Supermarket Pharmacy Trends

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FMI Research Sources

• 2009 US Grocery Shopper TRENDS
  – Instituted in 1974, TRENDS tracks the consumer environment, as well as attitudes and behaviors of American shoppers relative to the supermarket industry.

• Shopping for Health 2009
  – A practical understanding of how health and nutritional concerns influence grocery purchases
  – 17th in a series sponsored by Rodale (Prevention, Men’s Health, Women’s Health magazines)

• Supermarket Pharmacy Trends 2009
  – Key pharmacy trends including financial, staffing and operational statistics
The impact of the economy ... on consumer behavior

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

FMI Research - 2009 U.S. Grocery Shopper Trends
A Triple Trade Down….

**STAGE I**
Restaurant to Supermarket
- Saving money on eating out
- Fine dining to McDonald’s
- Cutting back on eating out

**STAGE II**
Shifting Mix
- More private label (from national brand)
- More coupons, more planned shopping
- Fresh to frozen—more basics

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

FMI Research - 2009 U.S. Grocery Shopper Trends
Money-saving behaviors relative to the economy

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

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

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

FMI Research - 2009 U.S. Grocery Shopper Trends
How shoppers pick their primary store

- **Very important factors**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>High-quality produce</td>
<td>75%</td>
<td>72%</td>
</tr>
<tr>
<td>Low prices</td>
<td>73%</td>
<td>75%</td>
</tr>
<tr>
<td>Clean, neat store</td>
<td>72%</td>
<td>68%</td>
</tr>
<tr>
<td>High-quality meat</td>
<td>72%</td>
<td>69%</td>
</tr>
<tr>
<td>Convenient location</td>
<td>66%</td>
<td>65%</td>
</tr>
<tr>
<td>Items on sale/promotions</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>13%</td>
<td>12%</td>
</tr>
</tbody>
</table>

FMI Research - 2009 U.S. Grocery Shopper Trends
49% of consumers report spending more on all food purchases.

54% spending less on eating out

53% spending more at the grocery store

FMI Research: Shopping for Health 2009
Shopping Patterns Shift

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

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

Today & Tomorrow
Americans Are Turning Gray

• By 2030, 1 in 5 Americans will be 65+
  – Most of them will live another +25 years
  – Every minute, from now to 2014, 10 Boomers will turn 50
  – The largest generation in history

• Boomers are the wealthiest generation in history and will be for the next 30 years!
  – Possess the physical and financial means to enjoy life

• In the US, within 2 yrs., they will spend at least a trillion dollars MORE than all the people under 45

• The first generation to make being older a cool thing

FMI Research - 2009 U.S. Grocery Shopper Trends
Boomer Impact on Supermarkets

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

FMI Research - 2009 U.S. Grocery Shopper Trends
Gen Y’s Impact on Supermarkets

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

FMI Research - 2009 U.S. Grocery Shopper Trends
Opportunity #1

– As consumers strategize about better planned trips to the grocery store (and less to other outlets)

• Opportunity = Capture a new pharmacy customer
  – One-stop shopping/ time optimization
  – create a sense of wellbeing – complimentary food and pharmacy
  – Capture Gen Y through education and information on what’s key for them
Health & Wellness
How about the effect of health and wellness...on consumer behavior?

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

FMI Research - 2009 U.S. Grocery Shopper Trends
Eating Healthy: Nearly Everyone Claims to do it

FMI Research: Shopping for Health 2009
Eating Healthy with Varying Degrees of Success

- Always: 11% (Always), 10% (Rarely/Never)
- More than half the time: 60% (Always), 61% (Rarely/Never)
- Less than half the time: 25% (Always), 25% (Rarely/Never)
- Rarely/Never: 4% (Always), 4% (Rarely/Never)

FMI Research: Shopping for Health 2009
Why People Don’t Eat Healthy: The Excuses

Really?

- **It costs too much**
  - Major reason: 33%
  - Minor reason: 29%

- **Hard to change eating habits**
  - Major reason: 42%
  - Minor reason: 25%

- **Too much conflicting info**
  - Major reason: 18%
  - Minor reason: 34%

- **Healthy foods don't taste as good**
  - Major reason: 30%
  - Minor reason: 16%

- **Not available when I eat out**
  - Major reason: 37%
  - Minor reason: 14%

- **Too busy to take the time**
  - Major reason: 34%
  - Minor reason: 13%

- **Not available where I shop**
  - Major reason: 7%
  - Minor reason: 20%

FMI Research: Shopping for Health 2009
Health Drivers:
When Shopping – No Changes vs. 2008

- Lose/maintain weight:
  - No Change: 27%
  - Somewhat: 40%

- Reduce risk of developing an illness:
  - No Change: 21%
  - Somewhat: 34%

- Follow Doctor's advice:
  - No Change: 15%
  - Somewhat: 29%

FMI Research: Shopping for Health 2009
Nutrition remains a great “in” for retailers

• Information sources for nutrition
  – Internet: 53%
  – Magazines: 41%
  – Doctor: 34%
  – Family/friends: 31%
  – Grocery store: 23%

• Most trusted for nutrition information
  – Doctors: 19%
  – Internet: 18%
  – Not one source the most: 28%
  – Grocery stores: 4%

• Where is the pharmacist?

FMI Research - 2009 U.S. Grocery Shopper Trends
Opportunity #2

- With just 23% of shoppers considering grocery stores as a source for nutrition information

- **Opportunity = leverage food, nutrition and pharmacy to increase customer loyalty**
  - Health focused private label
  - Healthful eating store tours
  - Complimentary pharmacy / nutrition services
  - Cooking classes
  - On-line resources
  - Etc, etc......
How can Pharmacy help change consumer behavior?
Shoppers using supermarket pharmacies tend to:

- Be younger
- Have higher incomes
- Work full time
- Spend more money per trip
- Have strong habits to protect the environment
Prescription Sales as a Percentage of Total Store Sales
2000-2008

FMI Research: Supermarket Pharmacy Trends 2009
In-Store Services

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

FMI Research: Supermarket Pharmacy Trends 2009
The Food Channel captures 40% of the total store dollars across All Outlets but only ≈15% of Rx dollars.

All Outlet Share of Wallet (Dollars)
12/30/07-12/28/08

Source: Nielsen - Homescan Total Shopper View
While virtually every Rx buying household shops w/in the Food Channel, 74% of them purchase Rx in another channel.

Buying HHs – Total and Food Channel
12/30/07-12/28/08

Source: Nielson - Homescan Total Shopper View
16% of those who use a Food Channel pharmacy most often claim a very close relationship with their pharmacist.

Personal Relationship with Pharmacists

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

Medication Therapy Management (MTM)

- 54% of supermarkets pharmacies offer MTM services in some or all of their locations
  - 19% plan to implement
  - 28% have no MTM plan and don’t plan to implement

- 40% have a central facility for MTM records

- Average MTM client uses 8 maintenance medications and spends $4,000 annually

FMI Research: Supermarket Pharmacy Trends 2009
Supermarket Pharmacy Technology

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

FMI Research: Supermarket Pharmacy Trends 2009
Opportunity #3

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

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

For more FMI studies visit:

www.fmi.org/store/