Supermarket Pharmacy of the Future

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Getting an Historical Perspective
The first “self-service” grocery store was developed by Clarence Saunders (Piggly Wiggly) stores in 1916

The Great Atlantic and Pacific Tea Company (A&P) was another successful grocery store chain and by the 1920s they were becoming common
The first true US supermarket, however, was opened by, Michael J. Cullen (formerly with the Kroger Grocery store) as **King Kullen** in **1930**

**Kroger** and **Safeway**, resisted Cullen's idea at first, but eventually built their own supermarkets during the Great Depression and afterwards.

Many others follow...
It is not until the late 1950s and early 1960s that the first supermarket pharmacies were opened.

H.E. Butt, Kroger and Safeway were some of the earliest pioneers of the pharmacy in a grocery store or supermarket.

The biggest growth came between 1998 and 2008 where the number of supermarket pharmacies in the United States grew by more than 60%.
Kroger pioneers the first supermarket that is surrounded on all four sides by a parking lot

Then, by the 1970s the supermarket chain is well underway, from coast to coast, and it offers everything from meat to dairy to produce to toiletries to greeting cards to laundry products

Currently, FMI member companies operate more than 19,000 pharmacies in supermarkets

Kroger – early 1970s
What significant changes took place between the late 1950s and where we are today?
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1964

Today
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US Population/65 and Over

- 300 million
- 200 million
- 18 million
- 82 million

1964 1984 2009

US Census
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Number of Prescriptions Filled in the US

<table>
<thead>
<tr>
<th>Year</th>
<th>1964</th>
<th>1973</th>
<th>1984</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0 billion</td>
<td>1.5</td>
<td></td>
<td></td>
<td>4.1</td>
</tr>
<tr>
<td>2.0 billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0 billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>150 million</td>
<td></td>
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NACDS, IMS and Schaffer Library
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Increase in the Number of Prescription Drugs

Record number of **New Drugs** come to market

Increase in the number of drugs that come off patent (go **Generic**)

Direct to Patient **Advertising**

**Pressure** on Physicians from Patients

Growth of **Mail Order Pharmacy**

**Prescription Drug Plans**
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Number of Different Physicians Seen by Patients With Serious Chronic Conditions

- No Doctors: 3%
- 1 Physician: 16%
- 2 Physicians: 26%
- 3 Physicians: 23%
- 4 Physicians: 15%
- 5 Physicians: 6%
- 6+ Physicians: 11%

Source: Gallup Serious Chronic Illness Survey 2002.
Where is Supermarket Pharmacy Today?
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The US Market Exceeded 3.8 billion Prescriptions in 2008

<table>
<thead>
<tr>
<th>Channels</th>
<th>MAT Jun 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TRxs mn</td>
</tr>
<tr>
<td>Retail</td>
<td>3,556</td>
</tr>
<tr>
<td>Chain</td>
<td>2,075</td>
</tr>
<tr>
<td>Independents</td>
<td>756</td>
</tr>
<tr>
<td>Mail service</td>
<td>240</td>
</tr>
<tr>
<td>Food stores</td>
<td>484</td>
</tr>
<tr>
<td><strong>Non retail channels</strong></td>
<td><strong>311</strong></td>
</tr>
<tr>
<td>LTC</td>
<td>311</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,867</strong></td>
</tr>
</tbody>
</table>

Today, 15% of all prescriptions dispensed come from Supermarket Pharmacies

Source: IMS Health, National Prescription Audit, Jun 2009
US Prescription Growth is a positive 1.1% in YTD June 2009

Source: IMS Health, National Prescription Audit, Jun 2009
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Today

1964
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What About Automation and Technology
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Innovation
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Kirby Lester
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Parata Systems
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ScriptPro USA
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ABTG and Sintek
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Asteres and Parata
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order entry  adjudication  labeling  filling
verification  quality assurance  storing and billing  delivery validation

Automated Workflow
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IVR, Telepharmacy, e-prescribing and the Internet
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Layout and Location...
...Is It Important?
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396 sq. ft.

Compact V/H Rectangular

288 sq. ft.
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880 sq. ft.

Large/Open Square
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Less than 200 sq. ft.

Compact, Highly Automated and Modular
A pharmacy technician travels about 1.2 miles per day to fill 150 prescriptions.

Reconfiguration of the pharmacy and the fixtures can reduce travel by more than 31%
According to a recent survey of pharmacy customers/patients the location of the pharmacy (in the store) was of little to no importance.

What is important:

Knowing there is a pharmacy
Visibility of the pharmacy
Access to a pharmacist
Good customer service
Competitive pricing
Making it All Work, the Supermarket and the Pharmacy
Long before pharmacies started using the term “Health and Wellness” supermarket pharmacies were already providing a wide range of health related services.
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Supermarket Pharmacists Provide

• Health-focused recipes are offered by 61.4% (in some stores)

• Health seminars, 59.1%

• Disease-management programs, 59.1%

• Health-focused shelf tags, 45.5%

• Store tours identifying food items that are nutritious or essential to managing certain health conditions, 40.9%

• Walk-in medical clinics, 40.9%

• Nutrition counseling, 38.6%

• More supermarket pharmacists help immunize consumers from illnesses ranging from the flu to different types of hepatitis

FMI report "Supermarket Pharmacy Trends 2007"
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Integrate the Pharmacy into the Supermarket

- **Define** – Your Pharmacy’s Positioning & Strategy within the company

- **Create** - Pharmacy Tactics and Vehicles for implementation

- **Execute** - Corporate Structure and Support
  - Resource alignment with operations
  - Marketing plan for pharmacy
  - Community partnerships/sponsorships
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Develop a Set of Objectives

- **Understand** the advantages of creating a Health and Wellness destination

- **Discuss** in-store programs that support attracting supermarket customers to becoming pharmacy customers

- **Describe** some of the challenges faced by the supermarket pharmacy

- **Identify** ways the Store Management and Pharmacy teams can integrate to build loyalty and promote one-stop shopping
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Resource Alignment with Operations

Senior Vice President of Operations

Regional Director of Operations

Director of Pharmacy Operations

Regional Director of Operations

Retail District Managers

Pharmacy District Managers

Retail District Managers

Retail Store Managers

Pharmacy Managers

Integration Continuum

Performance reviews, raises, and bonus alignment
Cross training of the associates
Department Manager meetings
Store Collaboration on Community Activities
Develop a Marketing Plan for Pharmacy

- Assign a Marketing Manager
- Allocate Pharmacy Dollars for Marketing
- Define an Advertising plan - radio, TV, in-store and flyer
- Additional Opportunities
  - Vendor partnerships
  - Billboards & Banners
  - Local Business activities – Interviews, Speaking Forums and Community Service
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Develop a Community Partnerships/Sponsorships

• Healthcare Providers
  – Clinics, hospitals, health depts., hospices

• Health Associations
  – AHA, ADA, JDRF, American Cancer Society

• Schools
  – Pharmacy Colleges, Private and Public Grade Schools

• City and County Government
  – School nutrition and employee education programs

• Local Employers
  – Health screenings and seminars
Contribute Capital to: Organizations that establish or support programs to prepare students for leadership for a world of diverse people and interests.

And, organizations that strive to build communities of respect and tolerance for differences and encourage communities to engage in dialogue about issues of diversity in our society, or the interdependence of national entities and people
Contribute Capital to: fund drives, programs or service support through which nutrition, health education or preventative medicine will be provided
Contribute Capital to: people who devote their time, energy and resources to the fight to end hunger
Summary
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Know What You Want to Achieve

• Automatically handle calls and refill requests
• Seamlessly prompt pick-up and/or compliance
• Eliminate manual labor from the filling process
• Store and dispense some or all prescriptions
• Automate vial retrieval & labeling
• Automatically track and manage prescriptions
• Standardize the prescription filling process
• Track, manage and/or deliver completed prescriptions
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Know Your Pharmacy and Personnel

• Daily/weekly prescription volume
• Ratio of oral solid prescriptions vs. pre-packs, other
• Prescription volume & revenue growth/decline rates
• Hours of operation
• Size and availability of staff
• Wages and benefits for every staff member
• Daily and annual labor costs
• Current cost (labor included) to fill a prescription
• Size and layout of pharmacy/dispensing area
• Background, education and an open mind to new ideas/challenges
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Know Your Vendor

- Cost of equipment (lease/purchase)
- Space, power and data line requirements
- Upgrade/expandability costs
- Costs for software licenses
- Remodeling requirements
- Costs for interfaces, installation and training
- Ongoing maintenance requirements
- Costs for service and support
- Performance guarantees
“Conduct a thorough financial analyses to make sure that there is a valid return on your investment (ROI)”
• Technology must enhance efficiency, productivity and patient safety
• Technology can improve customer service, provide a unique shopping experience for the customer and increase Pharmacist / Patient interactions
• Cost and complexity of technology does not always mean the “best” solutions
• Alternative uses of Technology can lead to positive results
**Task:** Bring the pharmacists out from behind tall shelving units and counters.

**Result:** Increased the sale of walkers from three to four per year, to three or four walkers per month.

Increased the sale of OTC products from less that $7,000 a month to almost $40,000 a month.


**Task:** Double the space for braces, specialty knee braces, walking casts. Reach out to the assisted living centers and the over 55 communities

**Result:** Sales of surgical supplies were up by approximately 30 percent in less than 6 months
**Task:** Minor modifications to pharmacy layout for efficiency and the addition of IVR and automated counting systems where volumes indicated

**Result:** Implemented the following:

- In-aisle Recommendations on OTCs
- Disease Management Programs
- In-store Health Education Programs
- Community Health Care Services
Supermarket pharmacy must take control of and own "Health and Wellness" so that this becomes an inseparable part of its value proposition, its service and its identity.
What significant changes will take place between now and the next 50 years?
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Questions?