

# TIMES & TRENDS

A SNAPSHOT OF TRENDS SHAPING THE CPG INDUSTRY

JUNE 2005



## Chronic Disease

**Capitalizing on Growth Potential  
Through Patient Marketing**

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## METHODOLOGY

Findings presented in this report are based upon an extensive analysis of consumer data from IRI's Consumer Network® Household Panel, IRI's MedProfiler IV Health & Wellness Survey, and the Rx Pulse™ Patient Panel. Please see page 19 for additional detail regarding these and other resources that can be leveraged to identify growth opportunities within the chronic disease sufferer population.

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## EXECUTIVE SUMMARY

Given the prevalence and rising incidence of chronic disease and the influence that disease state management has on consumer purchase behavior across Rx and OTC remedies as well as food and beverages, patient marketing – targeted marketing to specific ailment sufferer segments – offers major growth potential for both manufacturers and retailers across a broad range of categories.

This report provides a unique, in-depth assessment of purchase behavior among sufferers of obesity, high cholesterol and diabetes, each of which affects a significant proportion of the population and is a key influencing factor in channel and product selection. Leveraging high cholesterol as a case study, the assessment also reveals critical differences among patient segments within ailment groups as determined by insurance coverage, demographics and presence of additional ailments.

Focused marketing and merchandising initiatives, including product mix aligned with sufferer needs, in-store signage and information, cross-merchandising with other high purchase products and relevant, targeted marketing messages highlighting disease management benefits will be rewarded with customer acquisition and retention among these high-value consumer segments.

## DISEASE PREVALENCE

**Chronic disease impacts a large and growing proportion of the population.** All three ailments studied for this report represent sizable segments of the population : obesity: 30% (adults); high cholesterol: 17%; diabetes: 6%. Each of these segment's unique purchase patterns related to disease management offer significant market opportunity for retailers and manufacturers.

## DISEASE MANAGEMENT PRACTICES

**Diet is a fundamental component of consumers' chronic disease management efforts.**

Consumers suffering from obesity, high cholesterol and diabetes are 2-3 times more likely than non-sufferers to follow specific diets, including low fat, low sugar and low carbohydrate. These consumers represent prime targets for products with such dietary benefits, and retailer initiatives to attract chronic disease sufferers must include an appealing mix of products with these characteristics.

**The vast majority of high cholesterol and diabetes sufferers use prescription medications in addition to diet to manage their conditions.** With roughly three-quarters of consumers with high cholesterol and diabetes taking prescription medications for their ailments, the pharmacy should serve as the cornerstone of patient marketing to these consumers, as it provides frequent access to disease sufferers and strong cross-marketing and cross-merchandising potential. As a relatively small proportion of obese consumers use medication to control their condition, programs seeking to appeal to an obesity sufferer will need to be centered around non-pharmacy activities including weight management signage throughout the store and informational kiosks.

## EXECUTIVE SUMMARY

### CATEGORY OPPORTUNITY

**Ailment sufferers balance dietary restrictions with some indulgence.** Sufferers of chronic disease index high on purchases of categories with disease management benefits, such as low calorie soft drinks, vitamins and minerals. Despite diet restrictions, however, these consumers – like the general population – also make room in their diets for more indulgent products. Foods and beverages with dietary benefits should be offered to consumers within the context of a balanced diet. Retailers' targeted marketing initiatives to these segments do not need to be limited only to products with disease management characteristics.

**Sub-segment analysis reveals key differences in disease management and purchase behavior across sufferers of a single ailment.** Male sufferers of high cholesterol, for example, are much more likely than their female counterparts to purchase heart-healthy products such as fresh cut salads and snack nuts, but they are also more frequent purchasers of indulgences such as cookies and frozen novelties. In addition, uninsured high cholesterol sufferers are significantly less likely than those who are insured to purchase heart healthy products.

### CHANNEL TRENDS

**Presence of chronic disease is a key driver of channel selection and shopping behavior.** Given the high proportion of high cholesterol and diabetes sufferers who treat their conditions with frequently filled prescription medications, retailers who fill these prescriptions have a potentially huge advantage in capturing sales throughout the store among ailment sufferers. Drug stores currently hold the largest share of transactions among these consumers, and while the channel has secured a higher share of CPG spending among sufferers versus non-sufferers, the upside potential through cross-marketing is substantial.

**Patient segments within ailment groups exhibit unique shopping patterns.** As with product selection, channel selection tends to differ even within a single ailment group. For example, cholesterol sufferers with insurance coverage are about 600 times more likely versus their uninsured counterpart to shop the mail order channel. Female cholesterol sufferers are more likely to shop the drug channel, while males are more likely to shop discount.

**Mail order represents a large and growing threat to traditional pharmacies among chronic disease sufferers.** Capturing 14% of cholesterol sufferer prescription transactions and 15% of diabetes sufferer transactions, the mail order channel has made significant inroads in chronic disease prescriptions— particularly among senior consumers. Traditional pharmacies have opportunities to protect and grow share within these highly attractive segments through targeted marketing programs offering one stop shopping for all disease management needs and through delivery services that include both Rx and non-Rx products.

## INTRODUCTION

Given the prevalence and rising incidence of chronic disease and the influence that disease state management has on consumer purchase behavior across Rx and OTC remedies as well as food and beverages, patient marketing – targeted marketing to specific ailment sufferer segments – offers major growth potential for both manufacturers and retailers across a broad range of categories.

This report provides a unique, in-depth assessment of purchase behavior among sufferers of obesity, high cholesterol and diabetes, each of which affects a significant proportion of the population and is a key influencing factor in channel and product selection. Leveraging high cholesterol as a case study, the assessment also reveals critical differences among patient segments within ailment groups as determined by insurance coverage, demographics and presence of additional ailments.

As outlined below, ailment sufferers represent strong target groups for food and beverage products with specific dietary benefits, as these consumers are 2-3 times more likely to follow specific diets, such as low fat, low sugar, and low carbohydrate than the general population.

Yet, it is critical to note that ailment sufferers balance products with disease management benefits with those that may not be optimal for their conditions – the majority do not follow a perfect protocol. And, dietary approaches vary across segments; for instance, among high cholesterol sufferers, men are more likely than women to purchase heart healthy foods, as are insured versus uninsured consumers.

With the largest share of prescription transactions, the drug store channel has an advantaged position in reaching high cholesterol and diabetic consumers and has a tremendous opportunity to leverage the pharmacy as the cornerstone of patient marketing initiatives. Manufacturers targeting these segments should explore joint programs with leading drug stores. Other channels have an opportunity to increase their reach within these segments through heavy, targeted advertising of their pharmacies and Rx-centric programs.

Mail order represents a large and growing threat to traditional pharmacies, however, and all retail channels need to explore avenues to protect and grow share across these segments through convenience-driven benefits.

As the majority of consumers suffering from obesity do not use prescription medications to treat their conditions, food and beverages with weight management benefits play a more central role.

Focused marketing and merchandising initiatives, including product mix aligned with sufferer needs, in-store signage and information, cross-merchandising with other high purchase products and relevant, targeted marketing messages highlighting disease management benefits will be rewarded with customer acquisition and retention among these high-value consumer segments.

## KEY FINDINGS

### DISEASE PREVALENCE

According to the National Center for Health Statistics, high cholesterol affects an estimated 17% of the U.S. population. This population outnumbers the highly-coveted Hispanic population, which the U.S. Census Bureau measures as representing 14% of the total U.S. population. Despite popular belief, the disease strikes males and females with equal frequency. However, prevalence for males peaks between the ages of 35-64, while the female segment of the population is most frequently plagued after the age of 45. Heart disease is one of our nation's top killers. Nonetheless, 80% of those who suffer from high cholesterol do not have the disease under control.

Diabetes has also become a disease to be reckoned with over the past couple of decades, with its sufferer population more than doubling between 1980-2003, to 13.8 million Americans. Like high cholesterol, diabetes affects men and women with equal frequency. Those over the age of 65 represent nearly 40% of the diabetes-suffering population.

Obesity has been a front-page story for several years now. An estimated 30% of Americans over the age of 20 are considered obese, and 16% of those age 6-19 are categorized as overweight. Some say obesity has reached epidemic proportions. And, despite ongoing efforts to improve the situation, obesity as a percent of the total population continues to climb.

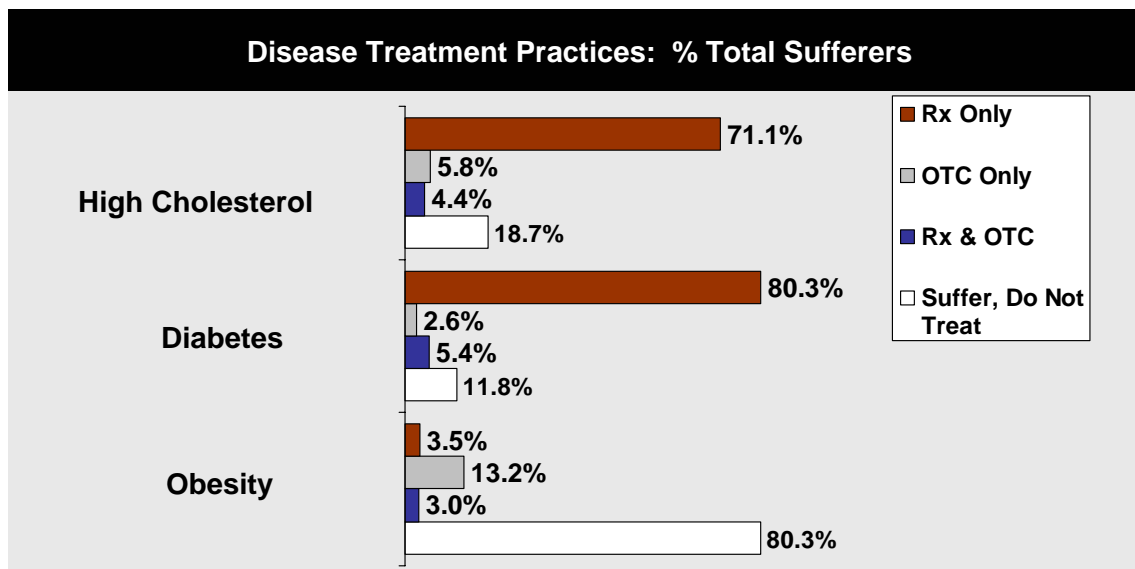
Sufferers of these and other chronic diseases are ideal targets for retailer and manufacturer programs aimed at driving sales growth. Many ailments- such as diabetes and high cholesterol- are regularly treated with prescription medication. For retailers and manufacturers, this translates to frequent shopping trips and thus, countless opportunities to build relationships and drive non-prescription purchase behavior. Even ailments which are not necessarily treated with prescription medications on an ongoing basis- oftentimes obesity- typically require lifestyle and dietary management.

Ailment suffering consumers are ever-vigilant, seeking ways to learn more about their ailment and how to fit their disease state management efforts into their everyday lives. These consumers will openly receive relevant marketing and merchandising programs that will assist them in their disease management efforts. These consumers provide significant opportunity for retailers and manufacturers to drive total store sales.

## KEY FINDINGS

### DISEASE MANAGEMENT PRACTICES

Both high cholesterol and diabetes are frequently treated with prescription medications. Obesity is *from a pharmaceutical perspective*- largely untreated. These differences immediately impact the creation of any program seeking to drive total store growth, as the pharmacy is an essential cornerstone for cholesterol- and diabetes- related programs, but not a logical starting point in the attempt to influence obesity sufferers.



Source: IRI MedProfiler IV Health & Wellness Survey

Like many commonly suffered ailments, high cholesterol, obesity and diabetes are high-value segments because they can be managed by diet and lifestyle changes in addition to by means of traditional pharmaceutical and/or over-the-counter medications.

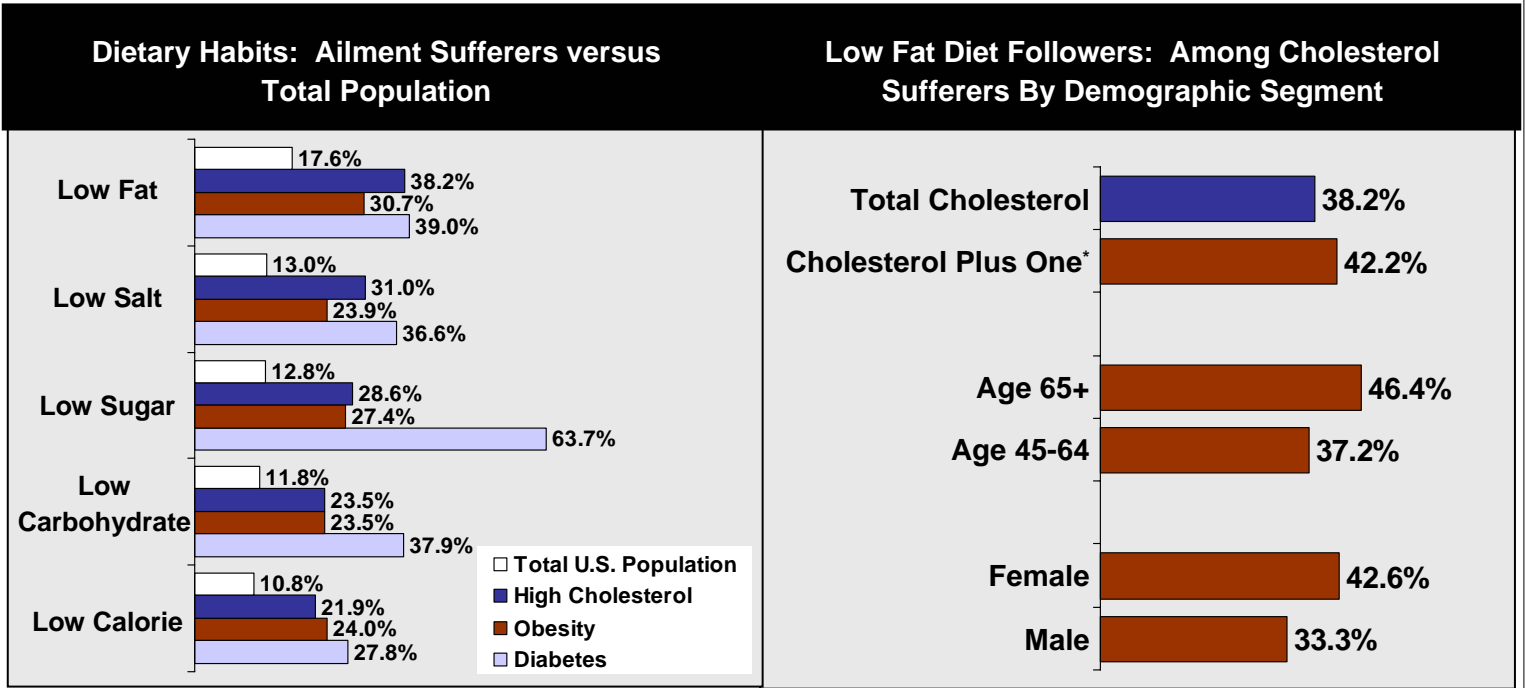
Diet is an important part of any disease-state management program. Diabetes, high cholesterol and obesity sufferers are far more likely than the general population to follow the specific diet plans studied in this analysis. Low carbohydrate diets, for example, have waned in popularity among the general population, yet continue to boast a strong following among diabetes sufferers. These groups are ideal targets for products touting specific health benefits, such as low-fat, low sugar, or low calorie.

Take cholesterol sufferers, for example. 38.2% of cholesterol sufferers follow a low fat diet, versus just 17.6% of the population in general. Similar tendencies apply to many other ailment segments. Diabetes sufferers are significantly more likely to adhere to low sugar diets versus the total population (63.7% v 12.8%), and obesity sufferers are more likely to be on special diet plans versus the general population.

Even among sufferers of the same ailment, disease management styles tend to vary based on any number of demographic and/or lifestyle variables. Among cholesterol sufferers, for example, women are more likely than men to follow a low-fat diet, as are older sufferers versus younger sufferers. And, consumers struggling with cholesterol plus an additional ailment are also more likely than those suffering "just high cholesterol" to adhere to a low-fat diet plan.

## KEY FINDINGS

### DISEASE MANAGEMENT PRACTICES (CONT'D)



Source: IRI MedProfiler IV Health & Wellness Survey

\*Note: Cholesterol Plus One refers to patients suffering from high cholesterol plus one of the following: obesity, diabetes or heart disease (angina, atherosclerosis, heart attack, stroke, congestive heart failure, or other heart problems)

Of course, all of these variations have critical implications for retailers and manufacturers. All programs- product development and distribution strategies to retail marketing materials and merchandising strategies- will be much more relevant to consumers if they reflect an understanding of the challenges presented by particular disease states and strategies available to facilitate the struggle of managing those challenges on an on-going basis. And relevancy is the key to driving positive consumer behavior.

## KEY FINDINGS

### CATEGORY OPPORTUNITY

An important aspect of disease state management is product selection. In some instances, product behavior reflects diligent efforts to control or improve disease state, but sometimes product selection is simply based on taste preferences with little or no consideration of ailment-related impact and/or benefits.

An all-outlet snapshot of the top-purchased products by consumers suffering obesity issues versus their non-suffering counterparts is an example of the latter situation. While obesity sufferers are significantly more likely to purchase low calorie soft drinks, they are also much heavier purchasers of such items as processed meats and sandwich spreads and indulgent desserts.

Sufferers of high cholesterol and diabetes, on the other hand, demonstrate more frequent efforts to control their ailment- in part- through front end purchases. Not surprisingly, diabetes sufferers are heavier purchasers of non-carbohydrate foods such as meat and eggs versus non-diabetes sufferers. Likewise, high-cholesterol sufferers are heavier spenders on such items as vitamins and minerals versus their non-suffering counter-parts. Nonetheless, indulgences are evident through purchases of items such as cookies, frozen novelties, and pastries.

### 2004-2005 Dollar Sales per Buyer Index - All Outlets

<u>Obesity: Sufferers v Non-Sufferers</u>	<u>Dollar Sales per Buyer Index</u>	<u>Diabetes: Sufferers v Non-Sufferers</u>	<u>Dollar Sales per Buyer Index</u>
Low Cal. Soft Drinks	125	Glucose	198
Ref. Dinner Sausage	113	Low Cal. Soft Drinks	152
Ref. Frankfurters	113	Cookies	125
Processed Slices	113	Fz. Novelties	120
Mayonnaise/Sand. Spreads	111	Ref. Bacon	119
Ice Cream	108	Fresh Eggs	119
Choc. Candy Box/Bag/Bar >3.5 oz	106	Ref. Dinner Sausage	117
<u>High Cholesterol: Sufferers v Non-Sufferers</u>		<u>Dollar Sales per Buyer Index</u>	
Antacid Tablets		130	
Snack Nuts		126	
Mineral Supplements		120	
Pastries/Danish/Coffee Cake		118	
Cookies		117	
Vitamins & Minerals		117	
1&2 Letter Vitamins		113	

Source: IRI Consumer Network®, 52 weeks ending 5/1/2005; IRI MedProfiler IV Health & Wellness Survey

## KEY FINDINGS

### CATEGORY OPPORTUNITY (CONT'D)

Even within a particular ailment, as with our high cholesterol case study, the picture is multi-faced. Demographic- and lifestyle-related variables undoubtedly play a role in product selection, even when lifestyle is partially dictated by disease state. With regards to food and beverage selection, of course, there are certain “indulgent” products and more “heart-healthy” options that are evaluated in the context of these demographic- and lifestyle-related parameters. Under-indexed heart-healthy options offer category development opportunity.

While high cholesterol sufferers aged 45-64 are more likely than the general population to purchase such items as refrigerated dinner sausage and potato chips, those over the age of 65 are less likely to do so. Likewise, the younger sub-segment is more likely to purchase fresh cut salad versus their older counterparts, and the older sub-segment is more likely to purchase refrigerated orange juice.

### 2004-2005 Dollar Sales per Buyer Index – All Outlet

**Indulgent: High Cholesterol**    **Dollar Sales per**  
**Age 45-64 v Total Rx Panel:**    **Buyer Index**

<b>Choc. Candy Box/Bag/Bar &gt;3.5 oz</b>	112
<b>Cookies</b>	110
<b>Ref. Bacon</b>	110
<b>Ref. Dinner Sausage</b>	108
<b>Potato Chips</b>	108

**Indulgent: High Cholesterol**    **Dollar Sales per**  
**Age 65+ v Total Rx Panel:**    **Buyer Index**

<b>Choc. Candy Box/Bag/Bar &gt;3.5 oz</b>	108
<b>Cookies</b>	113
<b>Ref. Bacon</b>	103
<b>Ref. Dinner Sausage</b>	92
<b>Potato Chips</b>	78

**Heart-Healthy: High Cholesterol**    **Dollar Sales per**  
**Age 45-64 v Total Rx Panel:**    **Buyer Index**

<b>Fresh Cut Salad</b>	117
<b>Snack Nuts</b>	113
<b>Ref. Yogurt</b>	96
<b>Ref. Orange Juice</b>	96
<b>RTE Cereal</b>	94

**Heart-Healthy: High Cholesterol**    **Dollar Sales per**  
**Age 65+ v Total Rx Panel:**    **Buyer Index**

<b>Fresh Cut Salad</b>	97
<b>Snack Nuts</b>	124
<b>Ref. Yogurt</b>	84
<b>Ref. Orange Juice</b>	118
<b>RTE Cereal</b>	89

Source: IRI Consumer Network®, 52 weeks ending 5/1/2005; Rx Pulse™, 52 weeks ending 5/1/2005

## KEY FINDINGS

### CATEGORY OPPORTUNITY (CONT'D)

Gender-based analysis of the sub-segment reveals similar variations in product mix selection. While male sufferers are much more likely than their female counterparts to purchase heart-healthy products such as fresh cut salads and snack nuts, they are also more frequent purchasers of indulgences such as cookies and frozen novelties.

### 2004-2005 Dollar Sales Per Buyer Index –All Outlets

<u>Indulgent: High Cholesterol Sufferers:</u>		<u>Indulgent: High Cholesterol Sufferers:</u>	
<u>Male v Total Rx Pulse Panel</u>	<u>\$ Sales per Buyer Index</u>	<u>Female v Total Rx Pulse Panel</u>	<u>\$ Sales per Buyer Index</u>
Marg/Spreads/Butter Blends	116	Marg/Spreads/Butter Blends	105
Cookies	114	Cookies	98
Fz. Novelties	114	Fz. Novelties	95
<hr/>		<hr/>	
<u>Heart-Healthy: High Cholesterol Sufferers:</u>		<u>Heart-Healthy: High Cholesterol Sufferers:</u>	
<u>Male v Total Rx Pulse Panel</u>	<u>\$ Sales per Buyer Index</u>	<u>Female v Total Rx Pulse Panel</u>	<u>\$ Sales per Buyer Index</u>
Fresh Cut Salad	121	Fresh Cut Salad	95
Snack Nuts	116	Snack Nuts	103
Ref. Skim/Low Fat Milk	111	Ref. Skim/Low Fat Milk	86

Source: IRI Consumer Network®, 52 weeks ending 5/1/2005

Effective marketing programs, both in-store and beyond, must address consumer behavior beyond prescription activity. A comprehensive understanding of ailment sufferers, down to the sub-segment level, enables retailers and manufacturers to create broad and deep strategies.

Male sufferers of high cholesterol show higher tendency to shop for prescriptions in the drug channel, and they have higher tendency to purchase an array of both heart-healthy and indulgent products versus the female sub-segment and the total population. Creation of a display at the drug store pharmacy could contain not only low-fat foods, and educational materials about the importance of complying with a low-fat diet, but also other categories which are frequently purchased by male consumers, such as shaving products.

## KEY FINDINGS

### CATEGORY OPPORTUNITY (CONT'D)

A critical component of high cholesterol management is heart-healthy eating. Purchase behavior analysis of high cholesterol sufferers by insurance status reveals that the insured sub-segment is markedly more likely to purchase an array of heart-healthy products and less likely to purchase such indulgences as cookies and refrigerated sliced lunch meat versus their non-insured counterparts. Educating all high cholesterol sufferers on the value of heart-healthy eating is an effective means of building strong relationships with this valuable consumer segment.

### 2004-2005 Dollar Sales per Buyer Index – All Outlet Insurance Coverage v No Insurance Coverage

#### High Cholesterol Sufferers: Indulgent                      Dollar Sales per Buyer Index

<b>Fz. Novelties</b>	127
<b>Ref. Bacon</b>	108
<b>Potato Chips</b>	108
<b>Ref. Sliced Lunch Meat</b>	78
<b>Cookies</b>	83

#### High Cholesterol Sufferers: Heart-Healthy                      Dollar Sales per Buyer Index

<b>Ref. Yogurt</b>	139
<b>Fresh Cut Salad</b>	137
<b>Snack Nuts</b>	132
<b>Ref. Orange Juice</b>	120
<b>Low Fat/Skim Milk</b>	107

Source: IRI Consumer Network®, 52 weeks ending 5/1/2005

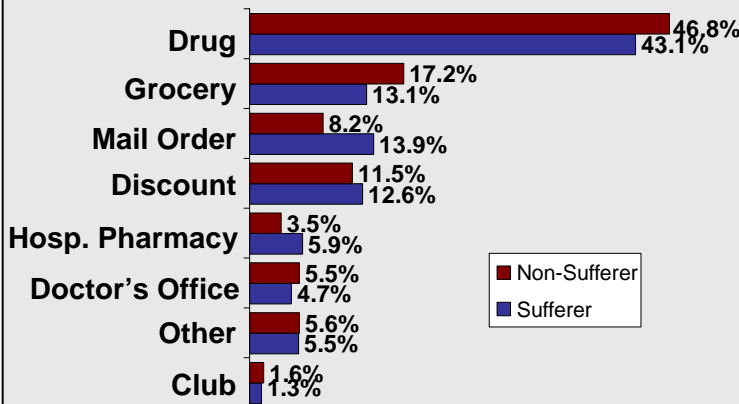
## KEY FINDINGS

### CHANNEL TRENDS

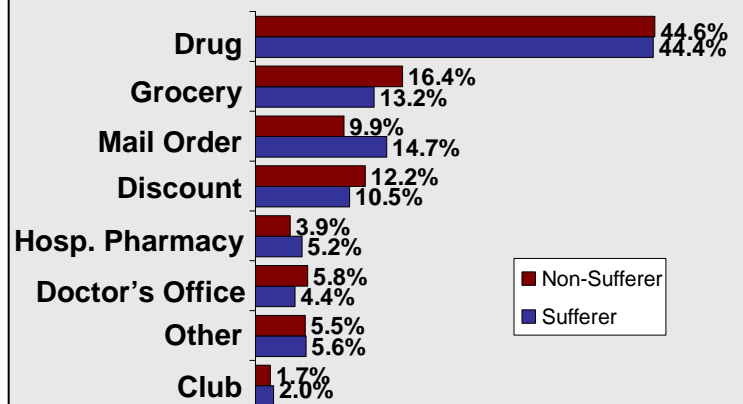
Retailers continually strive to understand consumer needs and wants, as well as behavioral and purchase drivers. Disease state is a largely overlooked, yet crucial driver of all aspects of consumer attitude and behavior. Disease state management impacts all areas of shopping- from channel selection, to spending behavior, to market basket product mix.

Chronic diseases such as diabetes and cholesterol are frequently treated via prescription medications on an ongoing basis. Sufferers of these ailments frequently rely on mail order delivery of their medications. In fact, these consumers shop the mail order channel with much higher frequency versus the non-sufferer segment.

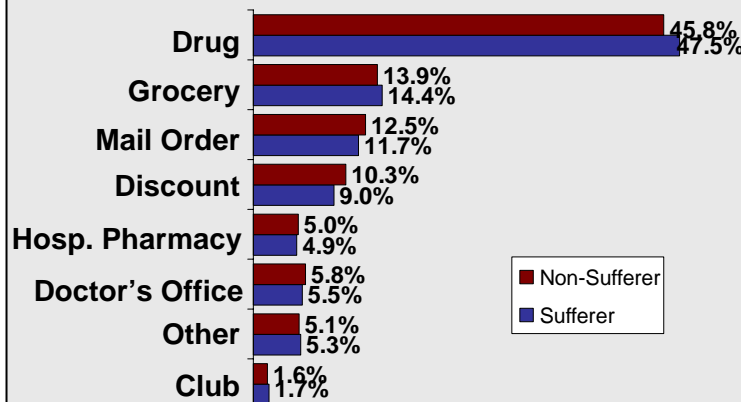
**Channel Behavior: By Disease State**  
**Cholesterol- % Total Rx Transactions**



**Channel Behavior: By Disease State**  
**Diabetes- % Total Rx Transactions**



**Channel Behavior: By Disease State**  
**Obesity- % Total Rx Transactions**



Source: Rx Pulse™, 52 weeks ending 5/1/2005

## KEY FINDINGS

### CHANNEL TRENDS (CONT'D)

Drug stores, in particular, enjoy a significant advantage over other retail outlets when it comes to serving high prescription-use ailments such as diabetes and high cholesterol. For these segments, the pharmacy is a logical cornerstone for any program aimed at driving sales of food, beverage and other non-Rx products available in the retail channel. It is vital for drug retailers to capitalize on this advantage by instituting programs which serve to educate consumers and encourage compliance with healthy eating and healthy living. Non-drug retailers must couple these health-conscious programs with aggressive marketing related to pharmacy capabilities and services in order to effectively compete.

Obesity is- *from a pharmaceutical perspective*- largely untreated. Thus, pharmacy-based programs are not an effective strategy for this ailment group. Obesity sufferers shop all of the major retail channels with the same frequency as their non-suffering counterparts. For this segment marketing strategy is to rely on front-of-the-store marketing- displays, kiosks, cross-merchandising- which encourage healthy eating, weight management and active lifestyles.

To develop relevant programs, retailers and manufacturers must demonstrate a comprehensive understanding of attitudinal and behavioral differences. The November 2004 issue of *Times & Trends* summarizes a recent IRI/GMDC study demonstrating the power and importance of ailment marketing. Now, with the ability to look further at disease sub-segments, it has become evident that all ailment sufferers-even within a single ailment- are not alike allowing retailers and manufacturers to further refine ailment marketing strategies.

Purchase behavior actually varies significantly across disease sub-segments. The high cholesterol segment and the diabetes segment each fill an estimated 39 million prescriptions annually. The ability to understand these consumer at the sub-segment level of granularity enhances opportunity to impact shopping channel habits. And with such a high number of prescription at stake, the dollar value of success is huge.

Consumers across demographic and lifestyle segments shop a variety of channels for their prescription needs. Channel preference varies, rather starkly in some cases, across certain characteristics.

Female sufferers of high cholesterol have a much higher likelihood of shopping the drug channel versus their male counterparts, but frequent the grocery channel with only slightly more frequency. Male sufferers, on the other hand, are much more likely to shop the discount channel and slightly more likely to rely on mail order versus female sufferers.

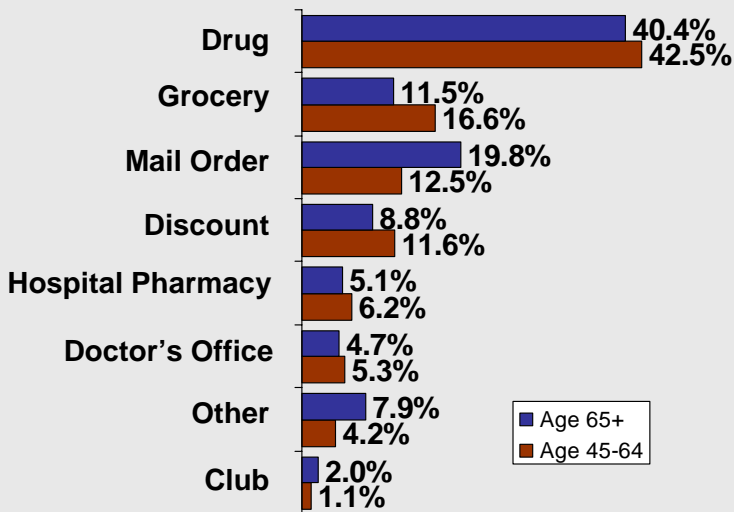
Age also plays a strong role in determining channel preference among sufferers of high cholesterol. Those aged 45-64 turn more frequently to traditional drug and grocery channels, while those over 65 rely rather heavily on mail order to fulfill their prescription needs.

Not surprisingly, insurance status plays a very large role in determining shopping channel behavior among high cholesterol sufferers. In fact, sufferers with insurance are about 600% more likely to shop via the mail order channel versus those who have no insurance coverage. And, those without insurance fill their prescription needs via a doctor's office with twice the frequency of insurance-carrying sufferers.

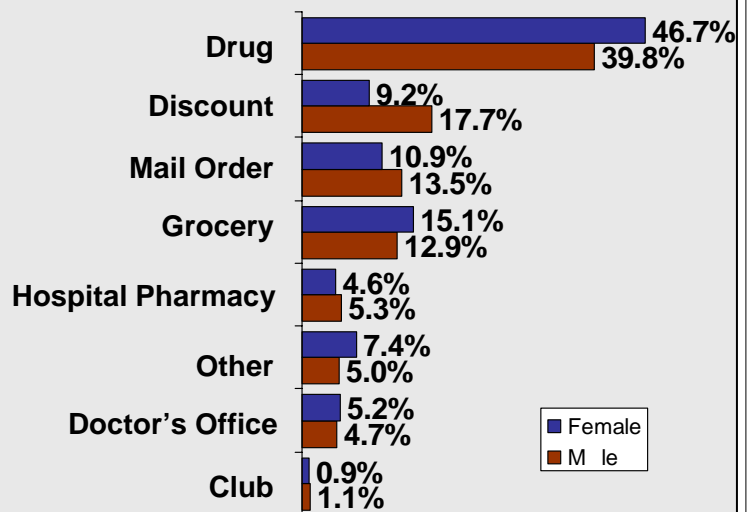
## KEY FINDINGS

### CHANNEL TRENDS (CONT'D)

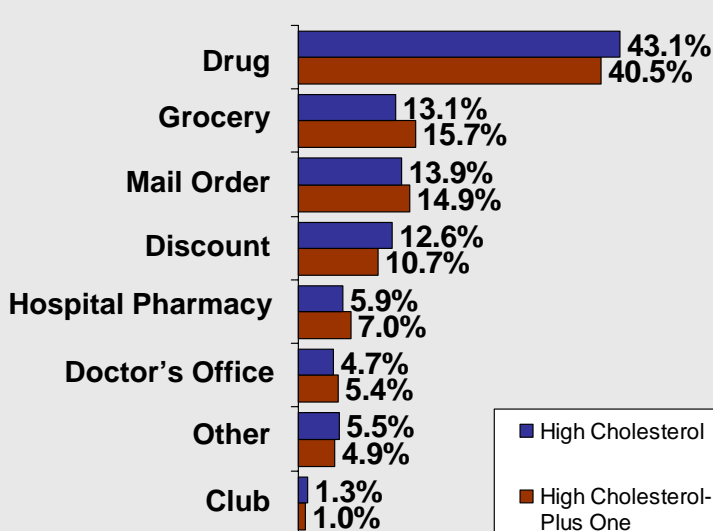
**Channel Behavior: Among Cholesterol Sufferers  
By Age- % Total Rx Transactions**



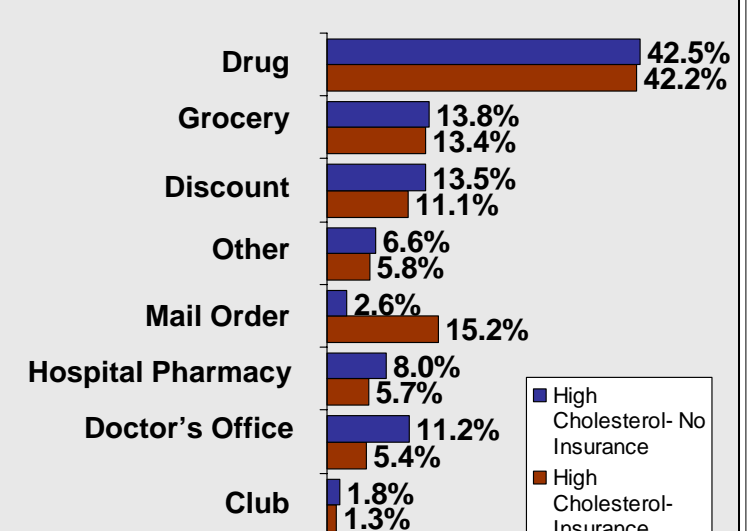
**Channel Behavior: Among Cholesterol Sufferers  
By Gender- % Total Rx Transactions**



**Channel Behavior: Among Cholesterol Sufferers  
By Ailment State- % Total Rx Transactions**



**Channel Behavior: Among Cholesterol Sufferers  
By Insurance Status- % Total Rx Transactions**



Source: Rx Pulse™, 52 weeks ending 5/1/2005

\*Note: Cholesterol Plus One refers to patients suffering from high cholesterol plus one of the following: obesity, diabetes or heart disease (angina, atherosclerosis, heart attack, stroke, congestive heart failure, or other heart problems)

## KEY FINDINGS

### CHANNEL TRENDS (CONT'D)

The prevalence of mail order purchasing of long-term treatment prescriptions poses a huge threat to retailers across all channels. The result goes beyond lost pharmacy sales. As pharmacy is often viewed as a destination, no pharmacy visit also often means no store visit at all. Which, of course, means no opportunity to drive front-end purchases at all. The ailment-suffering segment of the population is far too valuable to let slip away.

Retailers stand to reap enormous rewards by successfully converting the mail order channel “threat” to an opportunity. By offering consumers a full array of disease management products and services (and information), the appeal of the retail visit- and the ability to visit a one-stop shop for disease management products and tools- will likely outweigh the convenience of mail order delivery for some consumers.

Retailers may also consider the feasibility of offering delivery service to their consumers. By offering shoppers the opportunity to shop from home for all of their prescription and front-end needs, retailers position themselves even more favorably versus mail order and other non-delivering retail establishments.

Drug retailers have made some strides in capturing non-prescription purchases from frequent-prescription buyers such as high cholesterol and diabetes sufferers. But the upward potential remains huge. Across non-drug retailers there is largely no difference in CPG purchase levels between ailment sufferers and non-sufferers. The sufferer segment, particularly sufferers of those ailments with high rate of prescription purchases, is a frequent-shopping segment. The value of these shoppers cannot be underestimated.

**Channel Share of Total CPG Spending  
By Segment Across IRI Reviews Categories**

Ailment Segment	Grocery	Drug	Mass	Supercenter	Club
<b>Obesity Sufferer</b>	57.5%	5.4%	9.1%	13.7%	5.3%
<b>Obesity Non-Sufferer</b>	57.9%	5.7%	9.6%	11.8%	5.8%
<b>High Cholesterol Sufferer</b>	57.4%	6.3%	8.9%	11.7%	6.1%
<b>High Cholesterol Non-Sufferer</b>	58.1%	5.2%	9.9%	12.7%	5.5%
<b>Diabetes Sufferer</b>	57.3%	6.5%	9.2%	12.3%	5.7%
<b>Diabetes Non-Sufferer</b>	57.9%	5.5%	9.5%	12.2%	5.7%

Source: IRI MedProfiler IV Health & Wellness Survey; IRI Consumer Network®, 52 weeks ending 5/1/2005

## PLANNING & FORECASTING: UNPLANNED & UNPRECEDENTED EVENTS

To successfully protect and grow share among high value ailment segments, retailers and manufacturers must be prepared for and react quickly to a rising number of unplanned events impacting the healthcare industry, including drug recalls and withdrawals, and unprecedented events, including Rx-to-OTC switches with significantly different treatment criteria than prior switches.

Recent examples of events fitting these criteria include the withdrawal of Vioxx®, negative press regarding the over-the-counter remedy Aleve®, recent request for OTC status for the cholesterol lowering drug Mevacor® and state laws requiring “behind-the-counter” status for pseudoephedrine.

The impact of such events can be dramatic and go well beyond the specific treatments that are directly involved. Impact is felt across other Rx and OTC remedies and throughout the store.

To assess how well the industry is prepared to respond to unplanned and unprecedented events and identify opportunities to improve planning processes, IRI conducted a comprehensive study in partnership with the National Association of Chain Drug Stores (NACDS) and NCI Consulting.

The study, which included a survey of retail pharmacy and OTC executives, found gaps in planning and execution practices that leave both manufacturers and retailers vulnerable to lost sales among chronic disease sufferers.

### Unplanned & Unprecedented Events: Key Opportunities

#### Multi-Dimensional Forecasting

*“Often, we do not have a good handle on the number of consumers who are going to switch.”  
-Drug Store Chain*

*“Some things were not anticipated; for instance, third party plans forcing consumers to go with OTC or upping consumers’ co-pay on the prescription version.” - Mass Merchant*

#### Sustained Trade Promotion Support

*“Support with adequate trade funds. There are many products that under-perform when they are launched, and the vendor stops consumer support. This creates over-inventory problems.”  
- Drug Store Chain*

#### Timely, Direct Communication

*“We are the direct liason with the consumer... pamphlets and point-of-purchase displays are needed to do it efficiently...to let the consumer do it themselves...this is not common practice today.” - Drug Store Chain*

*“They have continued with their ads but have not directly addressed the issue in their advertising, which would help us.”  
-Drug Store Chain*

#### Demand-Driven Inventory Management

*“Manufacturers failed miserably in providing adequate supply [in recent switches]”  
-Club Store Chain*

*“Consumers believe it [insufficient inventory] is the chain’s fault...especially if they are able to get it from another chain.”  
-Supermarket Chain*

## ACTION ITEMS

### Action Items for Manufacturers

- Prominently feature health benefits in all marketing communications; promote dietary benefits within the context of a balanced diet
- Explore product development opportunity for foods and beverages with disease management dietary benefits (eg, low fat, low sugar, low carbohydrate)
- Explore joint Rx-centric patient marketing programs with leading retailers to capitalize on cross-marketing and cross-merchandising opportunities among sufferers of ailments with a high frequency of prescription drug treatments
- Partner with retailers across channels to create food and beverage programs throughout the store targeting obesity and other ailments with lower frequency of prescription treatment; leverage in-store signage, special displays and informational kiosks
- Ensure that patient marketing initiatives reflect unique preferences and shopping habits of ailment sub-segments, as determined by demographics, insurance coverage and presence of additional ailments

### Action Items for Retailers

- Heavily advertise pharmacy services with highly targeted messages to key ailment segments
- Create pharmacy-based programs for ailments with heavy prescription-treatment component. These comprehensive programs should include end-cap displays near the pharmacy with heavily purchased products, pharmacy signs and handouts, shelf talkers and targeted marketing communications. (See the November 2004 issue of *Times & Trends* for additional detail regarding the IRI/GMDC study, *Leveraging the Connection Between Pharmacy & the Whole Store*, which highlights proven marketing and merchandising tactics to effectively reach ailment sufferer segments.)
- Leverage front-end merchandising tools, such as kiosks, special end-cap displays, etc to influence behavior among sufferers of ailments with a lower frequency of prescription treatment
- Thwart mail order cannibalization and grow share through the development of comprehensive- i.e. beyond prescription medications- programs aimed at disease management including both in-store and delivery initiatives
- Build consumer relationships and drive total store sales through cross merchandising ailment-related products with other heavily purchased products; ensure that product mix includes an appealing selection of foods with specific dietary benefits

## RESOURCES

To gain insight into current and likely future purchase behavior among ailment sufferers or other consumer segments within specific categories, brands, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

### PURCHASE & USAGE BEHAVIOR

<u>Issue</u>	<u>Source</u>	<u>Description</u>
<b>Purchase Trends Across Specific Ailment Segments</b>	<b>IRI Consumer Network®; IRI MedProfiler Health &amp; Wellness Survey</b>	Panel-based product purchase trends across ailment segments identified in IRI's annual MedProfiler syndicated survey of health attitudes and conditions.
<b>Purchase Trends Across Specific Ailment Segments</b>	<b>IRI Pulse™ Patient Panel</b>	Rx and OTC purchases among over 84,000 individuals who are ailment sufferers.

### ATTITUDES

<b>IRI MedProfiler Health &amp; Wellness Survey</b>	Annual syndicated survey of healthcare attitudes and conditions across panel of 28,000+ households; enables creation of custom target groups that can be used to track purchases across specific attitudinal/condition segments
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### QUESTIONS ABOUT THIS REPORT

Please forward questions and comments about this report to Susan Viamari @ [susan.viamari@infores.com](mailto:susan.viamari@infores.com).