

SEMPORA MARKET SURVEY: THE UK RETAIL PHARMACY MARKET 2012 – CONSUMER INTERNET PURCHASING BEHAVIOUR

THE UK RETAIL PHARMACY MARKET: “THE FUTURE OF PHARMACY IS ONLINE”

The online channel share of the £4bn health and beauty products retail sector in the UK is much less than online shares of other consumer product categories. It is also much less than other retail markets such as German and the USA.

Whilst there are structural differences between the UK and German markets, for example, this ‘lag’ is generally surprising and so over the years Sempora has been keeping a close eye on developments in the sector. Our latest study provides new insight into consumer use of internet pharmacy; and we conclude that internet pharmacy is poised for substantial growth in the UK and presents a huge opportunity for multichannel retailers.

Key drivers will change this relative underdevelopment of online pharmacy:

- Professionalisation of internet pharmacy retail – as traditional pharmacy retailers improve their digital marketing capabilities (and internet experts are possibly attracted as new entrants).
- Increasing pressure on branded items.
- Potential merging of OTC and Rx operations, in turn driven by the introduction of electronic prescriptions.
- Attractiveness of market overall: UK as a target country for growth strategies, especially with respect to OTC medicines and general health/wellbeing products.
- General growth of online purchases in all markets and categories. The consumer increasingly purchases online.

And as evidenced by the recent survey, underpinned by:

- Consumer demand – growing awareness of internet pharmacies and increasing intention to purchase online; while according to market forecasts, the Health & Beauty category will show the second highest predicted online retail growth rate over next five years: 11-12% per annum (second to clothing & footwear (14-15%))

NEW STUDY: KEY FINDINGS AND OBSERVATIONS

The new SEMPORA study focused on consumer behaviour and attitudes with respect to buying health related products online. The results are based on analysis of the detailed responses of a sample of 1007 pharmacy users in the UK. ¹

The survey shows that 13% of all pharmacy shoppers already buy online. This penetration rises in younger age groups with over 25% of all 25-34 year old pharmacy shoppers now purchasing health and beauty products online.

A separate recent SEMPORA survey of the German pharmacy market reported a 27% online purchase share, suggesting even further growth possibilities for this sector in the UK.

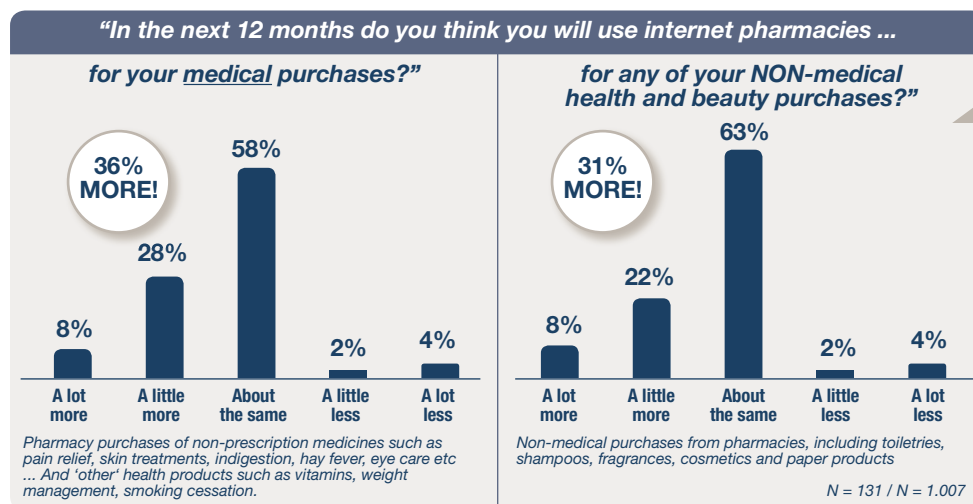
The online channel share of OTC medical products remains a relatively low – survey results suggest a share of around 3-4%, whilst online sales of cosmetics, skincare and fragrances account for an estimated share of 8-9%.

The sector is becoming increasingly multichannel as more consumers shop online, while having one or two preferred regular pharmacies.

¹ Online responses from a sample of 1007 purchasers of health and beauty products from pharmacies, generated from a nationally representative group of UK adults. Fieldwork conducted in August and September 2012.

Indications of growing consumer online purchasing of healthcare products

Consumer intentions provide good indicators of future growth patterns – and a key finding of the survey was that consumers intend to use the internet much more for their medical purchases: around 14% of non-users say they think they will use the internet for the first time for medical products in the next 12 months. 36% of current users say they will purchase more online.



INTERNET PHARMACY SHOPPER'S FUTURE INTENTIONS

The main reasons given for shopping online for pharmacy products were: ‘price’ given by 30% of respondents, ‘convenience’ by 25% and ‘home delivery’ by 16%.



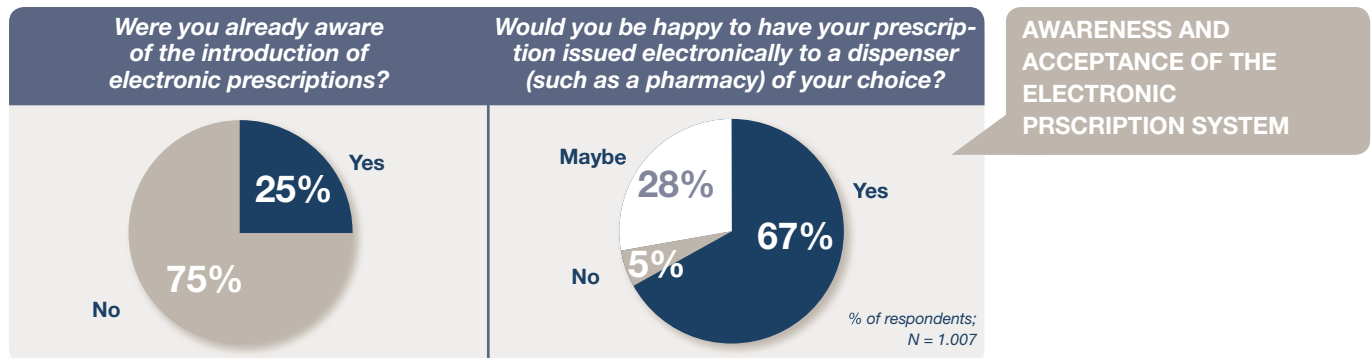
REASONS FOR SHOPPING AT AN ONLINE PHARMACY

UK moves to Electronic Prescription System – a key trigger for growth

We estimated that whilst ‘only’ around 2% of prescriptions are currently issued online, this category is set to show significant growth in the UK. This will also have a positive knock-on effect on online sales of complementary items such as OTC and related non-medical items .

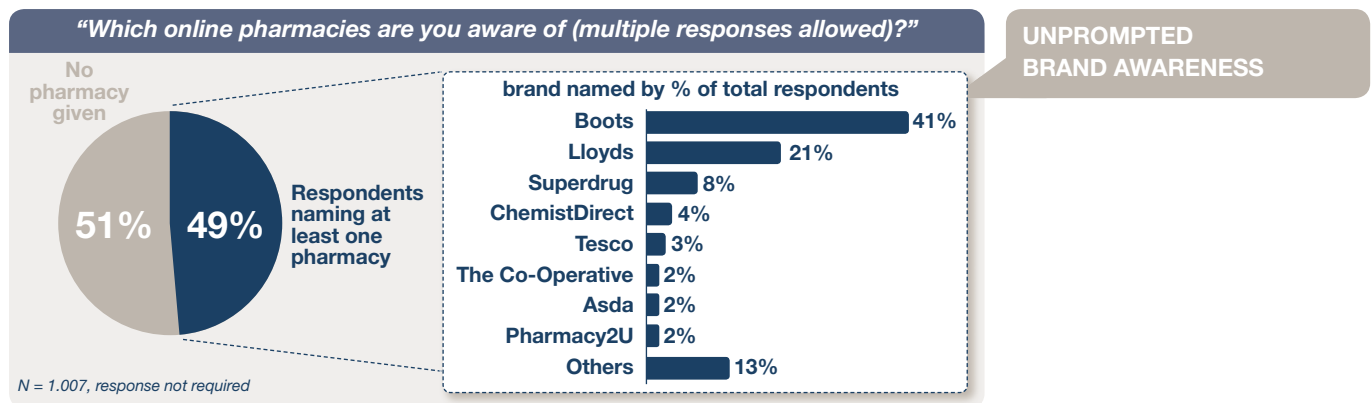
Although uptake by prescribing professionals (mostly GPs) is so far slow, the UK consumer will happily embrace change, with the introduction of electronic prescriptions. This new, live system, currently being rolled out across the country, will allow patients to nominate a dispensary of their choice, including internet pharmacies. 67% of survey respondents said they would be happy to have prescriptions dispensed electronically, with a further 28% saying “maybe”.²

² The question refers to the current national rollout of the Electronic Prescription Service, which will enable prescribers – such as GPs and practice nurses – to send prescriptions electronically to a dispenser of the patient's choice (such as a pharmacy).



Awareness: multi-channel is dominated by two large multiples

Around a half of the sample respondents named at least one online pharmacy. As expected, Boots was the most frequently mentioned store in response to questions about awareness of internet pharmacies, being named by 41% of the total sample. Lloyds was second with 21%, followed by Superdrug (8%), ChemistDirect (4%), The Co-op (2%), Asda (2%) and Pharmacy2U (1.5%).



Life continues to be tough for independent pharmacies

Boots also operates other mail order solutions in various European markets, and the recent takeover by Walgreens will give them further insights into the online market. As a consequence it will become even more difficult for independent pharmacies to survive when chain pharmacies offer online solutions. With less online experience, know-how and financial power, independents will also find it much harder to follow the online trend.

Need for action

Pharmacy operators need to build strong online strategies, as increasingly consumers will expect retailers to offer state-of-the-art online solutions.

In parallel the pharmaceutical industry needs to build robust sales strategies with regard to collaboration with internet pharmacy providers. Key account management structures and product range strategies will have to be refined or developed. Manufacturers should also consider the online retail channel as a new opportunity to reach consumers through new marketing activities.

In summary, the internet offers a huge opportunity for retail pharmacy, in particular multi-channel specialists. Despite the relative lag, compared with less complex products such as entertainment and grocery items, consumers are increasingly shopping online for medicines and health related products. The UK pharmacy market – one of Europe’s largest – still has massive potential for online development. The growing importance of this channel should not be underestimated by retailers and manufacturers alike.

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