

*Minding the Store:
Trends in Retail Pharmacy*

**Canadian Wholesale Drug Association
Toronto
January 23, 2001**

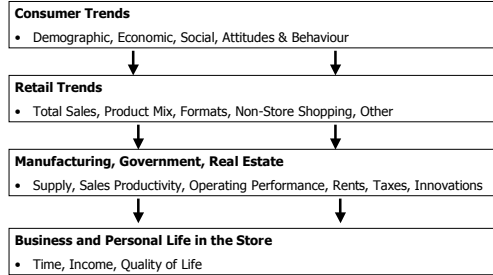
John Williams
www.jcwg.com

Change – sweeping retailing,
driven by customers

No “one answer” or “best format”

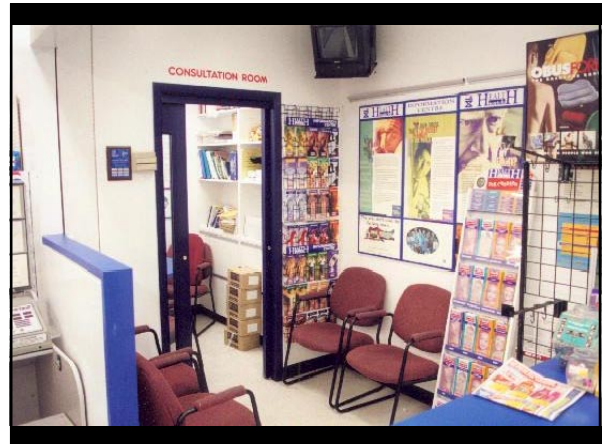
Speed of change is alarming

**Chain of Influence:
From Consumer Trends to Personal Performance**



Industry Issues or Battles for:

- consumer service demands
- great staff
- survival over competition
- shift in channels
- non-productive activity





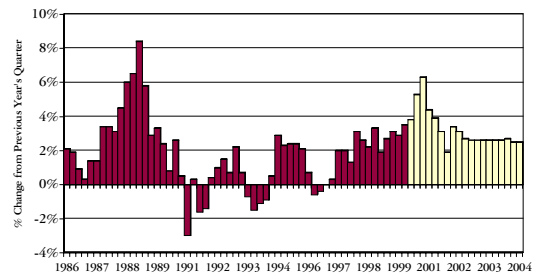
Discuss Today:

- Consumer trends
- Retail and industry information
- Retail and industry trends
- Understanding the challenges
- Ideas for retail prosperity

**Consumer Trends:
Inter-related Factors**

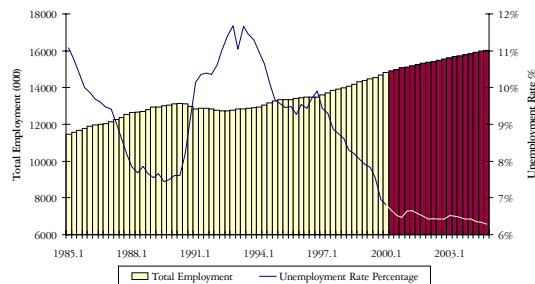
- Economic Conditions
- Demographic Changes
- Social Changes
- Consumer Attitudes and Behaviour

**Canadian Quarterly Real Disposable Income
1985-2000 and Projections Through 2004**



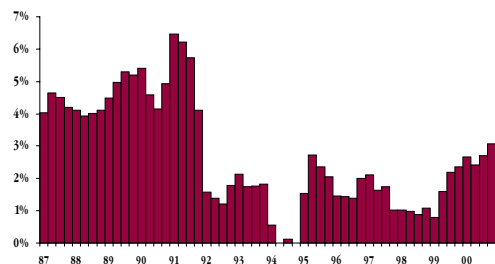
Sources: Statistics Canada, Conference Board of Canada

**Canadian Quarterly Employment Statistics
1985-2000 and Projections Through 2004**



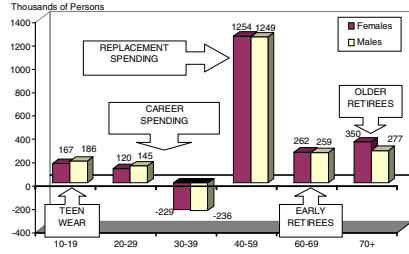
Sources: Statistics Canada, Conference Board of Canada

**Quarterly Change in Canadian
Consumer Price Index 1987-2000**



Source: Statistics Canada

Net Changes in the Canadian Population By Age, 1996-2006 Implications for Spending



Source: Statistics Canada

Consumer Demographics Summary

Positive

- Population growth
- Employment
- Disposable income
- Lending rates
- Pharmacy spending

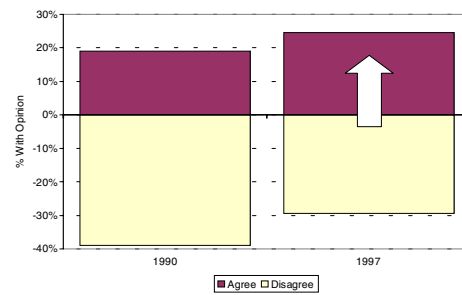
Negative

- Age distribution: less DSTM spending
- Savings rate
- Low inflation

Consumer Attitudes & Behaviour

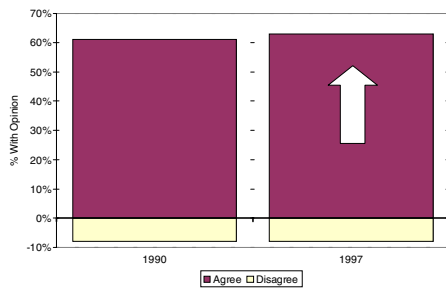
- Self-perceptions of sophistication and enjoyment of extravagance
- Brand loyalty
- Importance of convenience
- Vigilante consumers

Consumer Attitudes
“I consider myself to be sophisticated.”



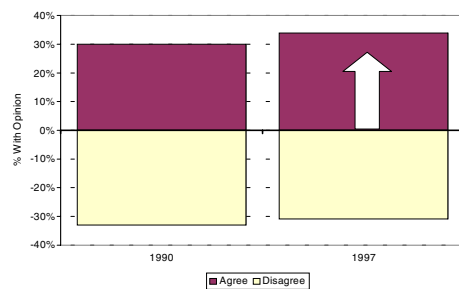
Source: J.C.Williams Group National Retail Report

Consumer Attitudes
“Once I find a brand I like, I stick with it.”

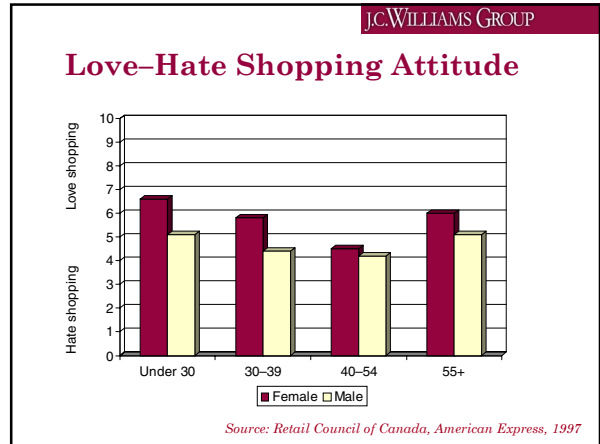
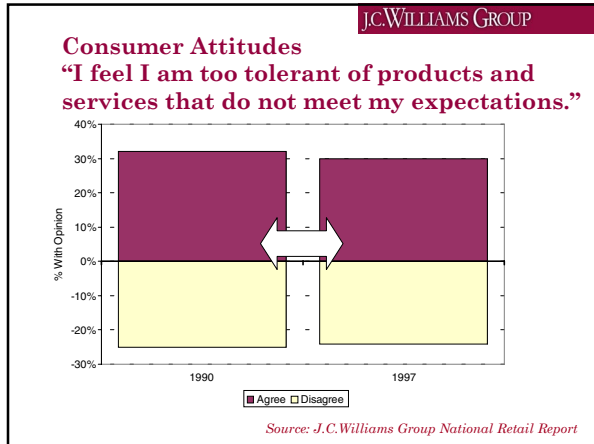


Source: J.C.Williams Group National Retail Report

Consumer Attitudes
“I am willing to pay a little extra to save time shopping.”



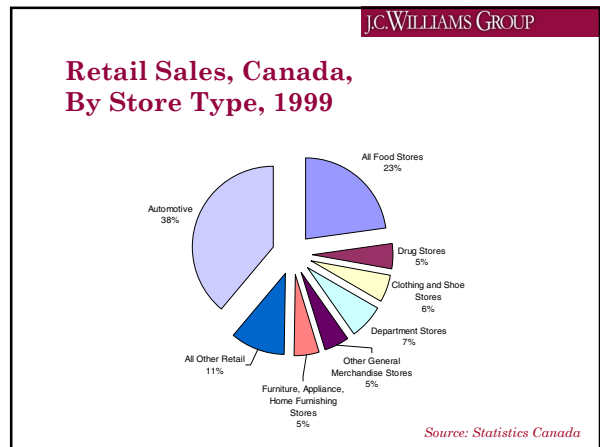
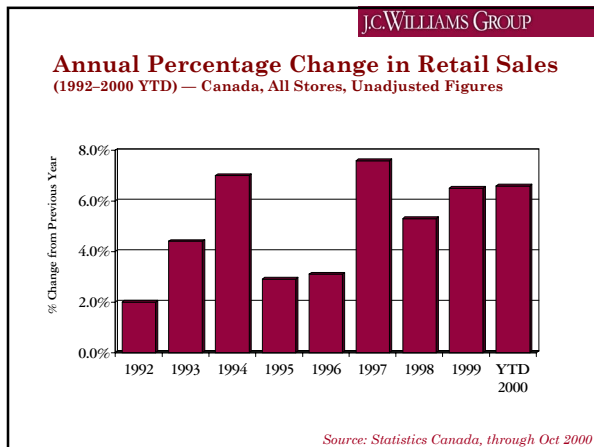
Source: J.C.Williams Group National Retail Report



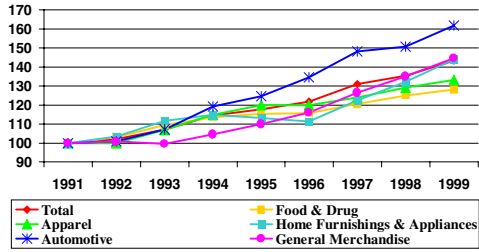
- J.C. WILLIAMS GROUP
- ### Consumer Attitudes Summary
- | | |
|---|---|
| <p>Positive</p> <ul style="list-style-type: none"> • Sophistication • Extravagance • Brand loyalty • Convenience • Feeling optimistic • Social experiences | <p>Negative</p> <ul style="list-style-type: none"> • Vigilante consumer • Fewer shopping trips and time spent • Competition from services • Time-pressed society |
|---|---|

J.C. WILLIAMS GROUP

Retail and Industry Trends



**Retail Sales By Major Product Categories
Relative Index (1991=100), 1991-1999**

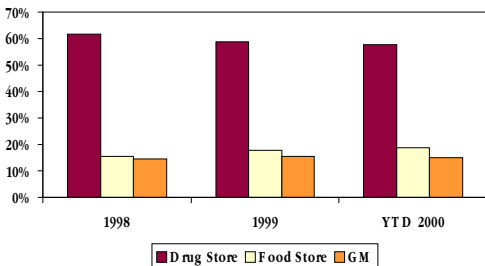


Source: Statistics Canada

Annual Sales (\$billions)

	1998	1999	
Health/Personal Care	\$16.6	\$18.1	+9.4%
Drug Store S.O.M	61.8%	58.7%	
Sales at food stores	(S.O.M 17.8%)	\$3.2	+23.7%
General merchandise stores	(S.O.M. 15.5%)	\$2.8	+16.0%

Share of Health and Personal Care Sales



Source: Statistics Canada

Purchased In the Last Six Months

Over the counter medicine	36% (41% female, 30% male)
Prescription	50% (58% female, 41% male)

Stores Where Cosmetics are Purchased

	% of buyers
• SDM	38%
• Wal-Mart	16%
• Zellers	14%
• Jean Coutu	12%
• The Bay	14%
• Body Shop	10%
• London Drugs	8%
• Other stores	17%

Source: J.C.Williams Group National Retail Report

**Stores Where OTC Medicines Purchased
(last six months 1999-2000)**

	% of buyers
• SDM	36%
• Wal-Mart	16%
• Jean Coutu	12%
• Zellers	9%
• London Drugs	7%
• Pharma Plus	7%
• Grocery stores	19%

Source: J.C.Williams Group National Retail Report

**Stores Where Prescriptions Purchased
(last six months 1999-2000)**

	<u>% of buyers</u>
• SDM	36%
• Wal-Mart	16%
• Jean Coutu	12%
• Zellers	9%
• London Drugs	7%
• Pharma Plus	7%
• Pharmasave	6%
• Grocery stores	19%

Source: J.C.Williams Group National Retail Report

Store Performance Results 1999

	<u>Average</u>	<u>Range</u>
Sales	\$2.6 M	\$1.4-4.8 M
Sales/sq.ft.	\$612	\$499-\$1,050
Profit %	7.1%	4.6%-8.8%

Source: Community Pharmacy Trends Report 2000

Store Profile

	<u>Average</u>	<u>Range</u>
Size sq.ft.	3,136	1,759-6,143
Hours open/week	64	55-83
Average Rx volume	29K	17K-41K

Source: Community Pharmacy Trends Report 2000

So Where Are We At?

- More money ► less shopping
- More sophistication ► less 'stuff'
- More time pressure ► less stores – more non-store

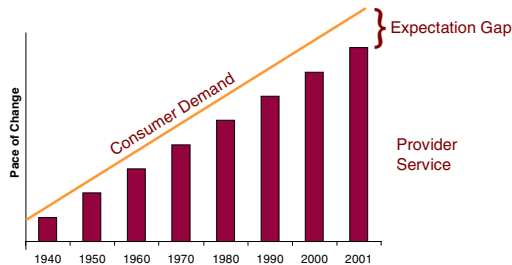
Understanding Retail Trends

- Glut of everything ... except time and good people
- Over-stored and over SKUed
- Consolidation
- Delivery of formats
- Co-branding
- Category blurring

Understanding Retail Trends and Challenges

- Distribution is as strong as its weakest link
- Retailing is your destiny
- Tweaking just won't do
- Too many big challenges to ignore

1. Consumer service demands are not being met



1. Consumer service demands are not being met

- I want it cheaper, better, different, faster, anywhere, anytime ... NOW!
- Multi-channel model has emerged

2. Getting Great (or Good) People!

- Too few people for too many options
- It will be a dog-fight
- Why?
 - ▶ too many stores
 - ▶ open too many hours
 - ▶ for too few staff
 - ▶ pay just adequate/low

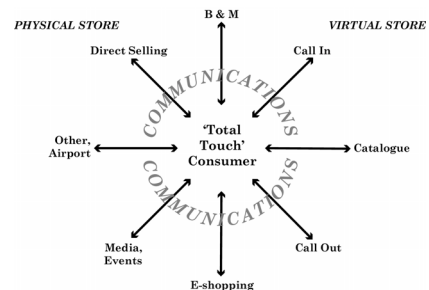
3. Survival Over Competitors

- Industry pressure to consolidate
- What is a drug store? – mixed messages
 - ▶ specialist or supermarket?
 - ▶ discounter or solutions provider?
 - ▶ mass merchant or wellness centre?
 - ▶ old fashioned or technologically competent?

4. Shift in Channels

- Huge challenge to manage
- Consistent experience
- Brand works in all channels
- Speed is critical
- Operations are efficient

Total Touch Model



5. Non-Productive Activity

- Payment for professional advice
 - ▶ elevation of status and revenue
- Time management for staff and efficient service
- Systems management

Ideas for Retail Prosperity

1. Consumer Service

- Industry is a leader
- Wireless technology and integrated systems
- Link consumer, store, doctor, supplier, third-party payment, government

* Need to partner

2. Industry-wide Attraction and Recruiting

- Pharmacy and front-store (not a default job)
- Aggressive promotion to schools/colleagues
- Sophisticated recruitment – chains and independents
- Re-think the job, pay, benefits

* Need to partner

3. Need for Clear Differentiation

What strategy will work for which store?

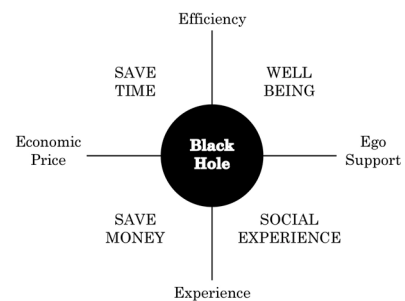
Why?

- ▶ many different segments
- ▶ shoppers like clear choices
- ▶ danger in a middle (muddle) position

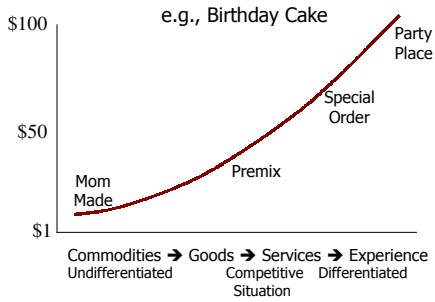
Independents must find a viable strategic role

* Need to partner

Retail Solutions Strategy Model "4 E's"



Shifting Values & Activities The Experience Economy



Thank you and keep in touch



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