PRESS RELEASE – May 2014

SEMPORA market study: The UK retail pharmacy market 2014: consumer survey

"The future of pharmacy is multichannel, with a fast growing digital focus."

London, 21st May 2014

The latest pharmacy market study by Sempora Consulting, including new original consumer research, follows up on key findings from previous biennial pharmacy market studies. The study focuses again on consumer behaviour and attitudes with respect to buying health related products online; and also surveys consumer views on healthcare and pharmacies in general, as well as the current reforms to the NHS. The new survey results are based on analysis of the detailed responses of a sample of 1,040 pharmacy users in the UK. [1]

Online penetration: A quarter of UK pharmacy shoppers purchased online in the last year

Whilst many more pharmacy consumers are shopping online - 27% have done so in the last 12 months compared to 13% two years ago [2] - the sector demonstrates clear multichannel shopping behaviour: with consumers having one or two preferred regular pharmacies and 93% of online shoppers also shopping in store.

Online penetration is highest in younger age groups, with 25-34 year old pharmacy shoppers twice as likely as over 65s to have purchased health and beauty products online at some time in the past (63% of 25-34 year olds compared to 30% of over 65s).

Having shown a dramatic increase in online penetration the rate of growth of penetration is now likely to slow slightly: Consumers still intend to use the internet more for their medical purchases: around 9% of *non-users* say they think they will use the internet for the first time for medical products in the next 12 months (compared to 14% in 2012); with 27% of current online pharmacy users saying they will purchase more online next year (compared to 36% in 2012) [3] . (see Chart 1)

Online preferences: convenience is more important than price

Although 'Price' has grown in importance as a main reason for shopping online, this year it has been overtaken by 'convenience'. The main reasons given for shopping online for pharmacy products were: 'convenience' given by 61% 'price' of respondents, 'price' by 46% and 'home delivery' by 32%. [4] (see Chart 2)
continues/…

[1] Online responses from a sample of 1,040 purchasers of health and beauty products from pharmacies, generated from a nationally representative group of UK adults.
[2] 2014 compared to 2012 results (12 months to April 2014 compared to 12 months to July 2012).
[3] See appended chart for product definitions.
[4] Multiple answers allowed.

Digital pharmacy: consumer acceptance of electronic prescriptions is very high; while actual use is relatively low.

Another key driver for growth is the introduction of electronic prescriptions, which allows patients to nominate a dispensary of their choice, including internet pharmacies. 74% of survey respondents said they would be happy to have prescriptions dispensed electronically (up from 67% in 2012 when the system was launched), with a further 16% saying "maybe". [5] (see Chart 3)

This includes 12% who say they have already had an electronic prescription. Around 70% of the population say had a prescription in the last year.

Brand awareness: online customer awareness of Boots increases

Approximately two thirds of the sample respondents named unprompted at least one online pharmacy, compared to a half in 2012. As expected, Boots was the most frequently mentioned store in response to questions about awareness of internet pharmacies, being named unprompted by 65% of the total sample – a big increase on 2012. Lloyds was second with 13%, followed by ChemistDirect (4%), Pharmacy2U (2%), Superdrug (2%), Tesco (1%) and Asda (1%) [6] (Ref: Chart 4).

NEW: most consumers say they are not well informed about NHS reforms, with the majority taking a dim view of the personal benefits

The survey also asked questions about consumer views on consumer healthcare and pharmacies in general, as well as the current reforms to the NHS:

- Only 26% felt "aware and informed about the current NHS reforms"
- 42% say "their personal health care costs have risen in the last few years" and the same percentage "expect costs for (my) personal health care to rise as a result of these reforms".
- Only 18% thought the reforms would "notably improve the quality of the health care services I use".
- 29% would like to get "more 'self-care' advice from pharmacists rather than see my GP", while only 17% would "rather go to a pharmacy than to a doctor for information and advice on illnesses".

[5] 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).
[6] Unprompted, misspellings allowed.

Commentary

"The internet is still a huge opportunity for retail pharmacy, especially for multi-channel specialists and those who position themselves to fulfil electronic prescriptions. This time our survey suggests that after a relative lag, compared to less complex items such as entertainment and grocery products, consumers are increasingly shopping online for medicines and health related products and we believe the UK pharmacy market still has massive potential for online development. The continued growth in importance of this channel should not be underestimated by retailers and manufacturers alike", concludes Francis Prosser, Director of Sempora Consulting.

"At the same time, there is still a strong role for independent community pharmacies: with 30% of pharmacy shoppers saying that local independent pharmacies offer better customer service and consultation than pharmacy chains and only 38% agreeing that chains offered better prices."

And with only 5% of consumers saying they would choose online pharmacies for dispensing electronic prescriptions, internet players still have a long way to go to convince consumers they are right for this service. 74% of consumers preferred to elect the traditional 'chemist' either in the form of a chain or independent pharmacy.

The full survey report, including comparisons to 2012 findings, as well as new questions, will be available from SEMPORA Consulting, London (www.sempora.co.uk) from 22nd May 2014 at a cost of £450.00 plus VAT.

Selected results and analysis are available free of charge to press.

We shall be very pleased to respond to all requests for further information. Please direct all enquiries as instructed below.

Selected charts are provided on following pages. This release and charts are available in electronic form.

About SEMPORA Consulting: SEMPORA is a specialist management consultancy with a focus on strategy, marketing and sales consulting, with offices in London and Bad Homburg, Germany. SEMPORA's specialises in the Healthcare, Fast Moving Consumer Goods, Retail and Travel/Tourism sectors and in due diligence in support of M&A activity.

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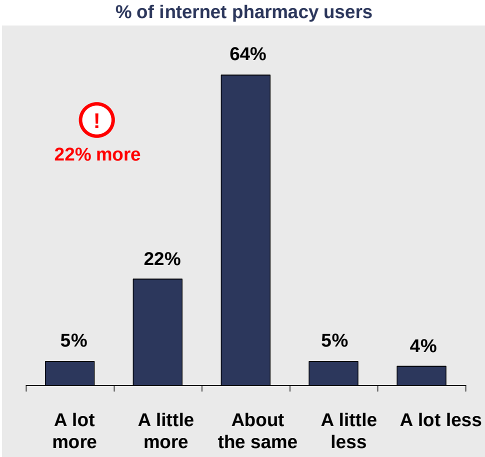
Chart 1: Internet pharmacy shoppers' future intentions

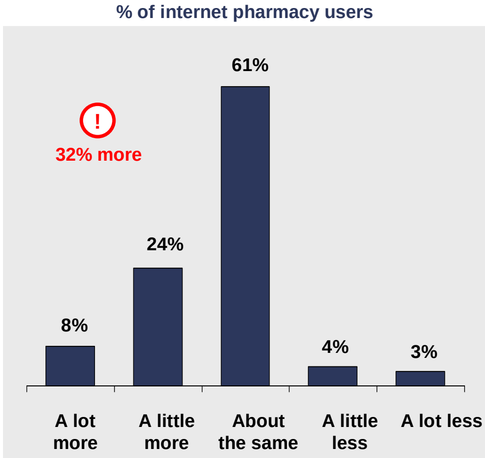
In the next 12 months do you think you will use internet pharmacies … for your medical purchases? [1]

% of internet pharmacy users



And in the next 12 months do you think you will use internet pharmacies… for any of your NON- medical health and beauty purchases? [2]

% of internet pharmacy users



[1] Pharmacy purchases of non-prescription medicines such as pain relief, skin treatments, indigestion, hay fever, eye care etc... And 'other' health products such as vitamins, weight management, smoking cessation.

[2] Non-medical purchases from pharmacies, including toiletries, shampoos, fragrances, cosmetics and paper products.

n = 459 / N = 1,040

Chart 2: Reasons for shopping at an online pharmacy

What are the main reasons that you shopped at an online pharmacy in the last 12 months: (multiple responses allowed) ?

% of respondents

Chart 3: Unprompted brand awareness

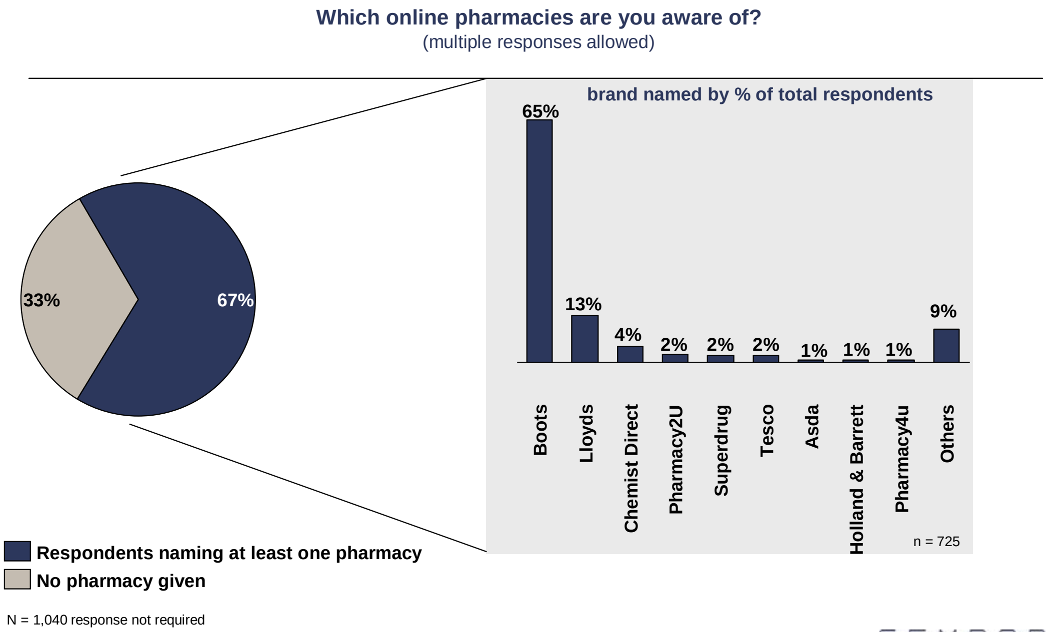
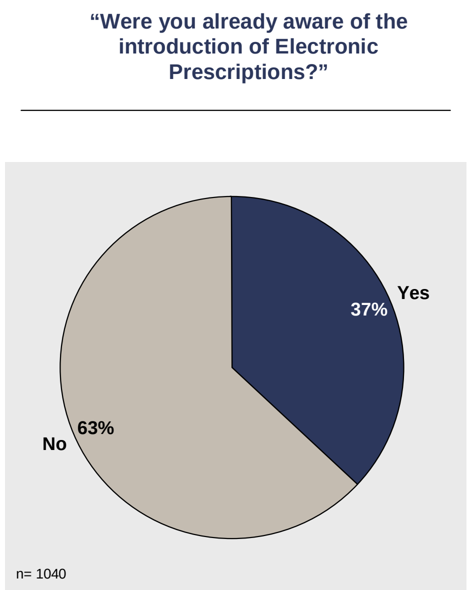
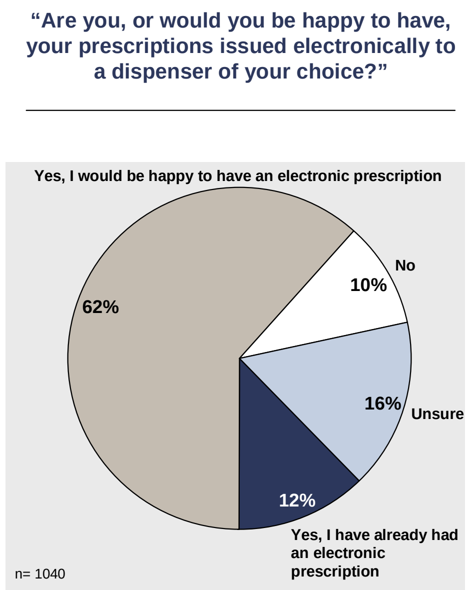


Chart 4: Awareness and acceptance of the Electronic Prescription System





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