PRESS RELEASE – August 2016

SEMPORA market study: The UK retail pharmacy market 2016: consumer survey

"Further digital growth expected: UK consumers increasingly buying medicines online"

London, 29th August 2016

The latest pharmacy market study by Sempora Consulting, including new original consumer research, updates key findings from its previous biennial pharmacy market studies. The study focuses again on consumer behaviour and attitudes with respect to buying pharmaceuticals and other health related products online; and also surveys consumer views on healthcare and pharmacies in general. The new survey results are based on analysis of the detailed responses of a sample of 1,001 pharmacy users in the UK. [1]

Over a fifth of UK pharmacy shoppers purchased online in the last year.
Online purchasing of medicines increases by over 20% since 2014.
Online purchasing penetration (activity) [2] has increased substantially for both prescription and non-prescription medicines since the previous survey in 2014, by an estimated average of over 10% per year for each category, with prescription (at a smaller base) showing the faster growth. The product category with the highest penetration is fragrance, followed by cosmetics.
Online penetration is highest in younger age groups, with 25-34 year old pharmacy shoppers twice as likely as over 55s to have purchased health and beauty products online at some time in the past (57% of 25-34 year olds compared to 24% of 55-64 year olds, 27% of over 65 year olds). "It is unlikely that younger pharmacy shoppers will change their buying behaviour in the future and go back to buying more in a stationary pharmacy – bricks & mortar pharmacies will be losing these sales to the online world", says Francis Prosser, Managing Director of SEMPORA Consulting Ltd.

Intention to purchase online increases once again
Consumers say they intend to use the internet even more for their *medical purchases* in future: around 13% of *store-only shoppers* say they think they will use the internet for the first time for medical products in the next 12 months (compared to 9% in 2014); while *current online pharmacy user* intentions bounce back to exceed 2012 levels with 39% saying they will purchase more online next year (compared to a 27% in 2014 and 36% in 2012)[3]. (See Chart 1)

Online preferences: convenience more important than price
'Convenience' is still the main reason given for shopping online for pharmacy products, with 56% of respondents citing it as a key factor. 'Price' (36%) has declined further in importance as a reason for online pharmacy shopping (2012: 46%), this year also being overtaken by 'home delivery' (42%). (See Chart 2)

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[1] Online responses from a sample of 1,001 purchasers of health and beauty products from pharmacies, generated from a nationally representative group of UK adults.
[2] Penetration / activity defined as use of at least one specified channel in the last 12 months for specified product categories.
[3] See appended chart for product definitions.

Digital pharmacy: consumer acceptance of electronic prescriptions is very high; while actual uptake has nearly trebled over two years.

With awareness now at 67% of respondents, 76% of survey respondents said they would be happy to have prescriptions dispensed electronically (up from 67% in 2012 when the system was launched). (See Chart 3)

This includes 31% who now say they have already had an electronic prescription.

Despite a small increase, to 6%, in the proportion 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: over 70% of consumers still prefer to elect the traditional 'chemist' either in the form of a chain or independent pharmacy and 20% a GP or hospital dispensary.

Added value and new services such as online advice and click and collect are welcomed by consumers

56% of respondents (all pharmacy users) had used the internet to **research a medical condition** in the last year, with 15% saying they used some kind of **online doctor for advice** or treatment (obtaining or ordering prescriptions is one of the most popular services).

Nearly three-quarters of online pharmacy shoppers had used an online **click and collect pharmacy** service, including Boots, Lloyds and Tesco.

Online pharmacy shoppers were three times more likely than pharmacy store-only users to have had a Medicine Use Review in the last year. 11% say they had had one over a year ago but not since.

Awareness of online players: Boots dominating

61% of respondents could name at least one online pharmacy. As expected, Boots remains the most frequently mentioned store, being named unprompted by 43%. Lloyds and Superdrug showed strong increases to second and third most mentioned, with 20% and 11% respectively, followed by ChemistDirect (3%), Pharmacy2U (2%), Tesco (1%) and Asda (1%) [4]. (See: Chart 4).

In terms of actual use[5], Boots was the clear leader, followed by Lloyds and Superdrug, supermarkets and various specialists, with the now-merged Chemist Direct and Pharmacy 2U showing equivalent individual shares[6].

The future is multichannel

The sector demonstrates clear multichannel shopping behaviour: with consumers having one or two preferred regular pharmacies and 96% of online shoppers also shopping in store.

"Figures suggest that overall online pharmacy growth has lost momentum over the last year or so, yet the outlook remains good with strong future intent among current users. The additional challenge for online players is to convert more new users online, particularly among older age groups.

"For industry the challenge is to make sure that their products are available in all pharmacy channels and promoted in a way that fits the online or offline channel and reaches out to consumers – product marketing and sales teams must develop competencies to cover all channels," concludes Francis Prosser.

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[4] Unprompted, misspellings allowed.
[5] Purchases of any of the specified pharmacy categories from named store in last 12 months.
[6] Survey fieldwork launched before announcement of merger in July 2016.

The full survey report, including selected comparisons to 2012 and 2014 findings, as well as new questions, will be available from SEMPORA Consulting, London (www.sempora.co.uk) from 1st September 2016 at a cost of £500.00 plus VAT.

Selected results and analysis are available free of charge to press. Selected charts are provided on following pages. This release and charts are available in electronic form.

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

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.

About the author: Francis Prosser is a Director of SEMPORA Consulting Ltd. His consulting focus is in healthcare, consumer goods, retail and M&A / due diligence.

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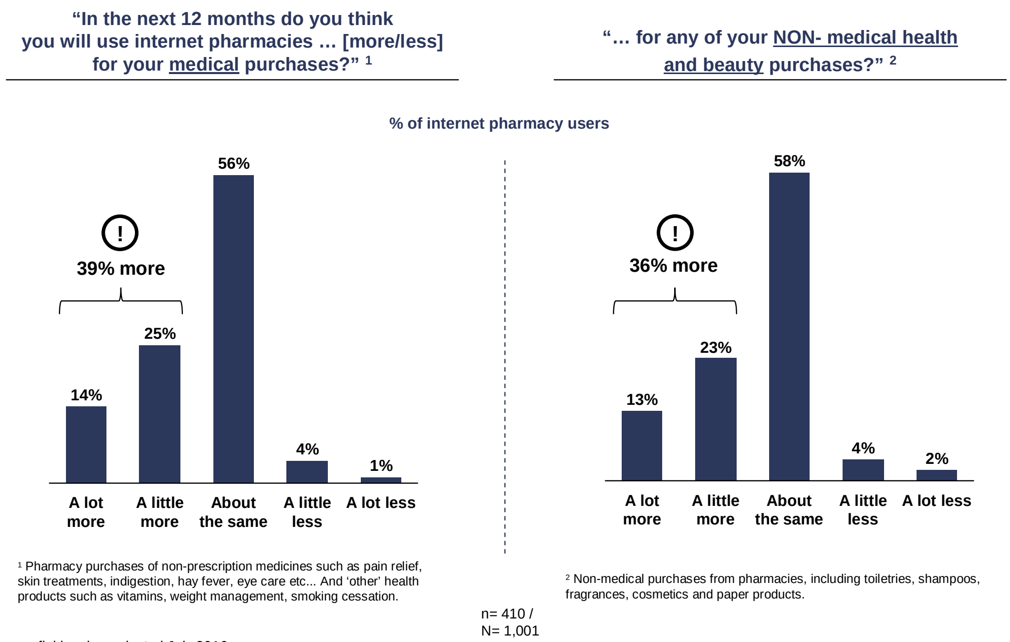
APPENDED: CHARTS…

39% of current internet pharmacy users plan to increase their online medical purchases next year; 36% will increase non-medical purchases

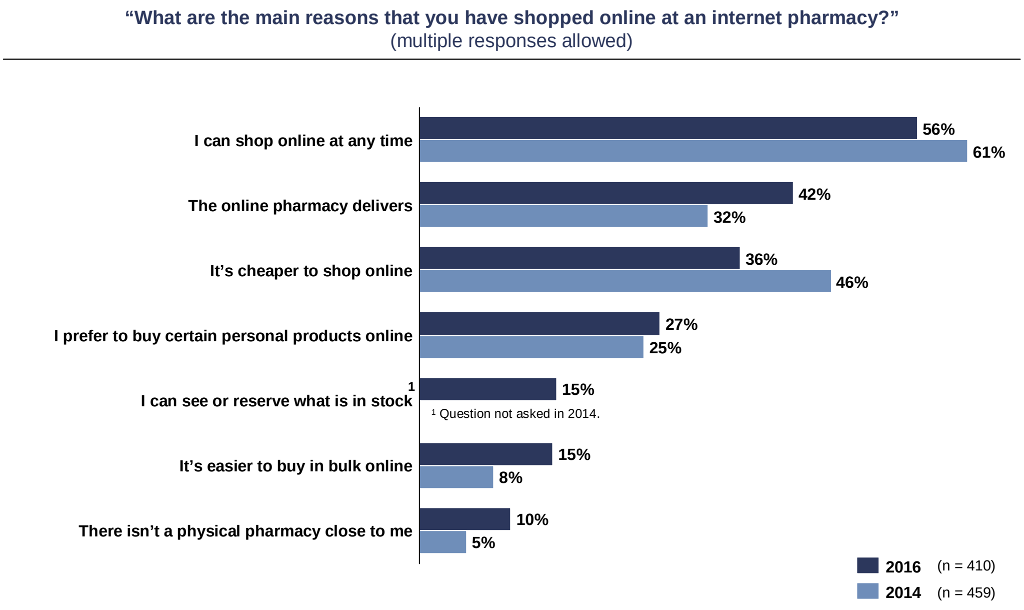
Chart 1: Future use of internet pharmacy



Note: Survey fieldwork conducted July 2016

The most important reasons for shopping online are convenience and (home) delivery, with price declining in importance

Chart 2: Reasons for online pharmacy shopping

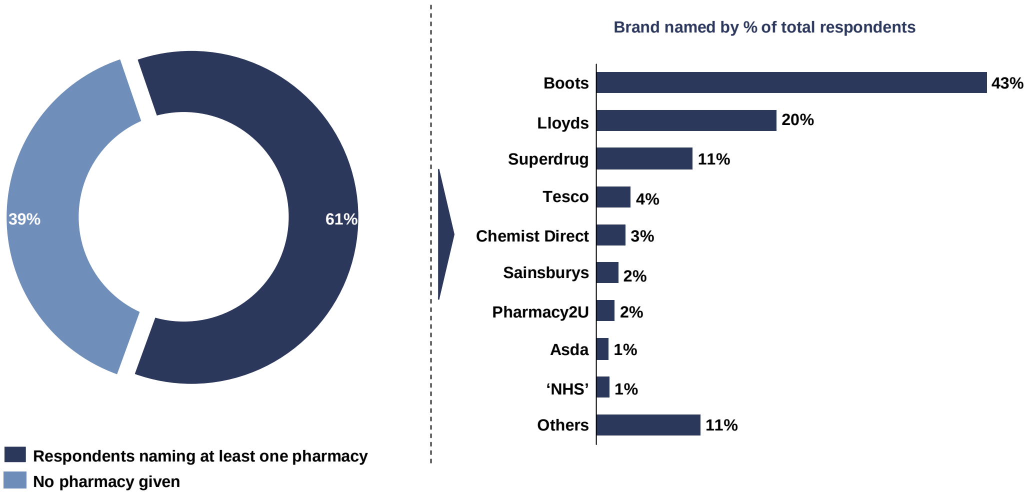


Note: Survey fieldwork conducted July 2016

61% of consumers could name at least one online pharmacy: Boots dominates in the minds of online consumers, Superdrug is on the rise

Chart 3: Unprompted pharmacy brand awareness

"Which online pharmacies are you aware of?" [1]
(open, multiple responses allowed)



n = 1,001

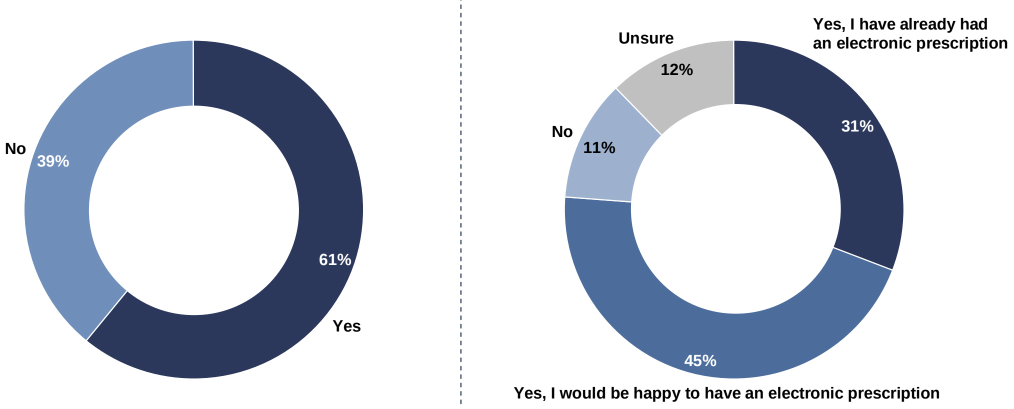
Note: Survey fieldwork conducted July 2016; [1] Response not required

Respondents show a favourable attitude towards electronic prescriptions: 31% already used and 45% happy to do so

Chart 4: Consumer acceptance and experience of the Electronic Prescription System (EPS)

"Were you already aware of the introduction of electronic prescriptions [through EPS]?"

"Are you, or would you be happy to have your prescriptions issued electronically to a dispenser (such as a pharmacy) of your choice?"



n = 1,001

Note: Survey fieldwork conducted July 2016

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