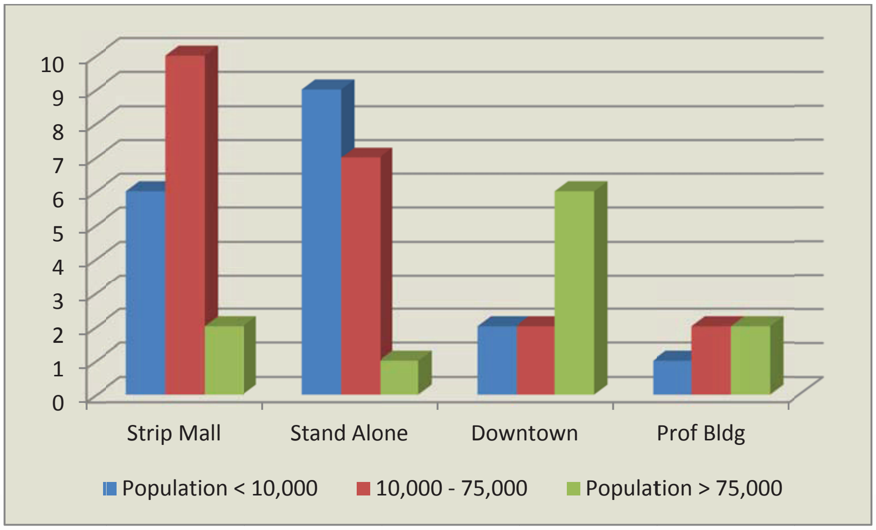


67% Female
33% Male



The independent pharmacies where customer intercept interviews were conducted were intentionally distributed between urban, suburban, and rural locations as illustrated by the graph above.

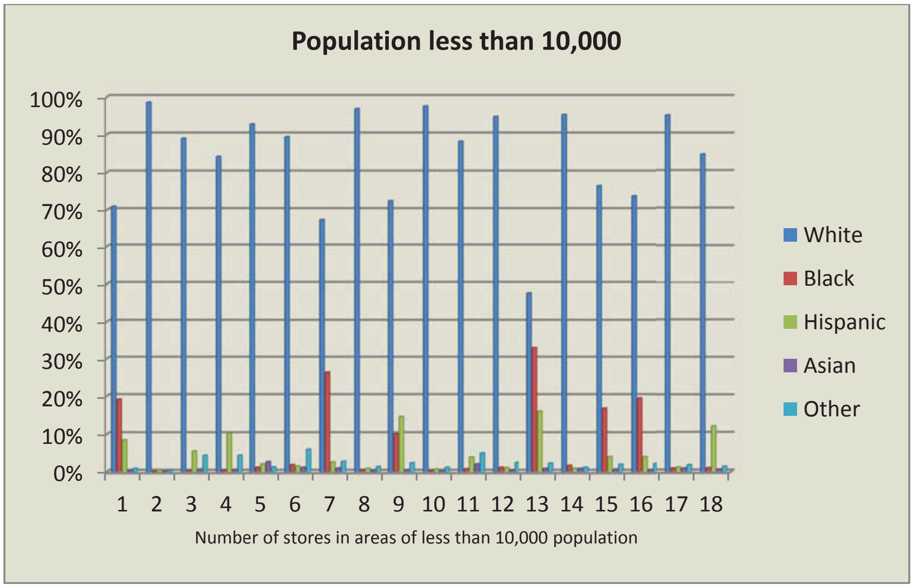
Independent pharmacy interview store settings

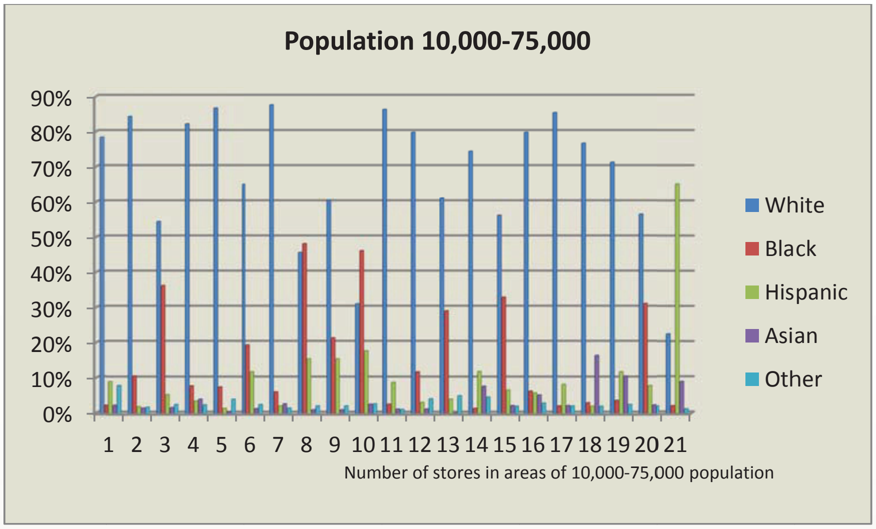


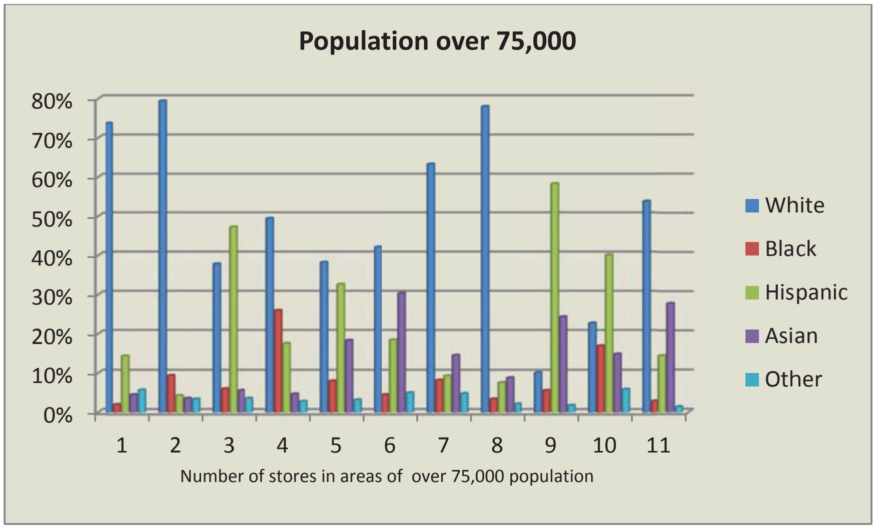
Interesting to note are the types of settings where the independent pharmacies resided. No matter whether the interview stores were in an urban, suburban, or rural location, there was a diversity of settings divided between strip malls, stand-alone buildings, downtown stores, and locations inside a professional building.

Ethnicity by Population of Areas

There is more racial diversity in the urban and suburban market areas where store interviews took place than in the rural areas as illustrated in the graphs below.






Population over 75,000
80%
70%
60%
50%
40%
30%
20%
10%
0%
1
2
3
4
5
6
7
8
9
10
11
Number of stores in areas of over 75,000 population
White
Black
Hispanic
Asian
Other

Category	Avg Gross Margin
Alternative Therapy	37.5%
Automotive Supplies	41.7%
Baby Care	36.1%
Cold & Allergy	38.8%
Compression Hosiery	47.6%
Confections	38.9%
Cosmetics	42.7%
Deodorants	35.2%
Diabetes Care	35.1%
Digestive Health	36.7%
Electrical & Audio	42.5%
Eye & Ear Care	40.4%
Family Planning	41.7%
Feminine Care	31.7%
First Aid	45.0%
Food & Beverages	33.5%
Foot Care	44.7%
Fragrances	34.3%
Generic & Private Label Sundries	32.3%
Gifts & Novelties	49.3%
Greeting Cards	49.3%
Hair Accessories	54.9%
Hair Care	35.8%
Health Supports	47.5%
Home Health Care	40.1%
Homeopathic Kits & Single Remedies	39.8%
Household Products	34.8%
Leather/Vinyl Goods	48.4%
Magazines & Books	26.9%
Misc GM	38.1%
Multi-Cultural Beauty Care	31.8%
Oral Care	37.8%
Pain Relief	38.7%
Pet & Animal Supplies	30.3%
Photography	42.6%
Physical Fitness & Exercise Equipment	35.4%
Professional OTCs In Pharmacy	33.9%
School & Office	37.8%
Seasonal Products	41.6%
Services	35.1%
Sewing & Crafts	67.7%
Shaving & Men's Grooming	29.6%
Skin Care	38.7%
Smoking Deterrents	26.4%
Soft Lines	42.7%
Sports & Recreation	44.9%
Sun Care	42.1%
Tobacco	16.5%
Toys	42.6%
Trial/Travel Sizes	53.0%
Vitamins/Dietary Supplements	36.2%
Weight Control/Nutritional Foods	30.1%
Wets & Drys	42.4%

The review of POS data revealed the gross margin contributions of all front-end categories found in independent pharmacies.

HRG would like to thank Freedom Data Systems (a wholly-owned PDX/National Health Systems company) for its assistance in providing access to independent pharmacy point-of-sale data for purposes of this study.

HAMACHER
RESOURCE GROUP
W229N2510 Duplainville Road
Waukesha, WI 53186-1004

HDMA
901 North Glebe Road, Suite 1000
Arlington, VA 22203