About the research...

Advantage is focused on helping suppliers and retailers develop more rewarding business collaborations

Advantage Report
Retailer Feedback for Suppliers

Advantage Report Mirror
Supplier Feedback for Retailers
Feeling the Pain

“We spend more time negotiating than focusing on growth opportunities.”

“I think we should spend less time negotiating and more time collaborating.”
Good News!

Manufacturer perceptions of pharmacy retail chains have improved over the past year

Manufacturers noted that relationships are becoming less transactional in nature as retailers seek to collaborate closer with manufactures on issues that have challenged the relationship over the past three years.
Over the past 12 months, would you say that the level of manufacturer/retailer collaboration in your industry has become stronger, stayed the same or weakened?
51% of respondents believe collaboration has become stronger

- 51% Strengthened
- 41% Stayed the same
- 8% Weakened
This is an improvement from 2014 as suppliers expressed a need for better communication and transparency.

“We are still in the early stages of Drug reform. Each retailer has a different position. There is a lack of communication and clarity around this issue. We would like clearer information from retailers.”
Why do respondents feel collaboration has strengthened?

Themes

51% Strengthened

"Retailer-manufacturer collaboration has become a bit stronger. In order to protect our industry, we have to work more closely together. Both sides listen more."

"Good collaboration and results came from sharing information with us and valuing our input."
Why do respondents feel collaboration has stayed the same?

Themes

Stayed the same

41%
Why do respondents feel collaboration has weakened?

Themes

8% Weakened

The regional accounts tend to be more relationship-driven, while a lot of the big national companies, having much higher volumes, tend to be less relationship-oriented and very focused on the bottom line. They may like us, but 0.2 cents could lose us a listing.

Industry Consolidation

It has weakened from a respect perspective based on how some large players have handled the harmonization of companies.
Average scores in all key performance areas have improved

“Collaboration has strengthened. They know they need to work with us and we need to work with them. On our side, we call on our customers more than ever. Before, we might have had a few visits per year. Now we try to meet at least six to eight times per year.”

*Ratings From all Suppliers (Rx and OTC combined)
Is there a difference between OTC vs Rx Supplier Perceptions?
Rx suppliers expressed higher perceptions of their relationship with retailers across all performance areas. Differentiation is sharpest within Logistics.
Rx manufacturers expressed a substantial improvement in supply chain collaboration

“If there is no cooperation between the manufacturer and the retailer, then the retailer could be left without exclusive products. Many of the retailers are coming to understand that now. They know they need to partner and maintain a good relationship with suppliers because of the supply issues.”

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The improvement in perceptions regarding Education and Professional Programs from OTC suppliers contributed significantly to the overall improvement.
Deep Dive into OTC Supplier Perceptions

- Critical Success Factors
- Significant Improvements
- Opportunity areas
Critical Success Factors

Effective Personnel
- Talent
- Operational Efficiency
- Education/Training

Category Management
- Consumer Focus
- More strategic buying decisions

“Companies are streamlining more and more. This puts more pressure with less resources on individuals. It is getting to a breaking point as people have only so many hours in a day to get things done.”

“Retailers should focus on education for the pharmacies, which is very important.”

“They need to find the right personnel who are passionate and know the business and the category.”

“Retailers need to ensure they know who their consumer is and ensure they offer the best products for them.”

“We would like retailers to stop bringing in items that are ineffective and hurt the category's performance. We call this 'back door', which means items that are stocked but are not listed with the head office.”
Category Development is benefiting from consumer based category assortment and effective category management.

- Consumer based category assortment
- Effective category management

Major Improvement:

- Consumer based category assortment
- Effective category management
OTC suppliers would like more visibility into retailers’ supply chain

Biggest Opportunity

✔ Shares information to enable effective production planning
Deep Dive into Rx Supplier Ratings

- Critical Success Factors
- Significant Improvements
**Critical Success Factors**

| Government Intervention | ✓ Lobbying |
| ✓ Strategic Alignment |

| Communication | ✓ Face-to-Face Meetings |
| ✓ Transparency and Information Sharing |

### Rx Supplier Perceptions

"They could work together to lobby governments and payers to serve in the interest of our joint organizations."

"We think their interests are aligned and there would be a much stronger voice if they worked together in terms of collaborating with the different payers who are ultimately dictating the prices of generic drugs."

"We are meeting retailers now more than ever for business reviews and those kinds of things. Once we have face-to-face time with the retailers, everything goes more smoothly."

"Retailers should share more strategies and communicate more on their end about how they feel the market is going. Any information they have could be useful to us because we do not always have the same information."
Execution of business plans and collaboration on government intervention have improved significantly.

- Major Improvement
  - Joint growth focus
  - Execution of business plans

- Major Improvement
  - Collaborative response to Government intervention
Increased Focus on Education and Professional Programs
Collaboration with Vendors on Education of Pharmacists
"They put a lot of pressure on their vendor partners to assist them with rolling out these programs. Our involvement with some of the work they have done with their pharmacists is best-in-class."

"They recognize the support we provide them. They are able to get access to resources that otherwise they would not be able to get access to from their own organization."

"We would like to see the pharmacies being educated on natural health products so they can direct the information to the consumer."
Education and Professional Programs Best Practices

Collaboration with Vendors on Education of Pharmacists

Linking the Front Shop to the Back Shop
“Best in class retailers have a really strong desire to link the front and back shop together. This refers to the pharmacist engaging the patient out in the front of the store as well as filling scripts. In the end, it educates consumers on the proper use of products.”

“The pharmacists will actually come out and talk to a customer about a prescription. That does not happen at all chains where the pharmacist is often more removed from the customer”
Education and Professional Programs Best Practices

Collaboration with Vendors on Education of Pharmacists

Linking the Front Shop to the Back Shop

Adoption of Innovative Technologies and Processes

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“We think there is a whole pocket of pharmacists who have a lot of fear and want to expand their scope. **We think retailers need to identify how they want to learn and own the learning portal** so that we know where we can push out materials to them to make them more successful at their jobs.”

“**Best in class retailers are very conscience about being technologically advanced.** They educate their patients and educate internally with their pharmacists. They also try to provide a lot for their customer.”

“They need to recognize the additional value provided by research companies through offering additional support, tools, education and in-servicing.”
Do perceptions of pharmacy retailers differ between Rx and Front Shop suppliers?
In contrast to perceptions from Rx vendors, perceptions from Front Shop vendors of Pharmacy Retailer performance improved between 2012-2014
A more sophisticated focus on Category Management has been a key driver behind the improvement in relationships with Front Shop Vendors.

"They want to listen and hear from us about what is happening in the category and how different strategies could differentiate from our perspective.

Advantage Score

0 5 10 15 20 25 30 35 40 45

2012 2013 2014

Front Shop

"It seems that they utilize Category Management to determine what SKU deserves to be in their sections."
Changes in perceptions between Rx and Front Shop are most prevalent in the area of personnel, specially for the practice: “Personnel are readily available where needed”

“Getting someone on the phone or getting an email response from them can be extremely difficult”

“They are so busy internally managing all of their new programs and systems that it can take three months to get an appointment”
Why do you think retailer/manufacturer collaboration will significantly improve, somewhat improve, stay the same, somewhat worsen, or significantly worsen in the year ahead?
The majority of respondents feel that collaboration will continue to improve.
Why do respondents feel collaboration will improve?

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<thead>
<tr>
<th>Themes</th>
<th>Description</th>
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<tbody>
<tr>
<td>Communication</td>
<td>“We keep building on what we have done in the past; we have a good relationship and weekly appointments.”</td>
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<td>Good Relationships</td>
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Why do 42% of respondents feel collaboration will stay the same or worsen?

Themes

**Government Intervention**

“Governments are cutting more and looking for cuts in pricing, so our revenues are decreasing.”

Possible Reasons

- Increased Competition
- New mergers with increased buying power

Price-point Focus
Relationships between manufacturers and retailers have improved and the outlook remains positive

Improved collaboration regarding supply has been one of the key driving factors behind the improvement

Equal commitments to the execution of professional programs and pharmacist education offer greater value to the patient/consumer

Perceptions from front shop suppliers have improved significantly as pharmacy retailers continue to develop more advanced category management practices

Manufacturers recognize collaboration with retailers is critical to managing continued government intervention
Questions?
Helping clients strengthen business relationships

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