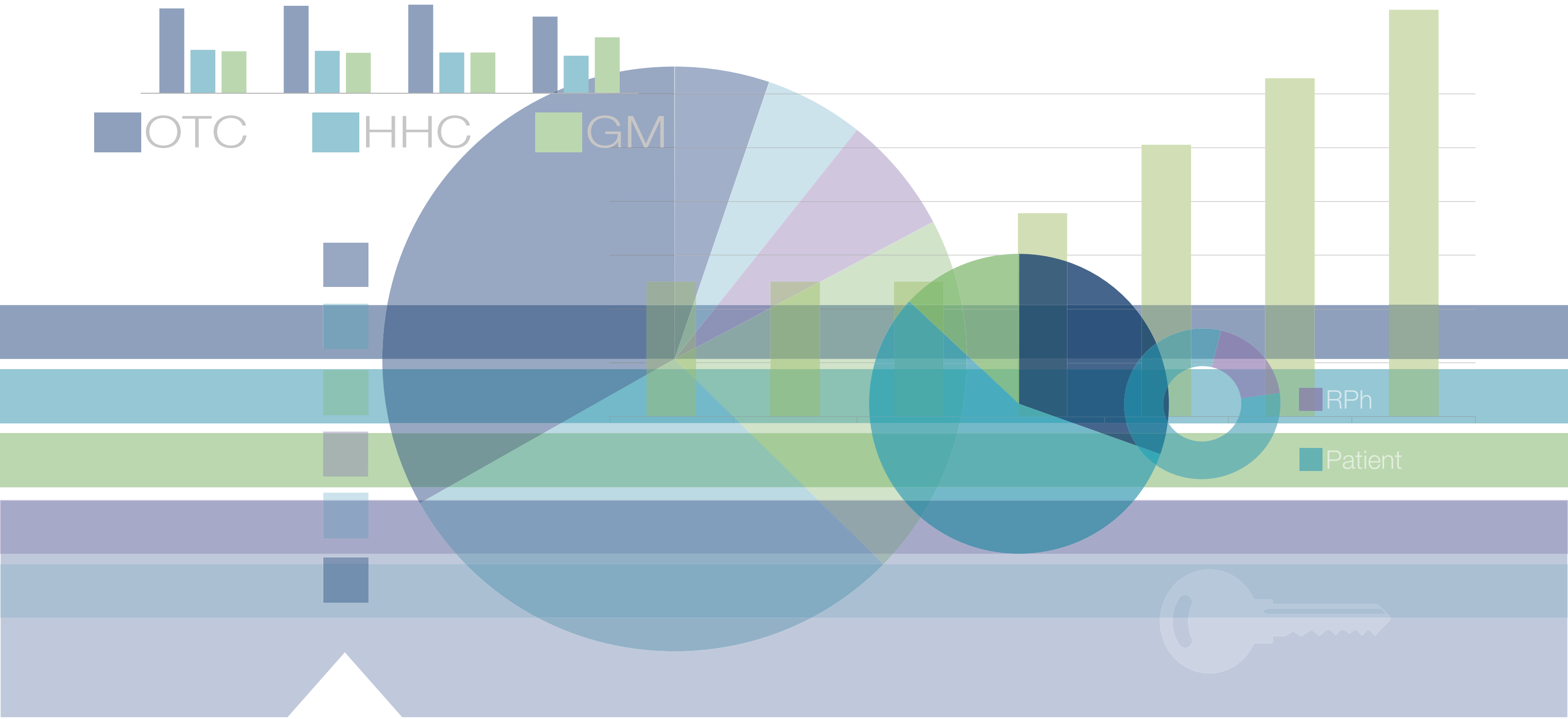

Pharmacist and Patient Conversations at Independent Pharmacy

Recommending and Guiding Non-Prescription Product Choices

Research Report February 2015

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

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HAMACHER RESOURCE GROUP, INC. (HRG) is a research, marketing, and category management firm specializing in consumer healthcare at retail. Product manufacturers, healthcare distributors, retailers, technology partners, and other organizations rely on HRG for strategic insights and creative solutions to improve the shopping experience. For more than three decades, the company's primary objective has been to offer products and services for the retail healthcare market that support the entire health, beauty, and wellness industry supply chain from product development and launch to selling at the shelf.

Table of Contents

KEY INSIGHT

86% **of independent pharmacies surveyed indicated their front-of-store was growing or holding steady**

Executive Summary

Each day pharmacists meet with patients to discuss their health and well-being. As part of that dialogue and as a normal course of business, pharmacists are suggesting non-prescription products.

In fact, when examining results from this most recent study along with analysis from the 2012 independent pharmacy shopper research (*Independent Pharmacy Shoppers: Who, What, and Why?*), an average of 10 non-Rx recommendations are made each day.[1]

This study delves deeper into the subject to determine what types of products the pharmacist is recommending to his or her patients, as well as how manufacturers, distributors and others can better equip pharmacists to more effectively engage with patients.

Among the key findings from this study:

- 86 percent of independent pharmacies surveyed indicated their front-of-store was growing or holding steady, compared to 73 percent[1] in the independent pharmacy shopper research conducted during 2012.
- Suburban settings, in particular, indicated the highest degree of growth in their non-prescription area of their business and the least incidence of decrease.
- Independent pharmacies located in a strip mall setting indicated the most reliance on the front-of-store.
- Regardless of whether the pharmacist or the patient initiated the conversation, over-the-counter (OTC) items, as well as vitamins and supplements, are often part of the dialogue.
- Front-end sales show stronger performance among those pharmacies dual placing most recommended categories or those placing them near the pharmacy counter.
- Pharmacists most often cited vitamins, wound care and medicated skin care among the categories where more information and support is needed.
- Customer requests were cited most often as a key influencer to pharmacists' new item decisions.

As a continuation of the studies undertaken by HDMA, the findings of this research will go far to bridge the gap between opportunity and execution in the non-prescription areas of independent pharmacies.

About this Study

Objectivity

In its role as an objective source of retail consumer healthcare intelligence and programs, HRG conducted primary and secondary research, as well as looked back at previous research for comparison purposes. The company designed and executed both the electronic and phone surveys of independent pharmacists. HRG also analyzed the data to prepare the final results.

Purpose

The Healthcare Distribution Management Association (HDMA), with the support of several sponsoring organizations, commissioned Hamacher Resource Group (HRG) to conduct this study in 2014. As discovered in HDMA-sponsored research conducted in 2012 and published in *Independent Pharmacy Shoppers: Who, What, and Why?*, the relationship between independent pharmacists and their patients is strong, and their patients tend to heed their advice. This is an inherent opportunity for pharmacists to build their total store sales with concerted efforts on consultative selling of front-end items.[1]

This is especially true with the continued emergence of self-care. Nearly three in four Americans are more likely to treat themselves than see a physician.[7] (For more on self-care, see the Appendix starting on page 27.) With pharmacists among the most logical and accessible go-to-resources for healthcare information and guidance, this further supports the conclusions revealed in this study and the importance of community-based independent pharmacists.

There was strong interest from supply chain partners to learn about the nature of the conversations independent pharmacists are having with their patients. The objectives of the study were the following:

- Gain knowledge of the pharmacist-patient interaction at independent pharmacies [while adhering to Health Insurance Portability and Accountability Act (HIPAA) guidelines].
- Determine if pharmacists are speaking to patients about OTCs and guiding shoppers based on their recommendations and consultation.
- Identify tools that may enhance the RPh-patient conversation.
- Understand the general picture of front-end sales including which categories are growing and contain the most recommended items.

Methodology

The conclusions in this report were based on three primary means of collecting data about the pharmacist-patient interaction at independent pharmacies:

- Secondary research (found throughout the report and on page 27);
- Online survey (quantitative); and,
- Phone interview (qualitative).

Data gathered from each phase was aggregated and analyzed to complete this final report and compared against prior research.

Online Survey of Independent Pharmacists (quantitative) and Phone Interviews (qualitative)

The objectives of the online survey of independent pharmacists were to discover:

- The duration of time spent counseling patients;
- Areas of discussion between pharmacists and patients; and,
- The number of occasions where pharmacists recommend OTC items.

The National Community Pharmacists Association (NCPA) contacted their members through multiple outreaches during the months the survey was open. HRG reached out to their proprietary list of independent pharmacists that opted in to receive information from HRG.

- Five hundred sixty-one surveys were started and 263 were completed between May 30, 2014 and August 15, 2014.

Pharmacist Phone Interviews (qualitative)

HRG conducted telephone-based research with independent pharmacists who indicated in the online survey that they were willing to participate in the phone interview.

- Ninety-three pharmacists indicated interest in the online survey, and 76 phone surveys were completed.

The key areas addressed during the phone survey of independent pharmacists included:

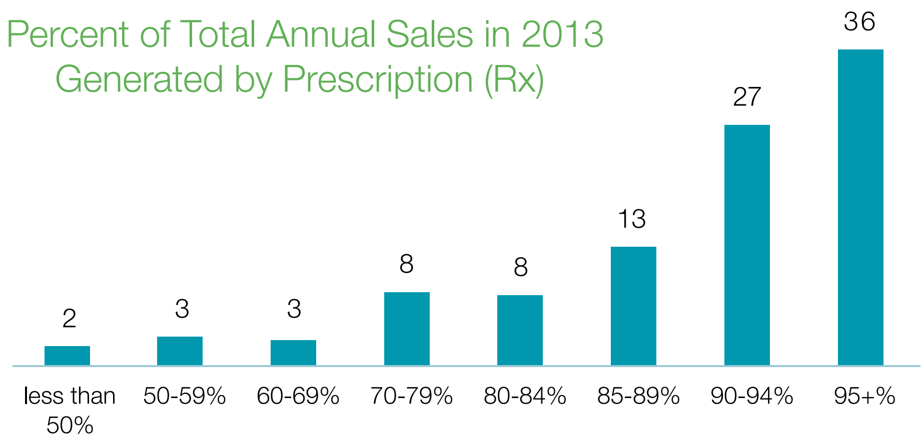
- How often do they initiate a recommendation discussion with their patients?
- What product types do they recommend the most?
- How do they decide which items to stock in their pharmacy's front-end?
- What tools could help them more effectively recommend OTCs?

Independent Pharmacy Sales

Sales and Profitability

Independent pharmacies represent 37 percent of retail pharmacies in the U.S. and are an $88.8 billion marketplace according to the *2014 NCPA Digest*.[2] These pharmacies are found in a variety of settings across the country and are unique in their offerings and their place in their individual community's healthcare continuum.

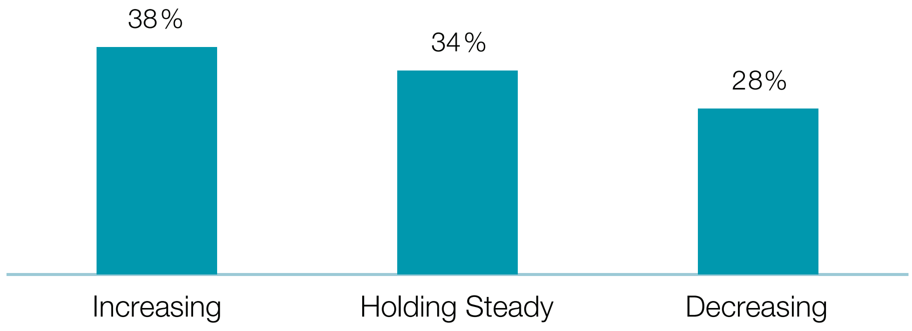
According to the research conducted for this pharmacist conversations study, prescription sales continue to be where the majority of independents' sales dollars are generated. 60 percent of respondents indicated that more than 90 percent of their total annual retail sales in 2013 were attributed to the prescription side of their business. It should be noted, however, that 29 percent of those surveyed indicated that 11-30 percent of their sales were generated from non-Rx activity.



The average among respondents to this survey was approximated to be an 86:14 split, Rx to front-of-store. It is important to note that the non-Rx percentage includes not only OTCs/vitamins, but also home health care, general merchandise, gifts and services.

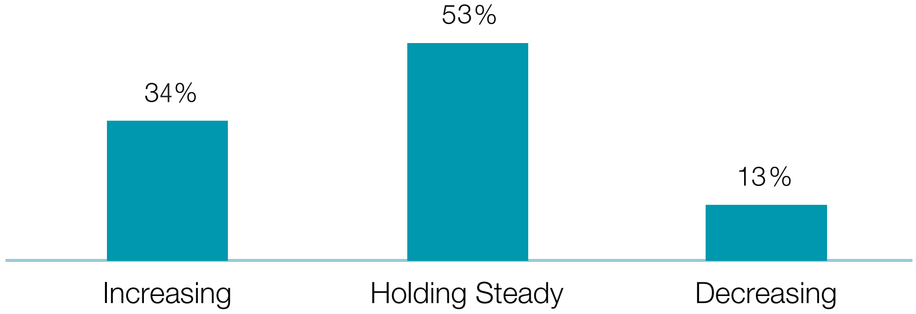
When asked to compare 2013 to 2012 prescription sales, more than 70 percent reported their total annual retail Rx sales were increasing or holding steady with nearly one in three respondents indicating prescription sales were declining.

Annual Retail Rx Sales Comparing 2013 to 2012



Meanwhile 86 percent of pharmacists indicated that their front-of-store sales were increasing or holding steady comparing 2013 to 2012 sales. This is an increase from the results of the independent pharmacy shopper survey, in which 73 percent[1] of independent pharmacists indicated sales were increasing or holding steady.*

Annual Front-of-Store Sales Comparing 2013 to 2012



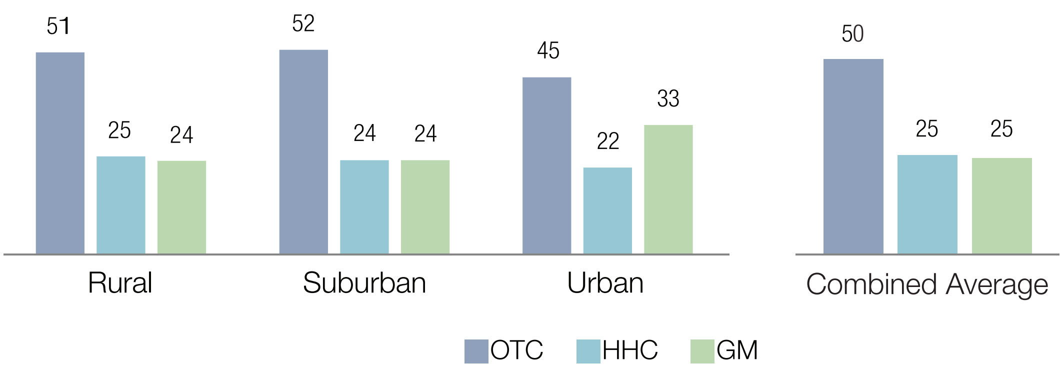
*In comparisons between pharmacists surveyed for the 2012 independent pharmacy shopper survey and this 2014 research, it should be noted that there were 600 respondents to the 2012 survey, 263 to the 2014 online survey, and 76 pharmacists were interviewed by phone.

Pharmacists also were asked about the breakdown of their front-of-store sales. As indicated below, on average health, beauty and wellness categories (representing over-the-counter medicines, vitamins and nutritional supplements, and personal care products) contributed nearly half of the reported front-end sales. The remaining 50 percent was split evenly between home health care and general merchandise categories.

Breakdown of Front-End Sales	
Health, Beauty and Wellness (HBW)	50%
Home Health Care (HHC)	25%
General Merchandise (GM)	25%

The percentage of front-end sales generated by HBW, HHC or GM items showed similar patterns of sales contribution when analyzed by community type (urban, suburban and rural). Not surprisingly, urban-based stores rely more heavily on general merchandise than home health care. GM categories represented a larger percentage of sales within urban settings, likely because they are considered neighborhood stores catering to consumers' general needs. Given the room required to merchandise HHC products, space limitations often prevent these stores from focusing heavily on these products. There may be some, however, that rely on their website to feature home health care products.

Percent of Front-End Sales Contributions by Community Type



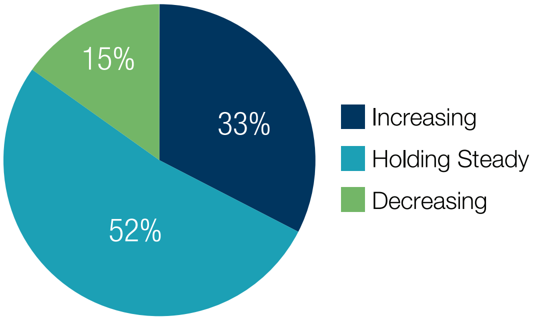
KEY INSIGHT

Front-end growth in suburban communities appears to be outpacing both rural and urban, while rural stores reported the largest incidence of front-of-store sales decline — almost twice that of suburban-based pharmacies.

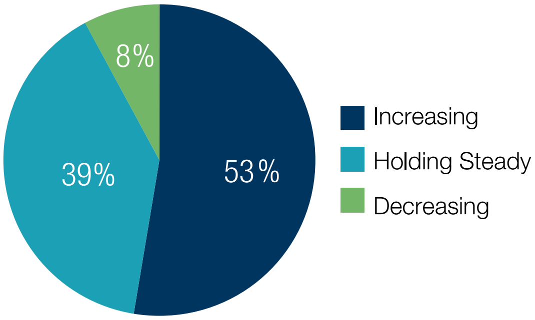
Community Type

The following series of charts depict the growth or decline of the respondents' front-of-store sales viewed against the pharmacy's community type. The decline of front-end sales in rural communities may be related to channel pressure from dollar stores. Prior research indicated an emerging threat from value stores,[1] which have a large concentration within rural communities.

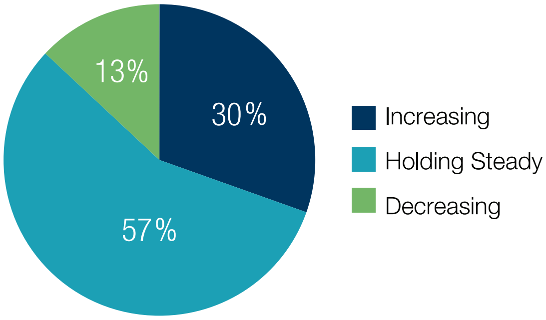
Rural Community Front-End Sales



Suburban Community Front-End Sales



Urban Community Front-End Sales



KEY INSIGHT

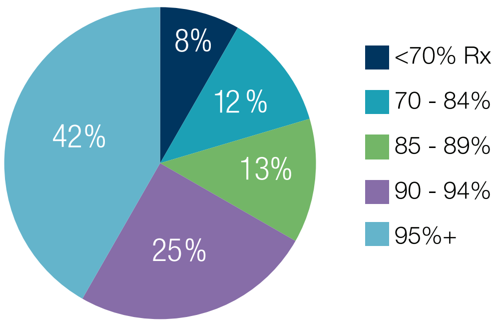
The survey findings show that independent pharmacies in rural settings are more dependent on their Rx business than urban-located counterparts. Comparing the three, 20.4 percent (rural community), 26.1 percent (suburban), and 28.2 percent (urban) of pharmacies surveyed generate a minimum 30 percent of their sales from non-Rx items, respectively. Although based on a narrow sample size, the data suggest there are independent pharmacies relying less on the prescription side of their business than the industry average would suggest.

In light of growing pressure on the prescription side of their business, independents — regardless of community type — answered quite optimistically about their front-end performance. Suburban settings, in particular, indicated the highest degree of growth in their non-prescription area of their business and the least incidence of decrease.

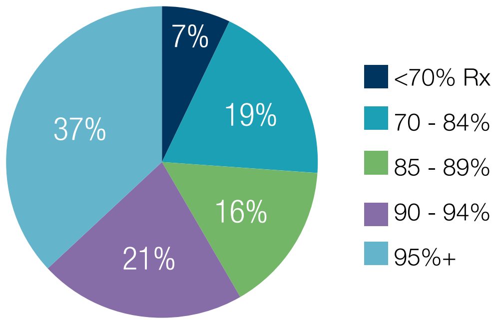
The distribution of respondents based on their community was as follows: rural, 51 percent; suburban, 32 percent; and urban 17 percent. The data in the *2014 NCPA Annual Digest*[2] estimate that more than 70 percent of community pharmacies are serving areas with populations of less than 50,000.

The next series of charts shows percent of sales attributed to prescriptions by community type.

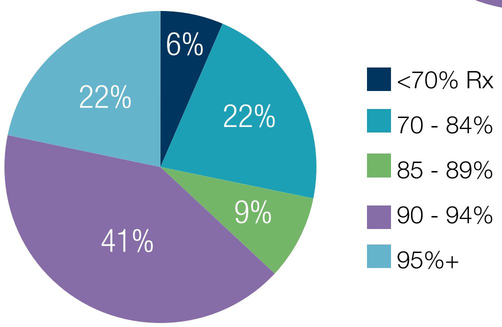
Rural Community
Rx Sales Contribution



Suburban Community
Rx Sales Contribution



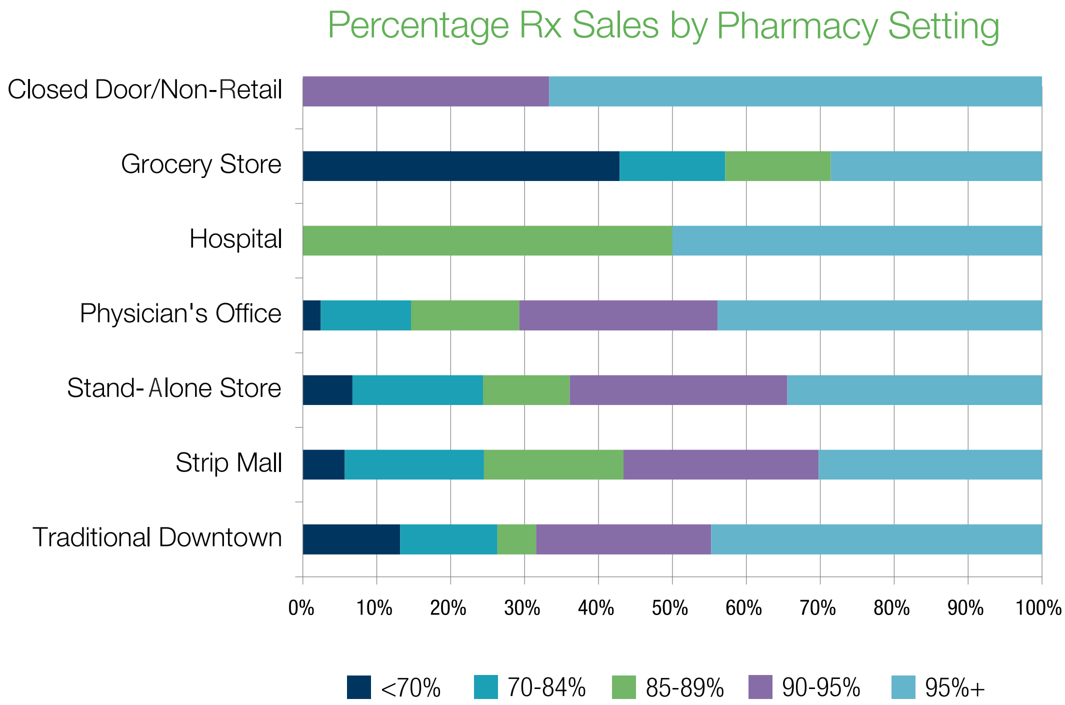
Urban Community
Rx Sales Contribution



Emphasizing Front-End Importance

Findings from the 2012 independent pharmacy shopper research revealed that the gross margin for non-prescription products averaged 38.2 percent[1] compared to the average 21 percent gross margin[3] from the prescription area as reported in the *2013 NCPA Annual Digest*.

Looking at Rx sales by store setting (as shown in the chart below), it suggests that doctor's offices and closed door/non-retail locations are not good settings to expect OTC sales growth. Conversely, stand-alone stores and strip mall settings appear to rely more heavily on non-Rx sales.



The sales information gathered from this research underscores the importance of making a concerted effort to grow the front-end business and how this effort can lead to a more profitable store. With growing challenges on the prescription side of the business, recommending health, beauty, and wellness solutions in the front-end and encouraging a total store shopping experience becomes more paramount to survival.

KEY INSIGHT

Independent pharmacists are more accessible and approachable for patients seeking advice on their healthcare needs; additionally, they are more likely to initiate conversations with patients than pharmacists in other retail settings.

Patient Interactions

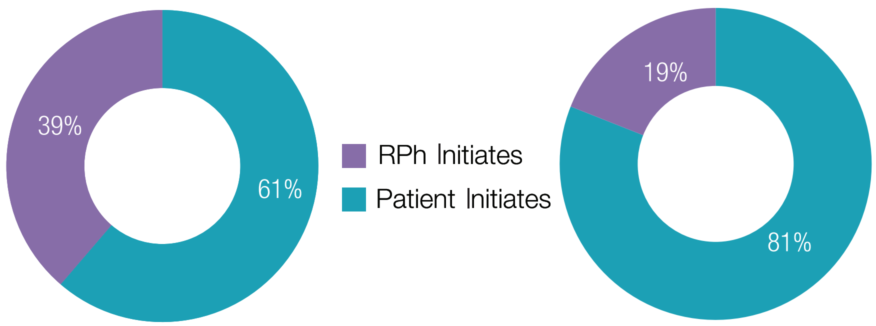
One reason this study was undertaken was to understand the origination of discussions between pharmacists and patients/customers, which was an area not previously explored within independent pharmacy. The survey endeavored to discover:

- How often does the pharmacist initiate the conversation versus the patient?
- How often do pharmacists recommend an OTC or other front-end item to complement the prescription and/or enhance treatment?

Starting the Conversation

Based on the in-depth phone interviews with independent pharmacists conducted for this research, patients are the primary initiator of conversations with their pharmacist. The research revealed that patients initiate the conversation 61 percent of the time within the independent pharmacies surveyed, leaving pharmacists initiating 39 percent of the time. A 2007 *Drug Topics* study administered among pharmacists in chain, independent, mass, and other settings reported between 81-87 percent of conversations are started by patients.[4] That means that independent pharmacists are engaging their customers more often — more than double the industry average reported in the *Drug Topics* study — and have more opportunities to recommend front-end items. Emphasizing the knowledge and access to pharmacists and the availability of products to address consumers' needs can ignite additional growth across the non-prescription categories.

Pharmacist/Patient Conversation

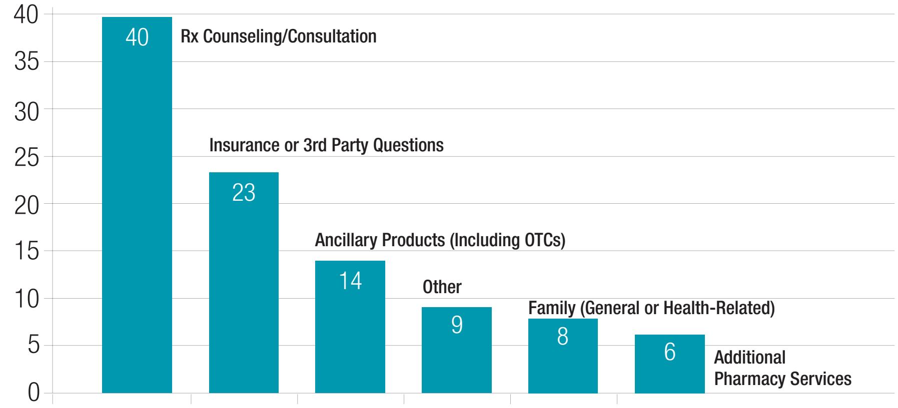


Among Independent Pharmacy (2014 Study) | Average Among ALL Pharmacists (2007 *Drug Topics* Study)

Conversation Topics

For this study, pharmacists were asked about their conversations with their Rx patients, including the percentage of time they spoke about certain topics. It is not surprising that medication counseling and questions about insurance are where independent pharmacists spend the majority of their time speaking with prescription patients.

Popular Topics

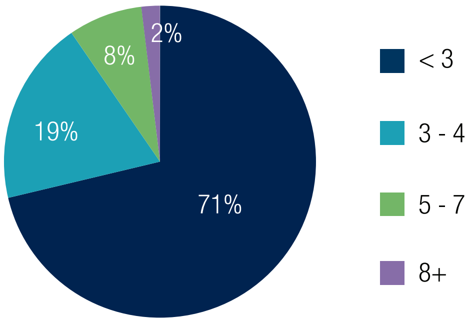


OTCs (and other ancillary products) ranked third among the choices given. Because of the sheer number of choices and patients' cautiousness about potential drug interactions, independent pharmacists are ideally positioned to influence how and why OTC medication should be used. However, the data shows that ancillary products are the topic of conversation with Rx patients only 14 percent of the time — that's an area for improvement. Knowing that consumers rely foremost on their pharmacist for those recommendations,[1] an opportunity exists to boost front-end sales.

Frequency of Recommendations

When asked how many times pharmacists are recommending a companion OTC to a prescription patient, data from this research revealed that 71 percent are making that recommendation less than three out of 10 times; the average was two times out of 10. 19 percent are making recommendations only three to four times out of 10, and the largest percentage of independent pharmacists (44 percent) answered that they recommend an OTC only one out of 10 times.

Number of OTC Recommendations Per Every 10 Prescription Patients

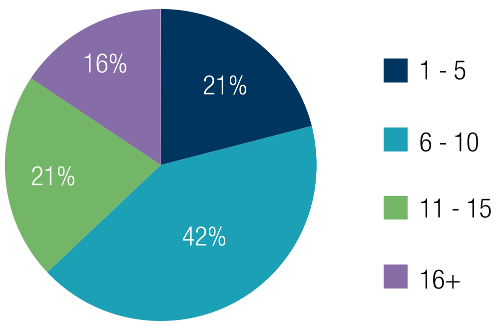


KEY INSIGHT

In this research study, independent pharmacists suggested they make an average of six to 10 recommendations each day to both prescription and non-prescription customers. With independents generally open six days per week, and with more than 17,000 "retail" independents, the number of non-prescription recommendations by independents is estimated to be more than four million per month.

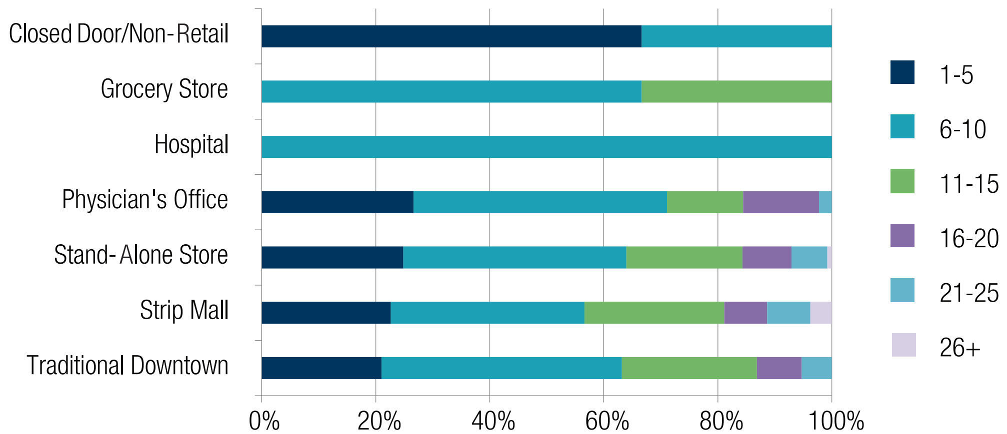
The pharmacists were also asked how many recommendations they made each day to both Rx and non-Rx customers. The average per day was slightly more than eight. Based on the 2012 independent pharmacy shopper research, independent pharmacists reported recommending non-prescription products about 10 times a day.[1] 42 percent of those independent pharmacists surveyed in 2014 said they recommend six to ten products per day.

Total Number of OTC Recommendations Per Day



Reviewing the number of recommendations made to both prescription and non-prescription patrons per day by store setting, it is apparent that retail settings such as grocery stores, strip malls, traditional downtown locations, and stand-alone stores have a higher likelihood of pharmacists offering complementary recommendations. For healthcare distributors and suppliers, these formats would be more fruitful to equip with knowledge and tools to be used in guiding over-the-counter options.

Frequency of OTC Recommendations by Setting



KEY INSIGHT

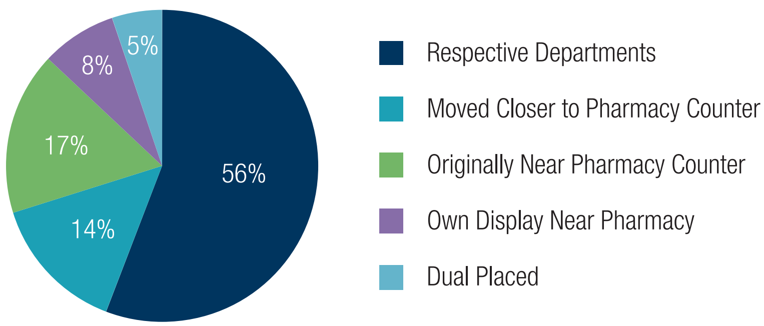
The closer the proximity of OTCs to the pharmacy department, the more likely pharmacists are to suggest those OTC products to their customers and patients.

For those pharmacies that answered that they make more than six non-prescription recommendations out of 10, it is worth noting that more than 80 percent of those responding had either moved the most-recommended OTC categories nearer the pharmacy or dual-placed the items for easier access.

Placing Categories Within Reach

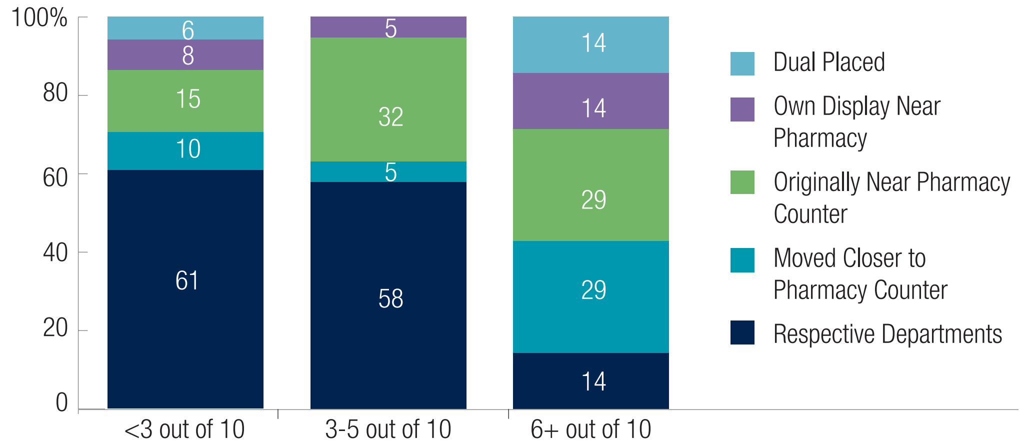
Exploring whether the proximity of categories to the prescription counter had an impact on how often items from the category were recommended, pharmacists were asked in the phone interview where their most recommended product types are located in their store. Responses to the research indicated that most pharmacies maintained only one location for their OTC products and it was within their respective departments. About one in four had either originally designed their pharmacy to place the category near the pharmacy counter or had relocated it for better access.

Category Placement of Most Recommended Products



Examining how often recommendations are being made (online survey) compared to where the most recommended products are located within the store (phone survey), the analysis revealed that the closer the department is to the pharmacy counter, the more likely pharmacists are suggesting those OTC products.

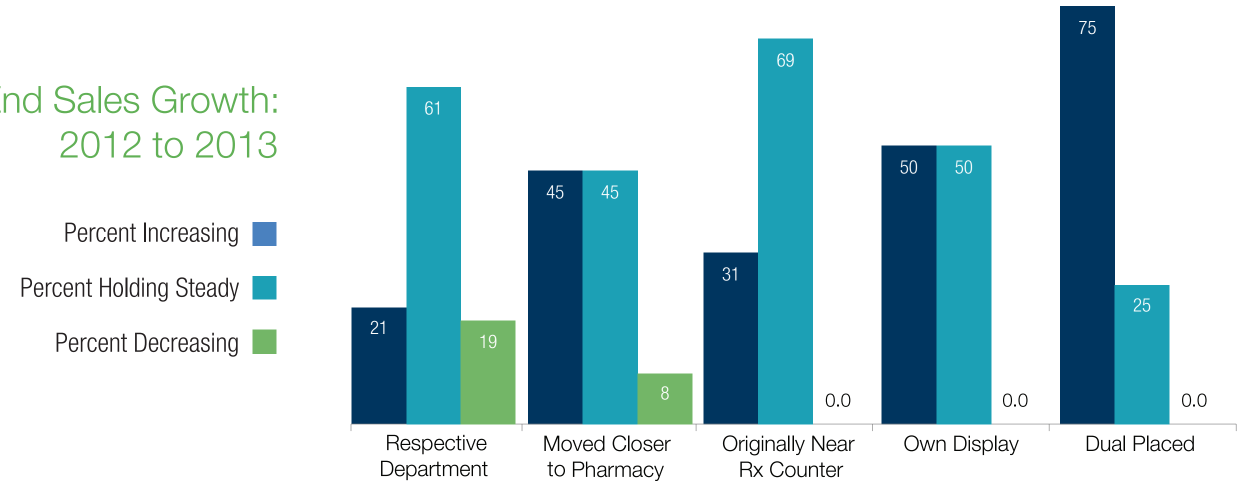
Product Recommendations Based on Where Products are Located in the Pharmacy



by Frequency of Recommendations

The data was further examined to determine if category placement affected whether front-end sales were increasing, holding steady, or decreasing. Although limited data points were examined, dual placing commonly-recommended items within the store showed the largest likelihood of a front-end sales increase. The survey findings suggest that proximity to the pharmacy counter can have a positive effect on front-end performance.

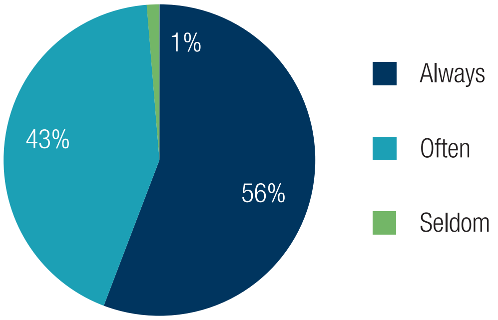
Front-End Sales Growth: 2012 to 2013



Recommending Store Brands

For those products pharmacists are recommending, they are more often guiding customers toward store brand/private label products than national brands. Pharmacists were asked in the phone survey about the frequency in which they recommend their store brand versus the national brand, and overwhelmingly indicated that they "always" or "often" recommend the store brand/private label products, when available. (Note: there are certain branded SKUs for which there is no private label equivalent.)

Frequency of Recommending Store Brand

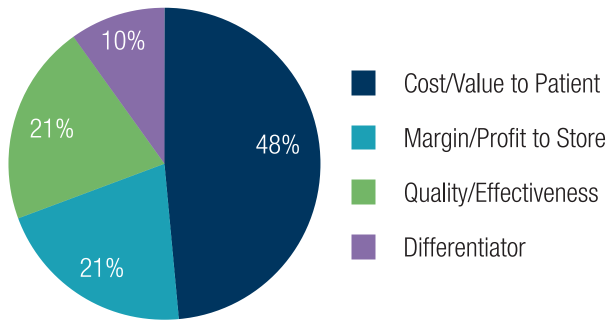


KEY INSIGHT

According to analysis of retail pricing strategies maintained by HRG on behalf of independent pharmacies, gross margins often average 50-60 percent on private label products.

When asked why they recommend the store brand always or often, independent pharmacists indicated that value to their customer was a primary reason, followed by profitability, the fact that store brands are just as effective as name brand medications, and because store brand is an advantage independents may have over their competitors.

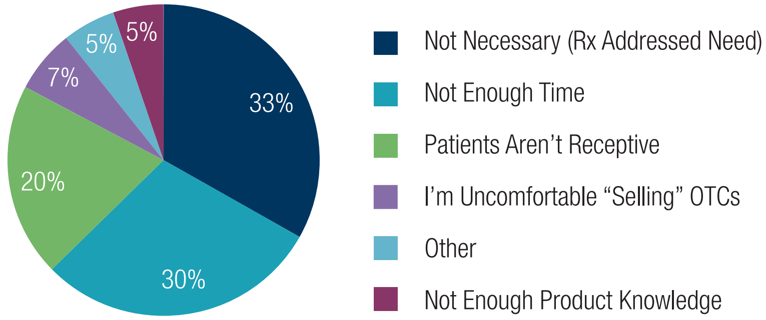
Reasons for Recommending Store Brand



Obstacles to Recommendations

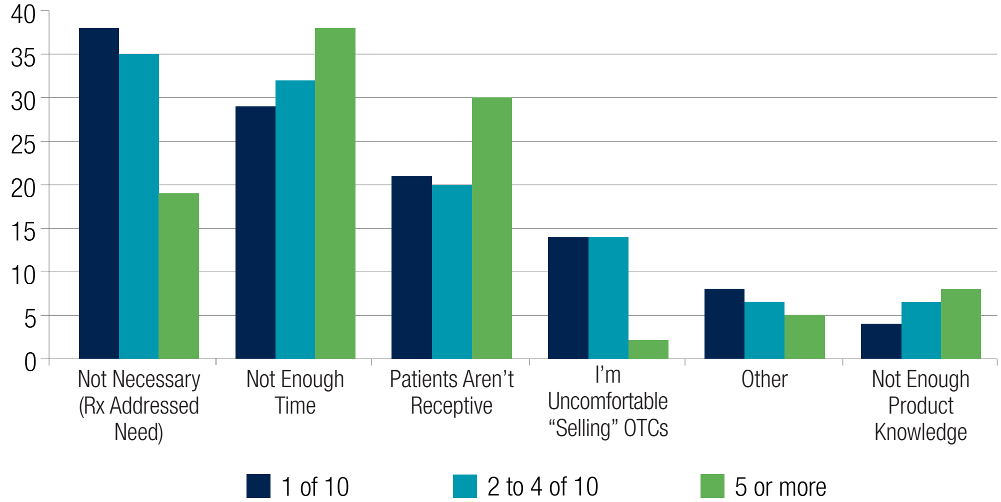
As highlighted in a previous section of this report, 86 percent of the time pharmacists are having conversations with their customers they are not making a non-Rx recommendation. The online survey asked, "What prevents you from recommending an OTC product?" The chart below highlights reasons stated for not recommending companion/complementary products with each prescription dispensed.

Reasons for NOT Recommending OTCs



The data varied only slightly when examined against the number of recommendations actually made as depicted in the following chart.

Reasons for NOT Recommending OTCs



by Frequency of Recommendations

However, the findings do suggest that pharmacists who are making a larger number of OTC recommendations to their prescription patients are facing time constraints; whereas those making only a few suggestions more often offer "Not necessary – Rx adequately addresses need" as their reason.

Categories and Growth Opportunities

KEY INSIGHT

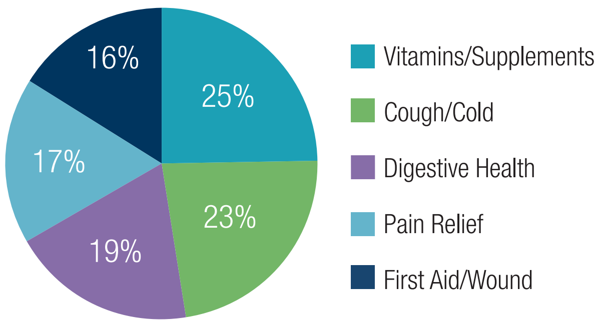
Learning which categories have been growing and which contain the products most often recommended can help pharmacies pinpoint where extra efforts could produce exponential profits.

In this research, independent pharmacists were asked to name the five categories containing the most often recommended product types (online survey), which categories are growing over the last year (summer of 2013 to summer of 2014, asked in the phone survey), and what product types they have recommended the most during the first six months of 2014 (phone survey). The findings revealed the following product types among the most often recommended in order of response:

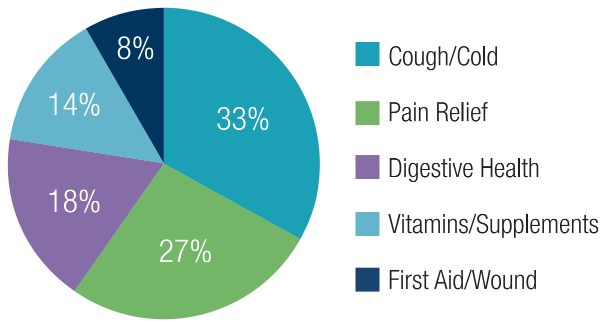
Product Types
Adult Internal Pain Relief
Vitamins/Supplements
Adult Allergy
Adult Cough & Cold
Children's Cough & Cold
Children's Pain Relief
Probiotics

The most recommended product types are contained in the top five categories pharmacists indicated as "growing." Additionally, the top growing categories match the most recommended categories.

Reported Growth Categories



Most Recommended Categories



The high-growth categories for independent pharmacy align with the 2012 independent pharmacy shopper[1] research, where we asked pharmacists and shoppers which categories were most shopped and compared it to POS 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

Source: 2013 HDMA research report, *Independent Pharmacy Shoppers: Who, What, and Why?*

As cited previously, placing the most recommended categories nearer the pharmacy may prompt additional recommendations. In addition, ensuring the entire pharmacy staff is aware of the likely-to-be-recommended product types will help to reinforce the importance of in-stock condition of these items.

Certain product types listed above were also identified as categories where more information is needed in the "Putting Insights Into Action" portion of this report, including wound care, probiotics, vitamins and natural remedies.

KEY INSIGHT

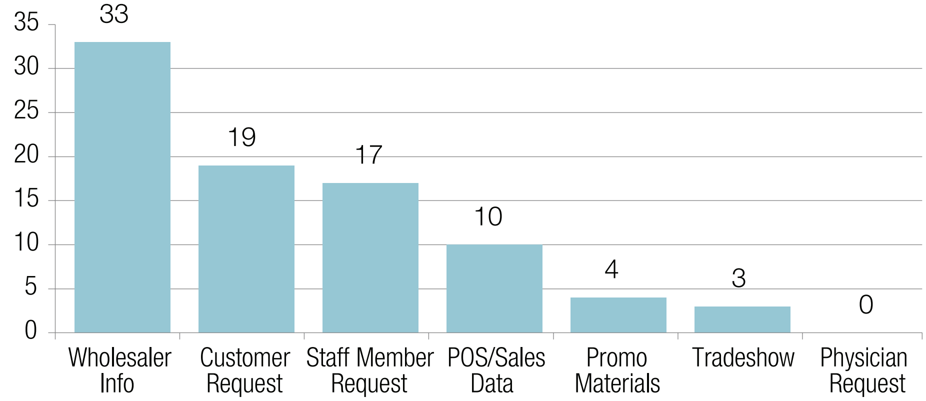
Ensuring consistency from consumer-focused promotional efforts through wholesaler-provided and trade advertising will likely strengthen new item familiarity and selection among independent pharmacies.

Front-End Merchandising Decisions

Another area explored as part of this research examined how pharmacists determined what they stock in their front-end and what influences their decisions regarding new items. The research from the phone surveys showed the following as the top three ways front-end stocking decisions on core inventory were determined:

1) wholesaler/HRG-provided information;
2) customer request; and,
3) staff member requests.

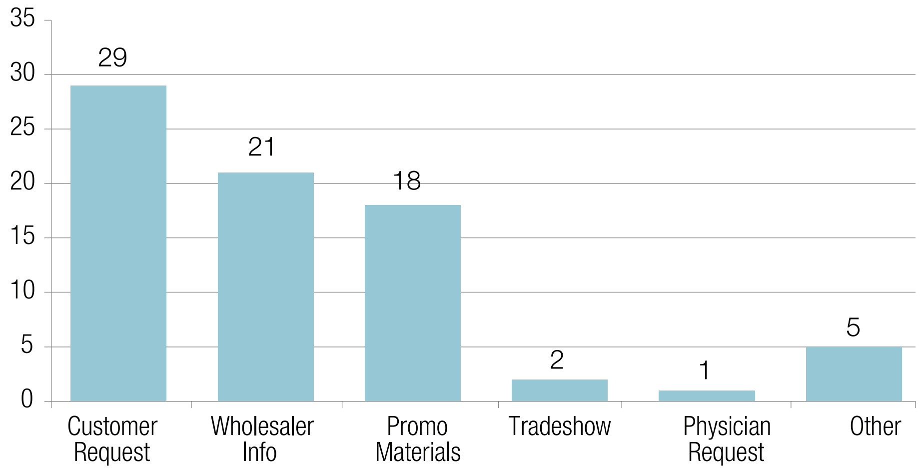
Core Inventory Decisions



The research also revealed the various influencers on new item decisions among independent pharmacists. The top three included:

1) customer request,
2) wholesaler/HRG-provided information, and,
3) product promotional materials.

New Item Influencers



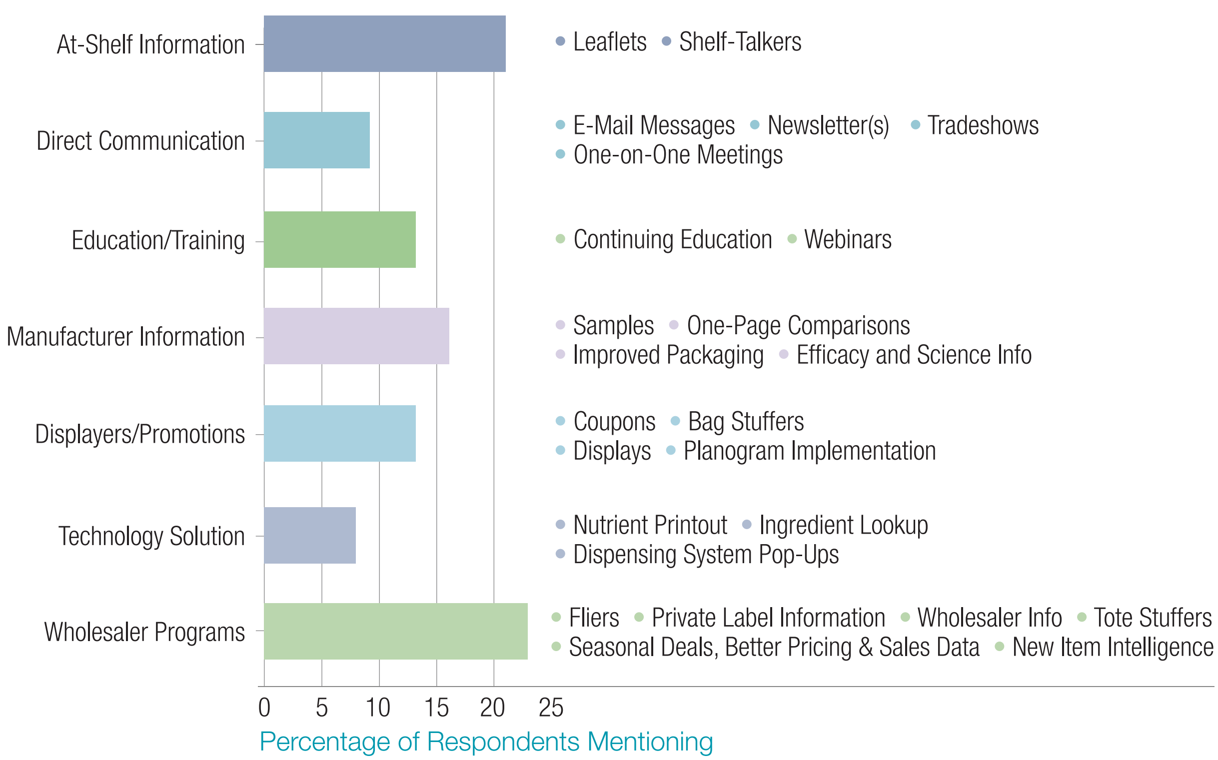
Putting Insights Into Action

One primary goal of this research was to understand how supply chain stakeholders could more effectively equip independent pharmacists with the knowledge, tools and resources to empower their dialogue with patients about front-end products. Survey responses gathered during the phone interviews revealed the following ideas as the most beneficial types of tools to aid in counseling patients about non-prescription products:

- Patient leaflets/pamphlets;
- Continuing education and training;
- Shelf-talkers;
- Nutrient depletion printout; and,
- Samples (patient and staff).

When asked for specific information regarding the types of tools that would be most useful, the chart below shows pharmacists' responses.

Recommended Toolsets

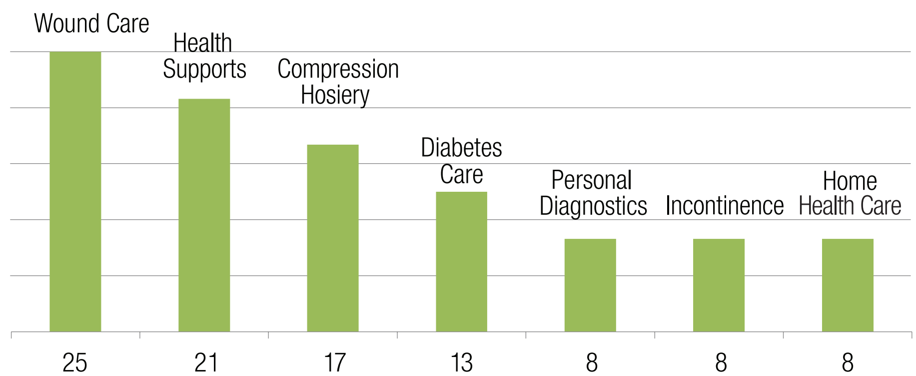


Categories Where Information Needs Were Indicated

Respondents to the phone interviews expressed interest in receiving additional information to support the categories referenced in the charts below. The categories were grouped into three separate charts based on commonality: extended care, OTCs/vitamins and personal care.

The chart directly below references categories often associated with chronic conditions and/or a senior population. These patients are more likely to be patronizing the pharmacy department in addition to the front-of-store and pharmacists indicated interest in support of the categories referenced in the chart.

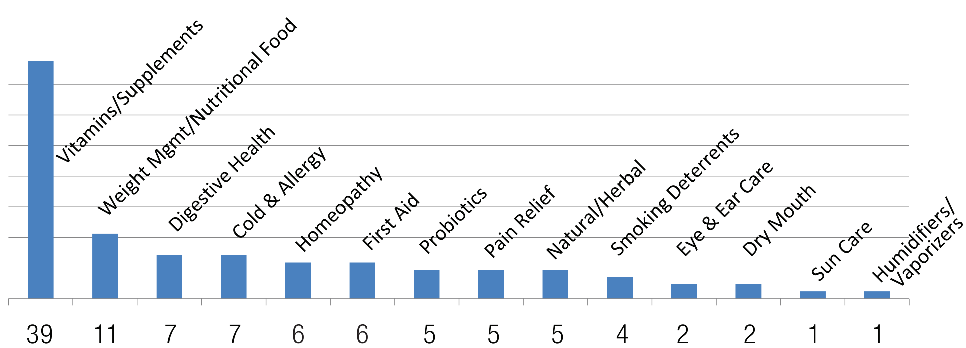
Extended Care Categories



Percent Requesting Additional Support

Among OTCs and supplements, vitamins was referenced as the most popular category where pharmacists wanted more information. Of note, homeopathy was in the top five and probiotics placed seventh.

OTCs/Vitamins & Minerals

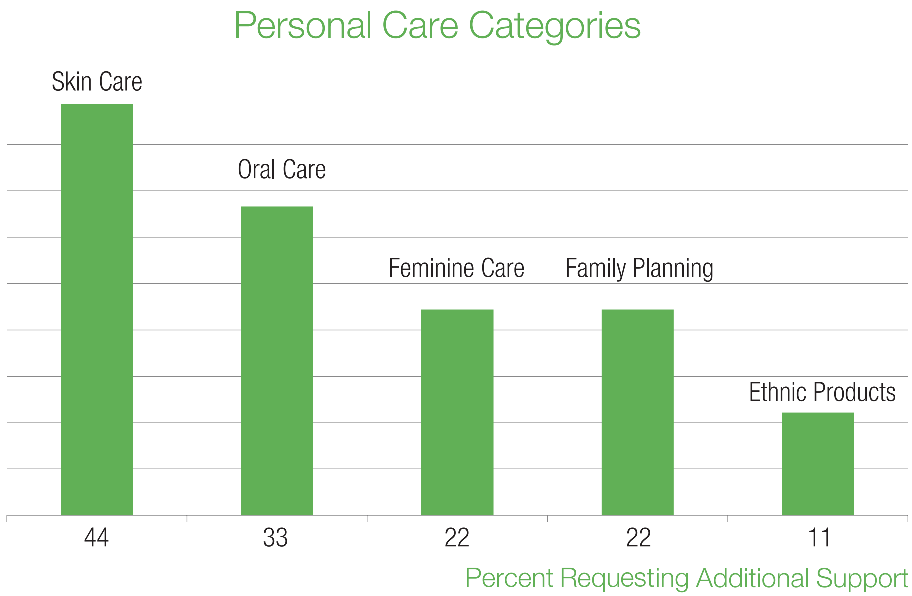


Percent Requesting Additional Support

KEY INSIGHT

Given the high degree of growth and interest in vitamins and mineral supplements, an opportunity may exist to strengthen the knowledge and resources available to independent pharmacists to aid in their patient conversations.

Among the various personal care categories, the five listed in the chart which follows were most often cited as areas requiring additional support, product knowledge, or training. Medicated skin care, in particular, has historically been a strong focus and area of competitive advantage for independent pharmacy.



Comparing categories with expressed interest and those highlighted in HDMA's 2012 report, *Growth Drivers: The Factors Behind Independent Pharmacy OTC Sales*, direct correlation may be drawn between categories and subcategories favored in counseling conversations and those driving independent pharmacy growth.[5] The consistency of these findings points to an opportunity for independent pharmacies, wholesalers and manufacturers to work more closely together to differentiate the experience for consumers and place more emphasis on core non-prescription product groupings.

Steps to Success

Following are recommendations and action items for the entire supply chain: independent pharmacies, distributors and manufacturers.

For pharmacies:

- Assess how time with patients is being spent and consider using time more efficiently to include non-prescription recommendations in the patient conversations when appropriate.
- Identify categories most often recommended and move them in closer proximity to the pharmacy counter.
- Continue to proactively make recommendations to patients when appropriate — they'll welcome the advice and make the purchase the majority of time.
- Train front-of-store staff to direct patients to the pharmacist and tap into his/her knowledge and guidance on OTCs, vitamins and other front-end products.
- Consider creating a most-recommended display within reach of the pharmacy counter.
- Take advantage of the tools and resources offered by healthcare distributors and manufacturers interested in bolstering your front-of-store sales.

For wholesale distributors:

- Reinforce your role as the primary source of new item knowledge and core inventory stocking recommendations.
- Provide pharmacies current information and counseling details on new items as they are added to inventory.
- Serve as the conduit of product materials provided by manufacturers or align with a reliable third-party to assist in delivering timely information.
- Align programs, training and additional resources to the high growth categories within independent pharmacy.
- Offer category and product insights, as well as labor resources, to help move most-often recommended categories closer to the pharmacy department.

For manufacturers:

- Develop consumer- and pharmacist-focused leaflets that include product details to assist pharmacists in recommending appropriate products to their patients.
- Collaborate with wholesaler partners and/or reliable third parties to distribute timely information to pharmacists.
- Offer educational materials (continuing education and webinar-based) describing the need for a particular non-prescription product to enhance patient outcomes or compliance.
- Provide at-shelf support (signage, selection guides and product information) that will help customers make well-informed decisions.

Conclusion

There should be no underestimation of the value of sound relationships between pharmacists and their patients in a community pharmacy setting.

As a result of shrinking prescription margins, focusing on the front-end has become a mandate for growth. The front-end is where stores are most profitable and where extra efforts should be applied. The opportunities for pharmacists to suggest and guide patient non-prescription product choices is a certain catalyst to further front-of-store growth.

Collaboration between key stakeholders — manufacturers, wholesale distributors, pharmacists and their team members — will ensure pharmacies are armed with the tools they need to educate their customers, stock the right assortment for their demographic base, and merchandise to best feature their assortment. Having all of these things in place puts the pharmacist in the best position to initiate conversations with customers, increasing the value being delivered during the shopping experience, as well as customer satisfaction.

This research reinforces a running theme that is part of each HDMA report — that of supply chain collaboration. The entire supply chain can benefit from working together to optimize the independent pharmacy shopper's in-store experience. The actionable insights identified here, along with the collaboration among stakeholders, can strengthen independent pharmacy's role in the non-prescription side of their operation.

KEY INSIGHT

Six of every 10 medications purchased in the United States are non-prescription, over-the-counter (OTC) drugs.[17]

Appendix

In addition to the primary research conducted, another objective was to find research already undertaken about pharmacist-patient dialogue in independent or other pharmacy settings and/or facts and figures confirming the pharmacist's role in recommending front-end items. Resources searched included trade publications, industry associations, technology and pharmacy workflow management companies and consultants and industry research studies.

The secondary research included here supports conclusions discovered in the research conducted this year, and has a concentration on over-the-counter items, including: the consumer perspective, healthcare provider recommendations, information needed and category growth.

Importance of OTCs

Knowledge-Seeking Consumers

Google published the most often searched consumer healthcare product categories in 2014 and projected the number of annual searches by topic:[6]

1. Vitamins & Supplements	1 billion
2. Pain Management	650 million
3. Cold & Flu	160 million
4. Heartburn	120 million
5. Seasonal Allergies	110 million

These statistics are staggering as they total more than two billion. This demonstrates that consumers are keenly interested in self-treatment and they are in search of information that will help guide their choices.

Over-the-Counter Treatments and Self-Care

As stated above, self-care is an important component of consumer health and well-being. Nearly three in four Americans are more likely to treat themselves than see a physician.[7] That means over-the-counter treatments and medications are a first line of defense for many.

Of note, 42 percent of respondents to a 2011 *Consumer Reports*' survey had a conversation with their pharmacist about their prescription drugs, while 26 percent discussed over-the-counter medicines.[8]

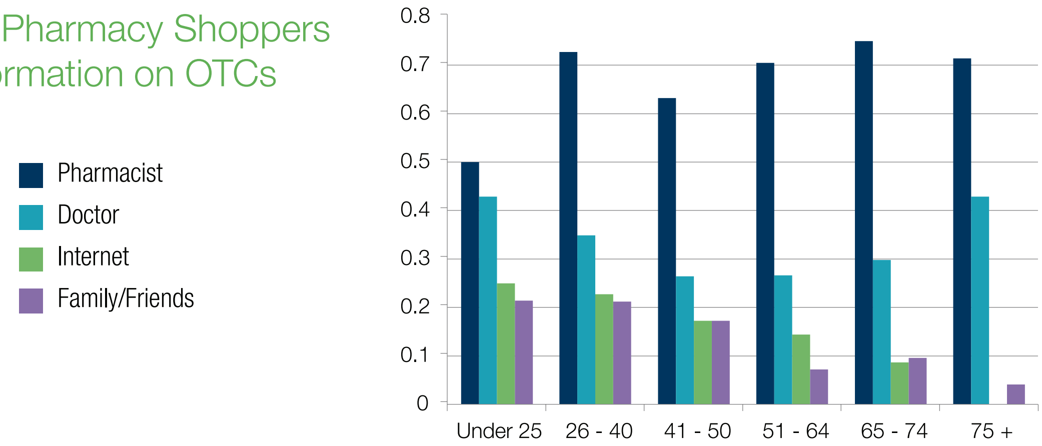
Making that self-selection, however, is a difficult task. Evidenced in a 2003 NCPIE study, two-thirds (66 percent) of Americans deemed selecting an OTC medication to be a challenge, especially because of the wide range of competing products available.[9]

Results from a 2010 study by American Pharmacists Association (APhA) indicated that 90 percent of the patients seeking pharmacists' advice about OTCs were those who required assistance with identifying the most appropriate product; 80 percent worried about using an OTC product with other prescription medications; 79 percent of patients suffered from some kind of an acute or chronic condition and a large number of patients in this group were worried about taking OTC products with their specific disease or condition.[10]

The APhA study confirms that consumers are looking for the advice of their pharmacist when it comes to over-the-counter treatments. Despite patients' expanding interest in the self-management of their health, it is apparent that the guidance of an experienced healthcare professional can be invaluable. Pharmacists are certainly the logical go-to-resource given their availability at the point of purchase and their knowledge of non-prescription treatment.

There is even more confirmation of the importance of the pharmacist in the decision-making process related to non-prescription medications. The 2012 HDMA-sponsored independent pharmacy shopper research revealed that the majority of consumers relied on advice from their pharmacist in the selection of an over-the-counter product.[1] The chart below, from that 2012 study, shows the reliance on the pharmacist by age group.

Independent Pharmacy Shoppers Seek Information on OTCs



Source: 2013 HDMA research report, *Independent Pharmacy Shoppers: Who, What, and Why?*

OTC Recommendations

Research conducted on behalf of the American Pharmacists Association (APhA) in 2010 revealed that 82 percent of shoppers purchase OTC products recommended by pharmacists. More specifically, of those following their guidance, 37 percent "almost always" follow their advice; 58 percent said patients "frequently" take their words to heart; and 4 percent reported that patients "sometimes" heed their advice.[11]

Another study conducted by Harris Interactive similarly found that 80 percent of consumers would purchase an over-the-counter product if it were recommended by their pharmacist.[12]

Among pharmacists surveyed as part of the 2011 Epocrates study, 85 percent cited product quality a very important factor when it comes to deciding whether or not to recommend a specific brand, topping the list of important factors. The majority of that same group of pharmacists also pointed to product purity (77 percent) and product potency (65 percent) as being very important.[13]

As stated by Rick Johnson, director of health care practice at J.D. Power, in the *The J.D. Power 2014 U.S. Pharmacy Study*,"For brick-and-mortar pharmacies, ensuring pharmacists are directly interacting with customers is one of the keys to delivering a satisfactory experience."[14] The study revealed that customer interaction with a pharmacist spurs additional store purchases. It found that of customers who speak directly with a pharmacist at a chain drug store, 29 percent buy an over-the-counter medicine, and 59 percent buy an additional non-pharmaceutical product with their prescription.

Previous research by *Pharmacy Today* reported that 92 percent of pharmacists walk a patient to the OTC section to assist with product selection and the average patient consult takes about three minutes.[11]

Other research sponsored by *Drug Topics* shows it is patient needs that are most often the reason pharmacists engage in consultative discussions about OTCs. According to the 2007 study, when pharmacists were asked what prompts them to initiate discussions about OTCs, they gave the following reasons: to improve the patient's health (78 percent), protect the patient's safety (66 percent) or an ingredient in the patient's prescription medicine may require discussing an OTC that can be used with it (63 percent).[4]

According to 2013 research by Nielsen and IMS Health, 97 percent of primary care physicians either recommended or had no reservations recommending OTC medicines to their patients, and two-thirds of physicians will recommend OTC medicines to relieve symptoms without recommending a prescription treatment.[15] Specifically, nearly six out of 10 physicians surveyed will recommend an OTC medicine before a prescription treatment to relieve their patients' symptoms for ailments such as allergies, pain, cough and cold and acid reflux/ upset stomach.

The survey also found that eight out of 10 physicians surveyed recommend taking OTC medicines and encouraged caregivers and patients to carefully follow instructions before taking the medicine.

Information Needed

Research conducted in 2007 by *U.S. Pharmacist* cited that 55 percent of pharmacists believed that consumer healthcare companies were not providing them enough information to carry out their consultative services.[16]

When asked what types of information pharmacists would like to receive, the five most important pieces of information were, in descending order:

1) Potential interactions of OTC products with prescribed therapy;
2) Treatment of disease or conditions with OTC therapy;
3) Concurrent use of OTC products with prescribed therapy;
4) Prevention of diseases or conditions with OTC therapy; and,
5) Focus on specific OTC products and/or categories.

OTC Growth

Industry estimates suggest that 60 percent of the medications purchased in the United States are non-prescription OTC drugs, widely viewed as a cost-effective segment of personal health care. Another sign of the growing importance of OTCs may be gleaned from recent research conducted by Kline Group. Released in September 2014, the Kline study showed positive signs of 2013 growth across the OTC sector. Compared to 2012 when the market had flat sales performance, 2013 recorded healthy growth of three percent to reach $23.5 billion at the manufacturer's level.[17]

Sources

[1] Study conducted by Hamacher Resource Group, Inc. for the Healthcare Distribution Management Association (HDMA), *Independent Pharmacy Shoppers: Who, What, and Why?*, 2013

[2] National Community Pharmacists Association (NCPA) Annual Digest, 2014

[3] National Community Pharmacists Association (NCPA) Annual Digest, 2013

[4] Study conducted by Advantstar Communications Research Services for *Drug Topics*, OTC Recommendation Survey 2007, 2007

[5] Study conducted by Hamacher Resource Group, Inc. for the Healthcare Distribution Management Association (HDMA), *Growth Drivers: The Factors Behind Independent Pharmacy OTC Sales*, 2012

[6] Consumer Healthcare Products Association (CHPA), *OTC Voice*, September 11, 2014

[7] Research conducted on behalf of the Consumer Healthcare Products Association (CHPA) by Roper Starch Worldwide from January 8-24, 2001

[8] Consumer Reports, *Best Drugstores*, April 2011

[9] Study conducted in 2003 for the National Council on Patient Information and Education (NCPIE), *Attitudes and beliefs about the use of over-the-counter medicines: a dose of reality*, Harris Interactive, 2003

[10] Study conducted by the American Pharmacists Association (APhA) for *Pharmacy Today, Corbitt S. Pharmacists Encourage Patients To Seek Their Guidance When Choosing OTC Medications*, 2010

[11] Study conducted by the American Pharmacists Association (APhA) for *Pharmacy Today*, Over-the-Counter Product Survey, 2010

[12] Harris Interactive, *Accessible Pharmacists Have Great Influence Through OTC Product Recommendations*, July 7, 2008

[13] Epocrates' Allied Health Panel Health Professionals Survey – sponsored by Nature Made, December 2011

[14] J.D. Power *The J.D. Power 2014 U.S. Pharmacy Study,* September 2014

[15] Nielsen and IMS Health, *Understanding Trust in OTC Medicines: Consumer and Healthcare Provider Perspectives*, March 2013

[16] *US Pharmacist*, Pharmacists Take Center Stage in OTC Counseling, July 13, 2007

[17] Kline Group, *Nonprescription Drugs USA*, September 2014