

Pocket A

Thriving in a competitive market



Building companies based on science

ABSTRACT - POCKET A

This Field Lab (FL) aims to provide a business plan ready to be turned into a new business venture. Over the course of this FL, the group of students working on this project explored a problem worth solving. They then identified a possible solution, designed to solve this problem. An extensive analysis of the market, its size, competition, and dynamics followed. At the same time the operational part of the solution was developed through an iterative approach. Lastly, a deep financial analysis was conducted to identify funding needs and possible exit scenarios. The FL at hand is meant to be understood as a pitch in front of potential investors.

ABSTRACT - THRIVING IN A COMPETITIVE MARKET

The individual part of this FL analyses the market in which the business - Pocket A - operates. A market sizing is followed by a detailed competitors analysis that clusters all relevant players among two dimensions. A detailed comparison of similar competitors follows. Lastly, differentiators are mapped out, as well as potential risks inheriting the market and ways to mitigate them.

KEY WORDS

Entrepreneurship – Venture Capital – Science – Leadership – Innovation – R&D – Entrepreneurial Finance – Startup – MedTech – QuickCommerce

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Opportunity

- SOLUTION
- MARKET VALIDATION
- WHY NOW



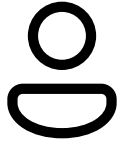


pocket a

Pocket A brings pharmaceuticals right to your doorstep, by partnering with pharmacies across the country. Pocket A combines the strength of local pharmacies with the benefits of modern technology - whenever you need it.

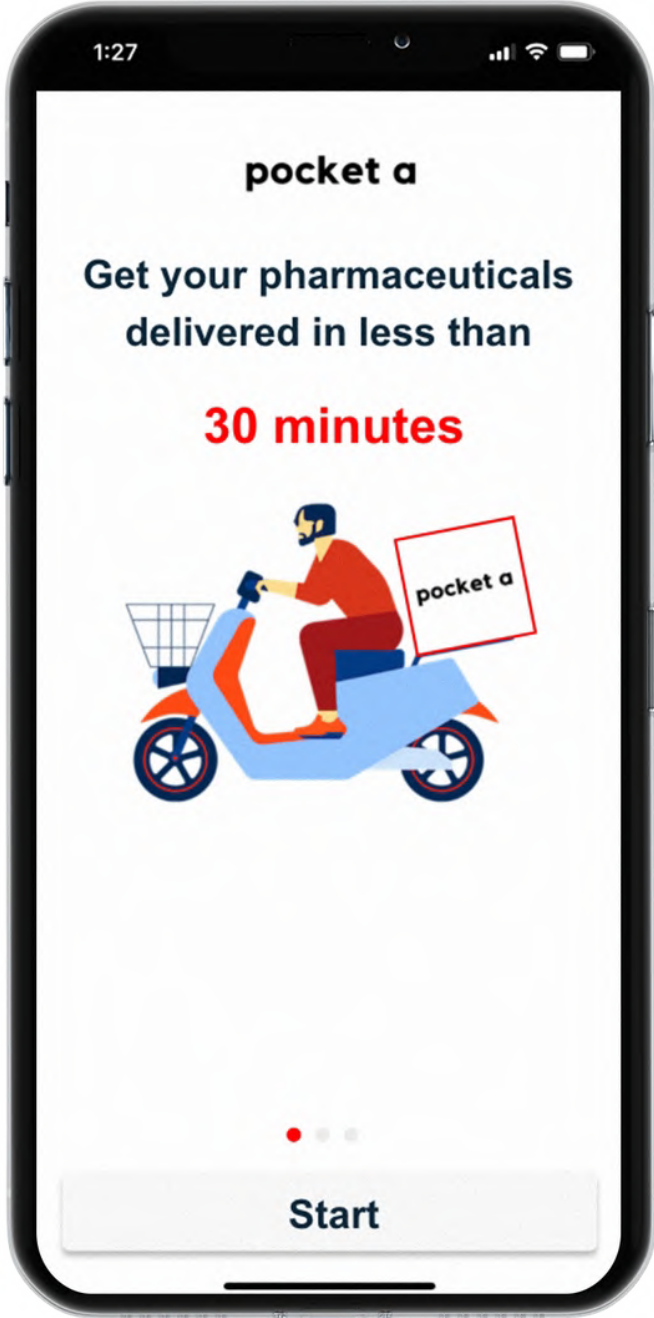


Pocket A connects consumers and pharmacies and provides one app that covers all needs



CONSUMER

- ✓ From medicine over health information to 1:1 consultation with pharmacists
- ✓ Quick, convenient and accurate delivery in cases of emergencies
- ✓ Large assortment and on-demand stock



PHARMACY

- ✓ Access to customers, order handling and automated processes
- ✓ Focus on consultations and core business
- ✓ Rapid new customer acquisitions and higher customer satisfaction

We are a B2C e-commerce platform with a mobile-first approach, providing digital pharmacy services with a 30 minutes delivery guarantee



ORDER

The customer downloads the app and gets access to a sortiment of articles ranging from OTC to RX and other health related items.



PICKUP

Closest partner pharmacy receives order through a provided tablet and prepares it. Our riders get notified and pick the delivery up from the pharmacy.



DELIVERY

The customer receives products within 30 minutes and for a delivery fee of 1,90€ for OTC-only orders. RX orders are free of charge.



SERVICES

For any question around medications and their intake, our app provides the technical infrastructure for pharmacies to consult costumers via chat or video call.

The demand for delivery services is on the rise - convenience is trending

16m

consumers in Germany order at least once a month through a delivery service. 83% of them use mobile applications.

€6bn

alone is the total market size for online food delivery services in Germany in 2021, growing 13.6% per year.

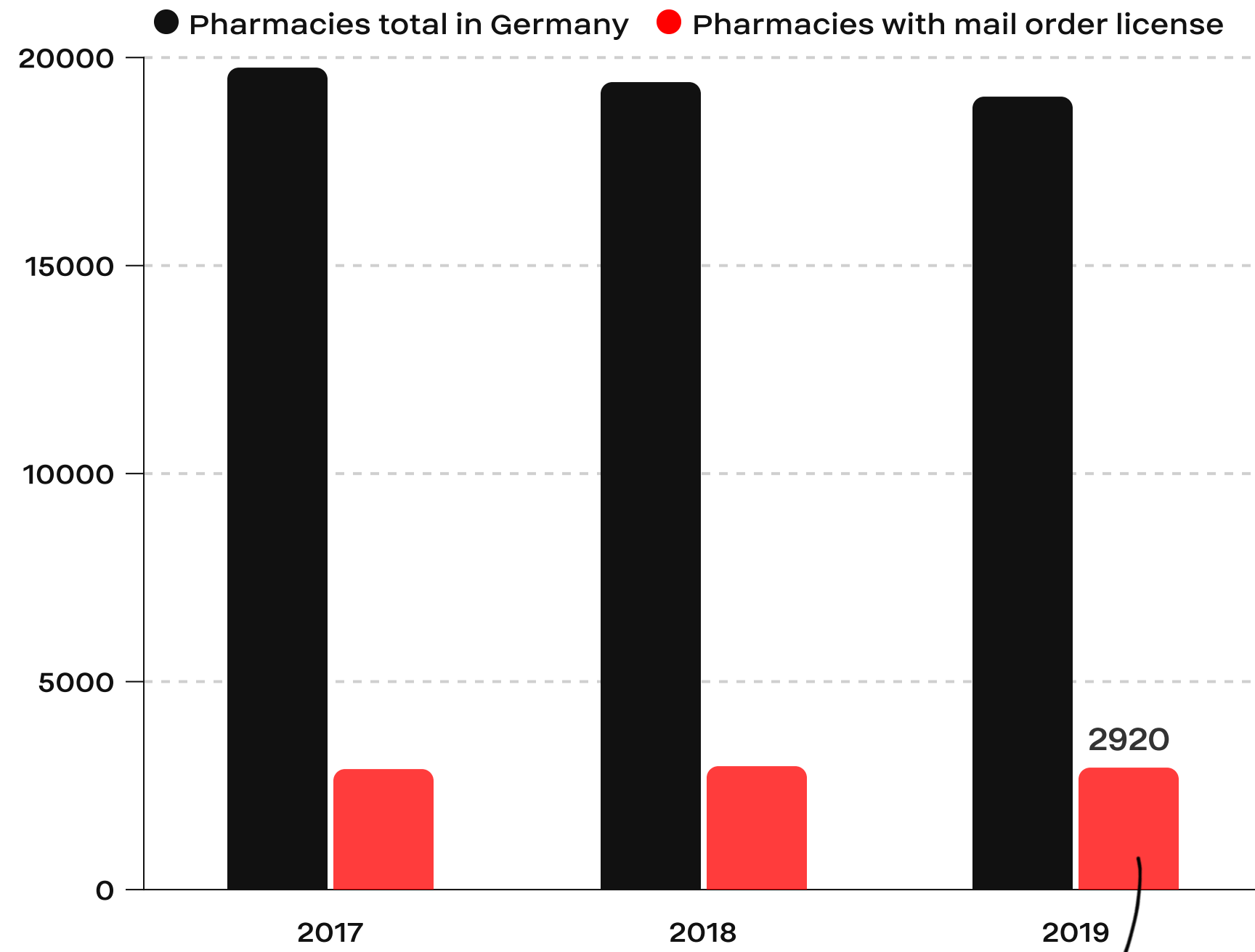
€7bn

was payed for a recent acquisition of food delivery service Wolt by their American counterpart DoorDash.

The interest in digital solutions is growing, yet local pharmacies are not ready to meet this demand

During 2020 we have seen unprecedented growth in e-commerce and rising demand for digitally enabled solutions across all age groups. Consumers did not only adapt to the new normal temporarily. The change in consumer behavior is here to stay.

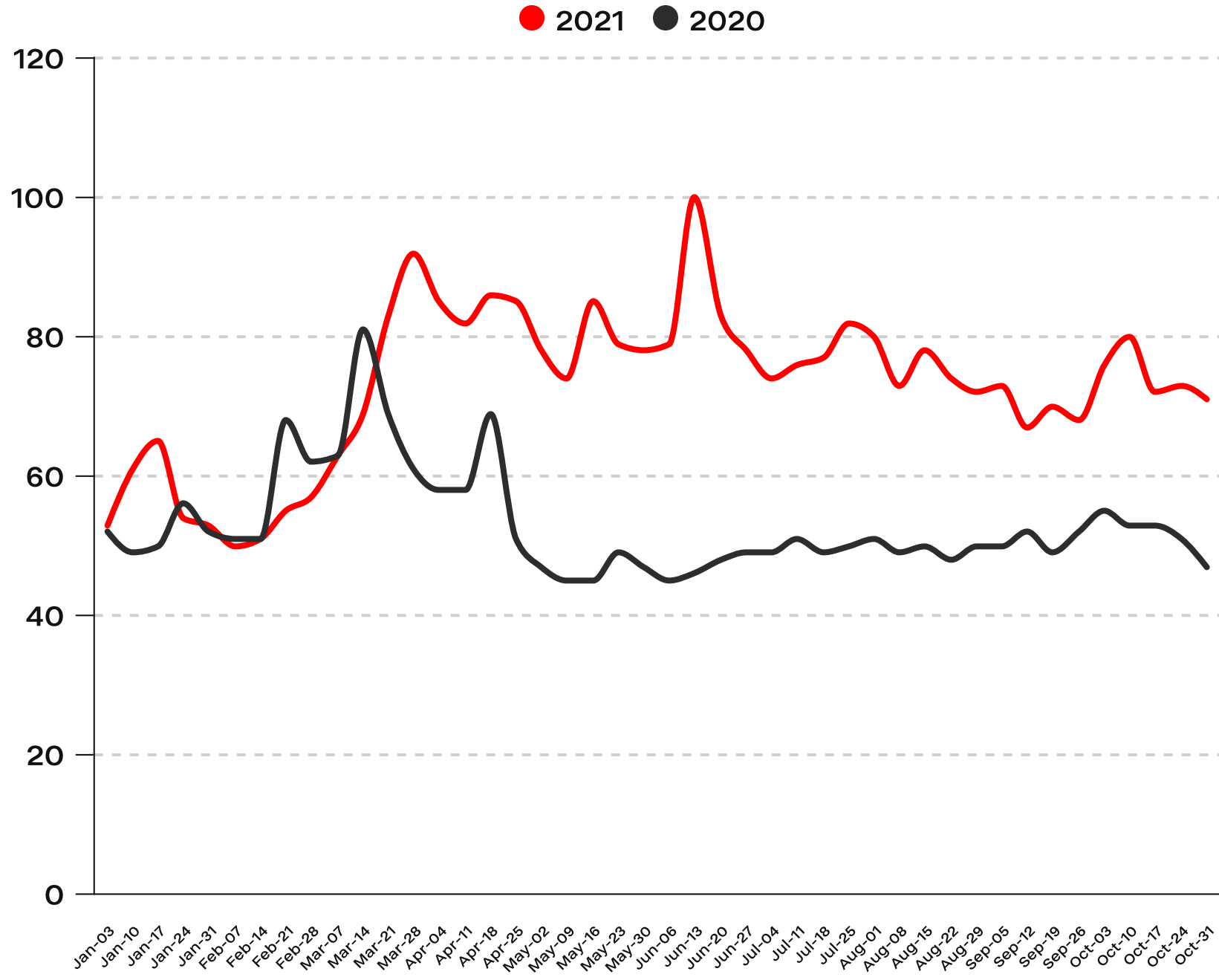
- ✓ Online pharmacies grew by 54% in 2021 only
- ✓ The search term "pharmacy near me" grew by over 200% in 2020
- ✓ Still less than 1% of pharmacies in Germany pursue active mail order



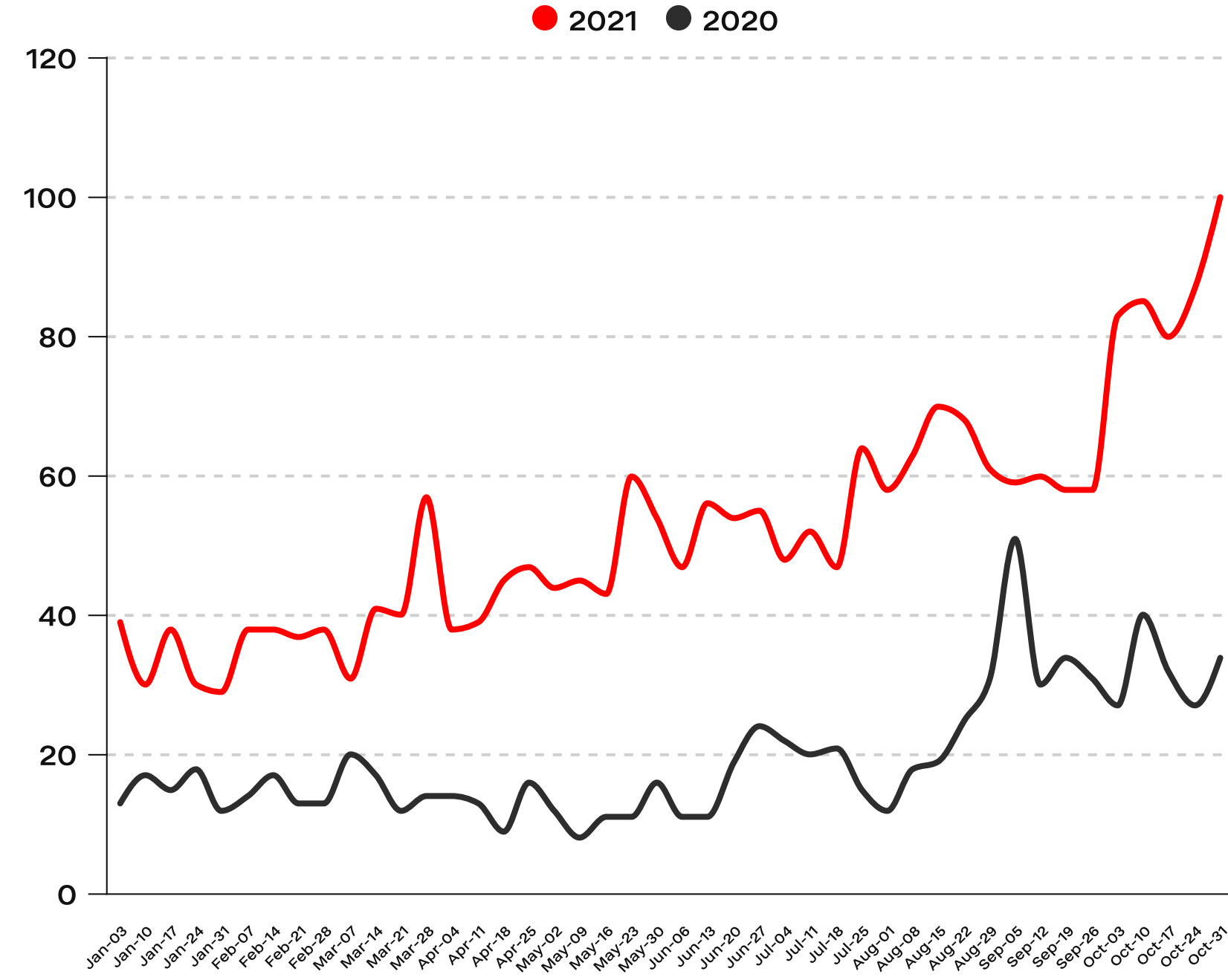
...of which only around **150** pharmacies are actively engaged in mail-order business

Interest for digital solutions is growing, especially during the global pandemic

INDEXED SEARCHES FOR "PHARMACY"
IN GERMANY



INDEXED SEARCHES FOR "PHARMACY NEAR ME"
IN GERMANY



Source: Google Trends: Indexed Searches for 'Pharmacy near me'

The introduction of the e-prescription in Germany will be a gamechanger

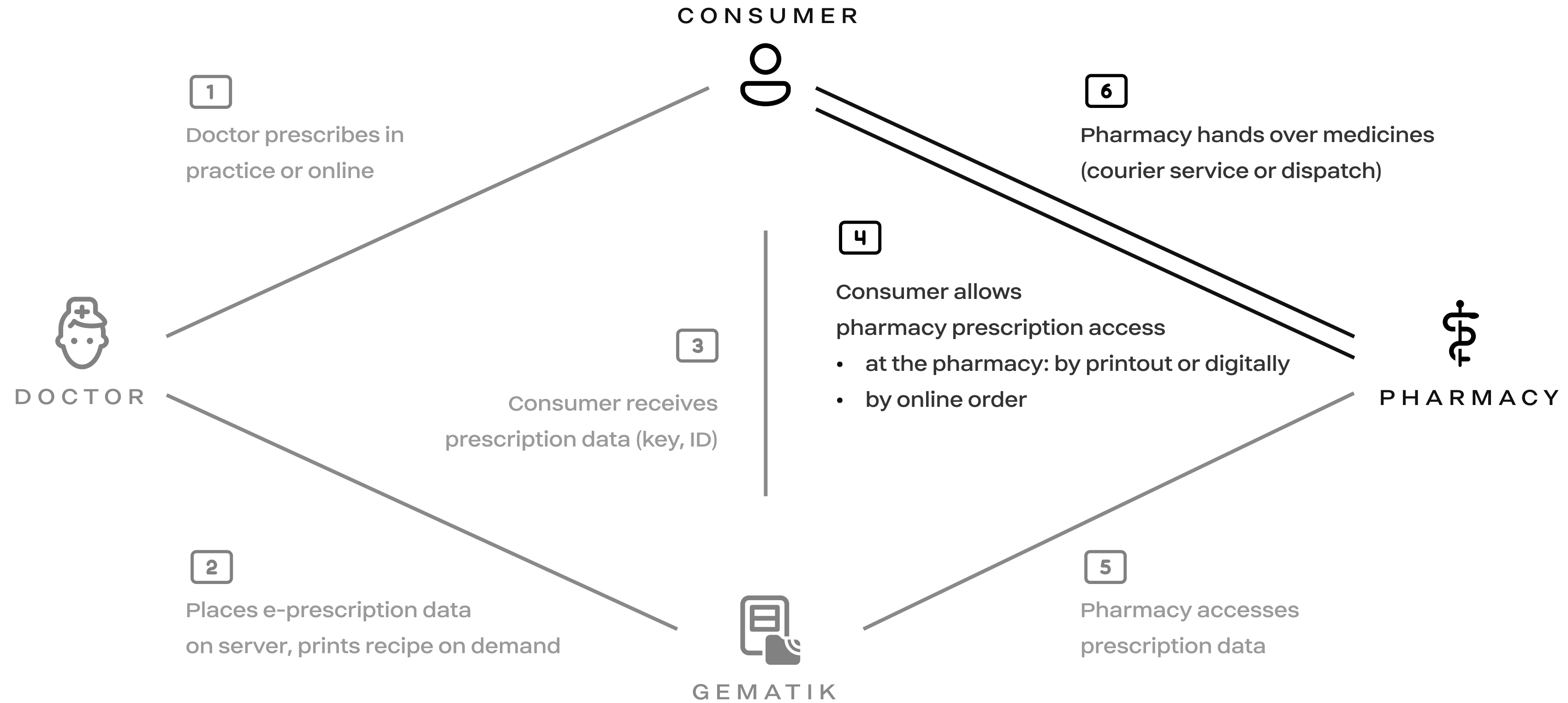
As of 1st January 2022, all paper-based prescriptions in Germany will be replaced by digital prescriptions. The patient receives the e-prescription either via a printed QR code or as a fully digital token on the governmental Gematik application.

As a consequence, patients are not required to hand in a physical prescription to their pharmacy anymore.

- ✓ 63 % of Germans want to use the e-prescription
- ✓ 8 out of 10 pharmacists expect an increase in mail order business following the introduction of the e-prescription
- ✓ We are convinced that a digital customer experience and medication delivery will become the preferred choice by millions of people



The value chain will become fully digital and interconnected with other players



National industry experts contributed valuable product feedback



Jörg Heumann
Pharmacy consultant

Gathered insights and redefined the customer value proposition together with us. Idea: "Expand Pocket A's features further to not only be an ordering platform", more detailed:

Integrate consultancy services for customers to build a sustainable and long-lasting business model.

Biggest learning: Understand the interplay between analog and digital processes and upcoming challenges (to find a product-market fit).



Michael Pietzonka
Operations manager - Avi Medical

Together with Michael, we've built a vision for further long-term product features: Build a B2B2C model between pharmacies, medical doctor offices, and end-users in order to connect them in a way, that the whole process of 'ordering' won't be necessary anymore.

The goal should be to fully integrate and automate the ordering processing by intelligent in-house procurement IoT systems.

Therefore, end-users could directly pick up their pharmaceuticals at the medical office.

Market & Competition

- MARKET SIZING
- COMPETITION
- DIFFERENTIATOR
- RISKS



A huge market opportunity growing at a fast pace

TOTAL PHARMACY REVENUE

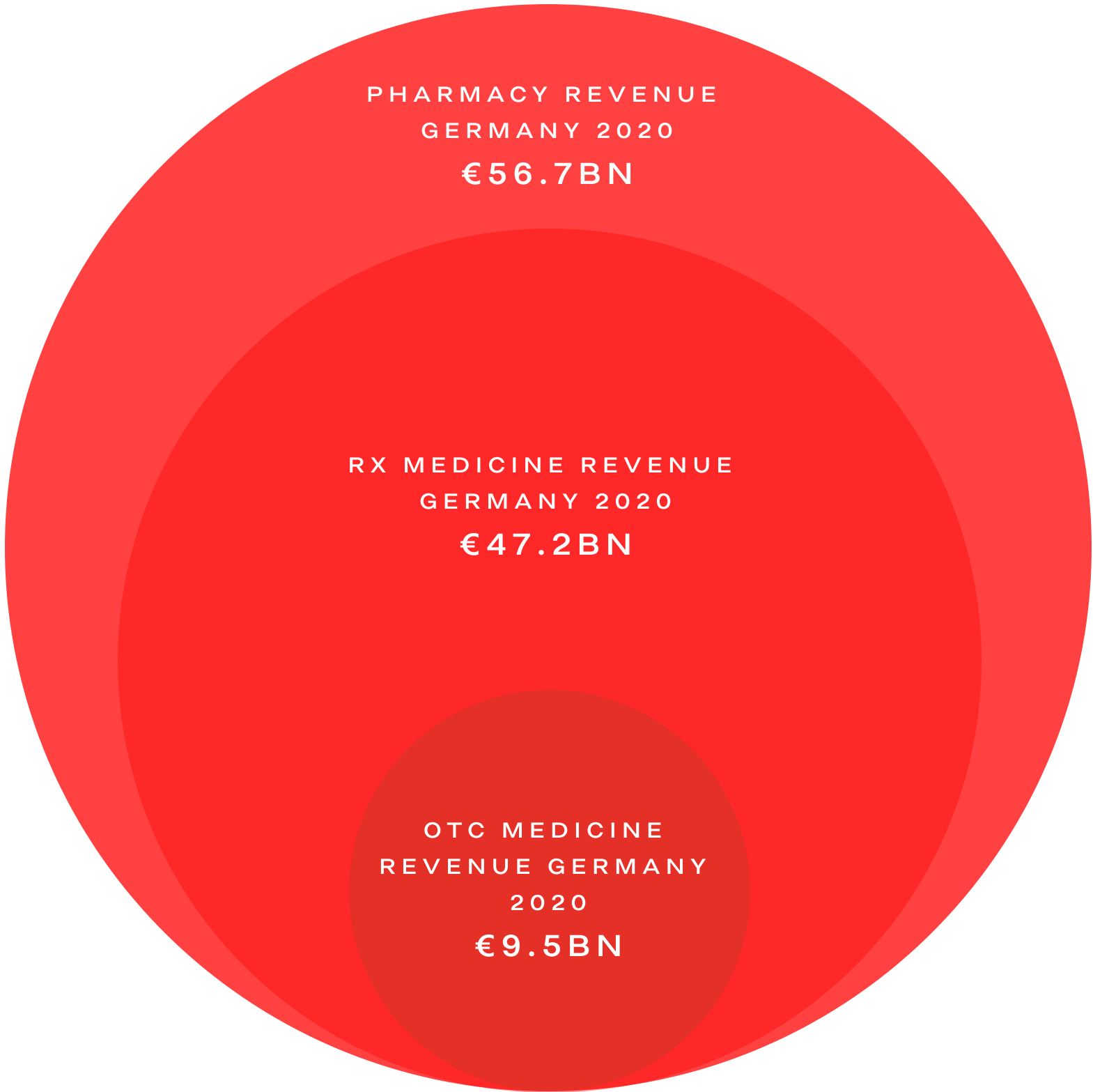
The total pharmacy revenue in Germany alone was €56.7bn, with the average pharmacy having revenues of about €2.8m and a net profit of €167k.

RX MEDICINE REVENUE

RX medicine is by far the biggest and most profitable market segment accounting for 83.2% of revenue with an online revenue share of below 1%. This alone shows the huge up-side potential that Pocket A is facing.

OVER THE COUNTER MEDICINE REVENUE

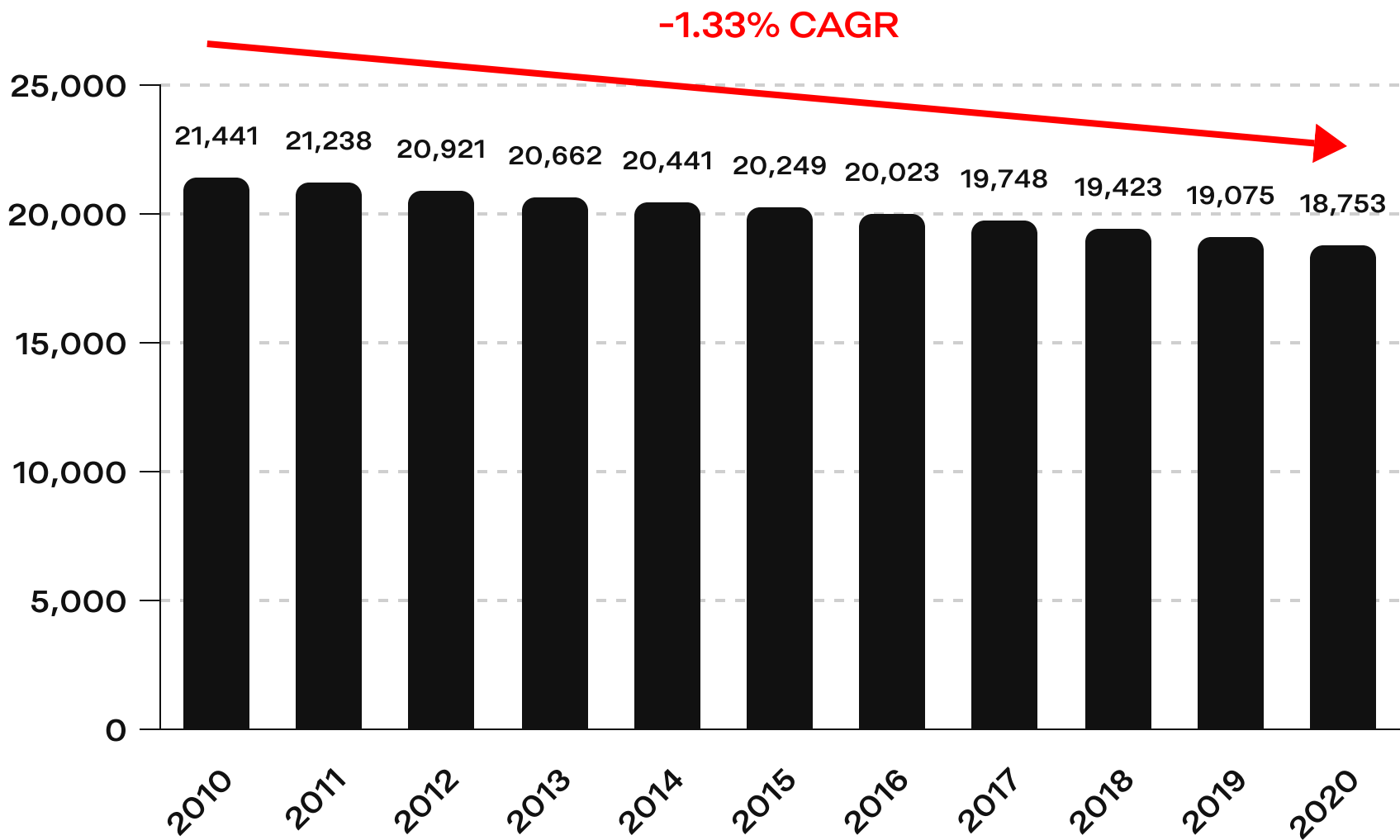
The OTC product segment accounts for only 16.8% of the market with a much higher online penetration of 16.4% in 2020 and a high growth over the past years.



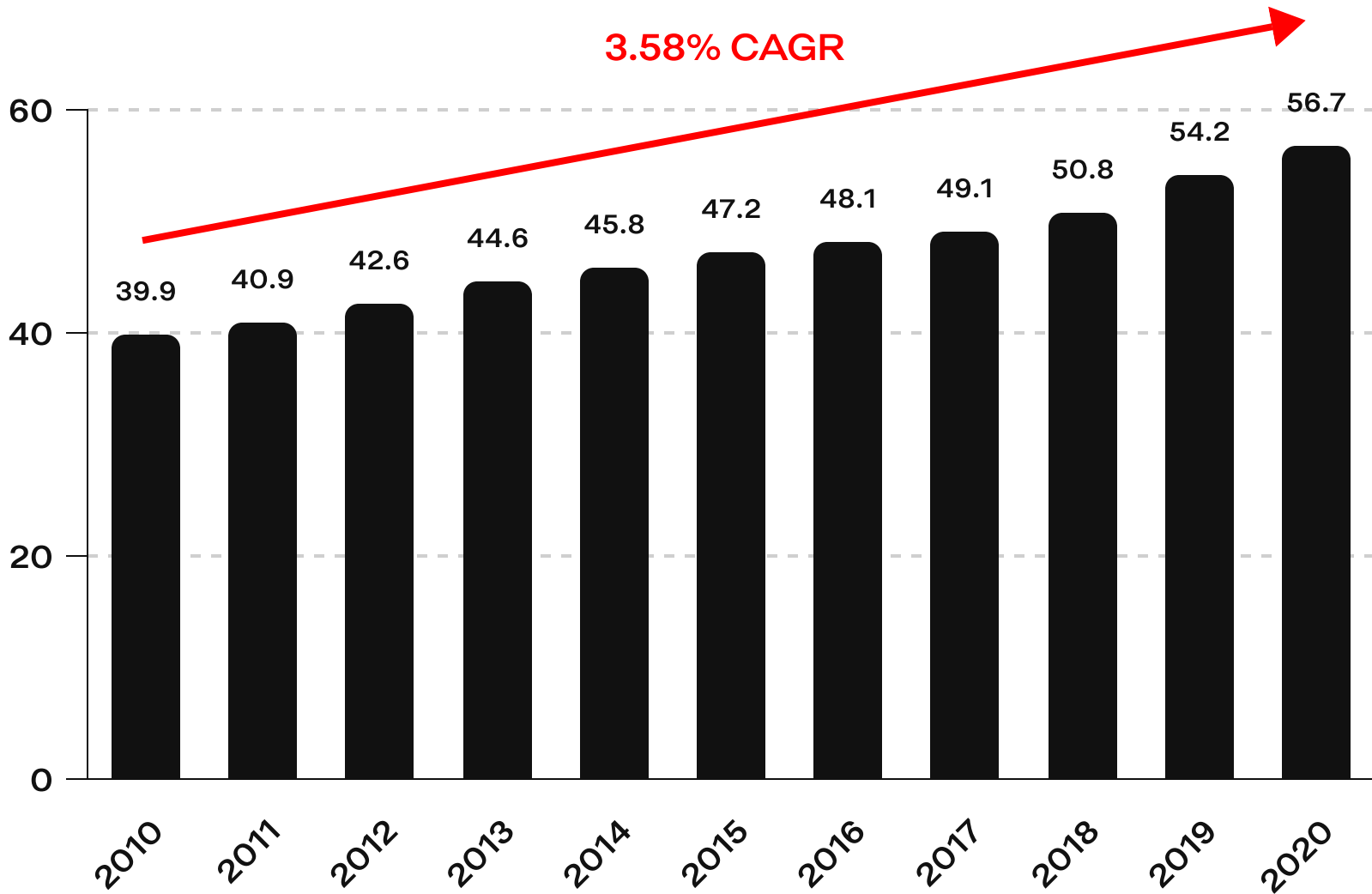
The german market for pharmaceuticals is fragmented, yet growing

The German pharmacy market is highly fragmented and slowly declining, with around 19.000 pharmacies, down 2% from 2019. Whereas the overall market is steadily growing, the average pharmacy has revenue of 2.8 million (+50% from 2010), and the overall pharmacy revenue in Germany alone in 2020 was 56.7bn (+42% from 2010).

NUMBER OF PHARMACIES IN GERMANY



REVENUE OF PHARMACIES IN GERMANY (IN BN EUR)



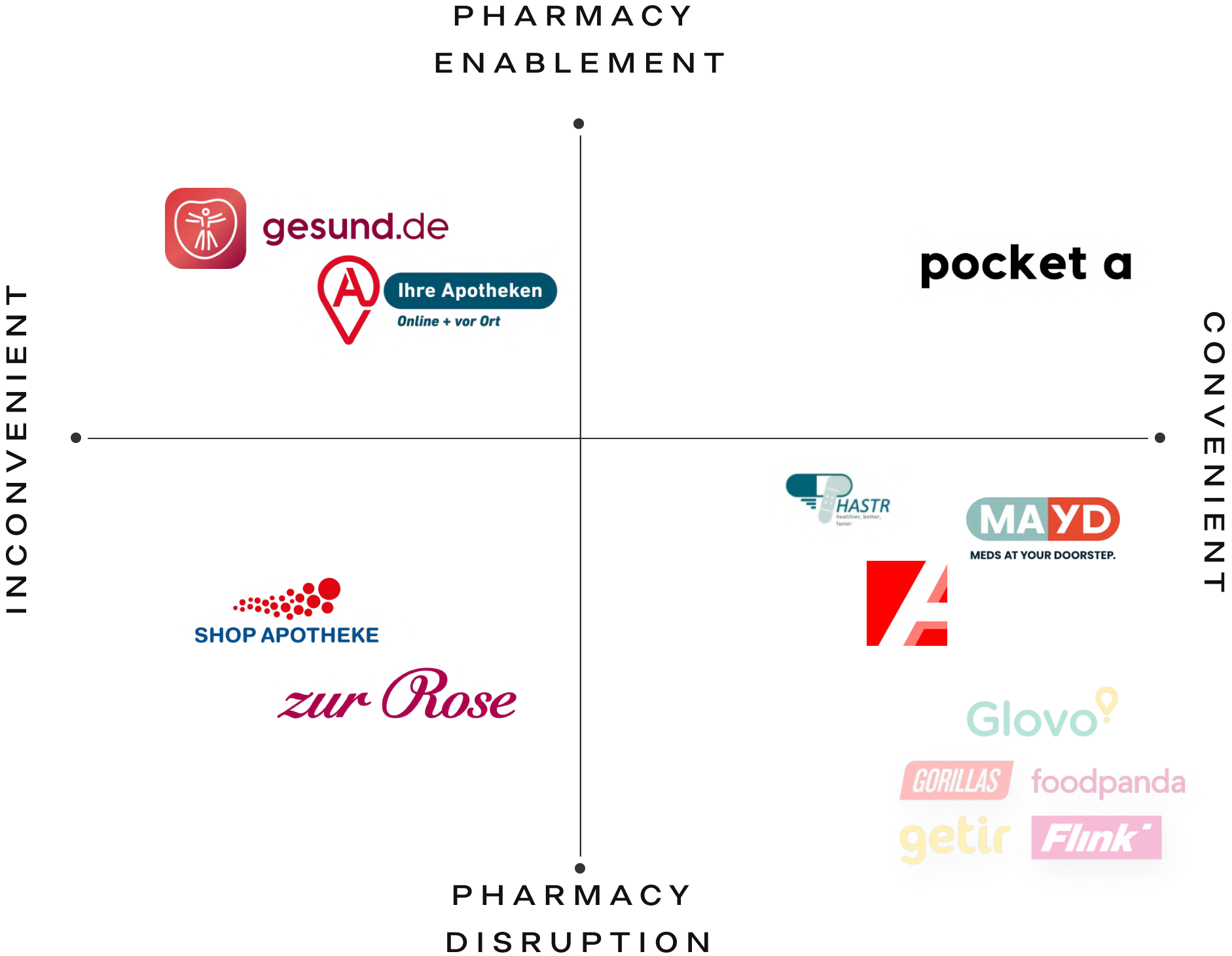
Source: Statista, 2021: 'The total number of pharmacies in Germany'

The market lacks a player combining convenience and enablement of pharmacies

We cluster and segment the existing players along two dimensions:

- **Convenience:** This is the consumer aspect, how seamless and fast is the ordering process?
- **Pharmacy enablement:** This is the pharmacy aspect, are the players a sole competitor to pharmacies, or do they enable them to do more business?

Currently, there are either players being very convenient, but not enabling pharmacies or others that are more geared towards pharmacies but lack convenience. Also, there are players that are neither and target more towards low pricing.



The aggregators - online pharmacy marketplaces



German joint venture founded in 2021, with the vision of becoming an ecosystem around health.

- Operated by pharmaceutical wholesaler Phoenix and billing service provider Noventi
- 10.000 partner pharmacies through merger
- Exclusive partnership with Payback
- Monthly fee of 199€ + an initial fee of 799€
- 6% margin on non-RX purchases, free for RX purchases



German corporation founded in 2018, soon to partner with Clickdoc to become a health ecosystem player.

- Fixed majority shareholding of pharmacists' cooperative Noweda
- 7.000 partner pharmacies
- Monthly fee of 115€, no initial fee
- 0.05€ per non-RX purchase, 0.20€ per RX purchase

SUMMARY

Pharmacy marketplaces offer transparency to customers and more customer access for pharmacies. However, they still offer very little convenience and lack a fully integrated solution. To order medication, users have to click through many pages, only to find out the pharmacy they selected does not offer a delivery service. Although pharmacies gain access to more customers they are left alone when it comes to offering new services to their clients, which is necessary to prevail against the competition.

The disruptors - classical online pharmacies



Swiss-based online pharmacy, active in six markets.*

- Revenue: €1.66bn (+34% YoY)
- Active customers: 10.5m (across Europe)
- Average order value: 54€
- Gross margin: 17%
- Repeat purchase share 74%
- Orders per customer per year: 2.2
- Market cap: €3.42bn



Germany-based online pharmacy, active in seven markets.*

- Revenue: €968 million (+38% YoY)
- Active customers: 6.8m (across Europe)
- Average order value: 66€
- Gross margin: 22.7%
- Repeat purchase share 83%
- Orders per customer per year: 2.6
- Market cap: €2.71bn

SUMMARY

Online pharmacies like zur Rose or Shop Apotheke offer medium convenience at lower pricing. Their main value proposition is towards customers. They saw tremendous growth during the pandemic both in revenue and in market cap (Shop Apotheke +248% since 1st Jan 2020 and zur Rose +215%). However, they both are strong competitors, disrupting local pharmacies and not being partners or being seen as partners. Promoting a low-price strategy, many pharmacies dislike classic online pharmacies.

The challengers - quick commerce pharmacies



Berlin-based startup started operations in September 2021.

- Revenue model: fixed fee per order (2.50€)
- Delivery fee: 2.50€ per order, free for orders above 30€
- Consultation service: in-house pharmacists
- Delivery time: 30 minutes
- Funding: unknown



The berlin-based startup started operations in October 2021.

- Revenue model: platforms fees, no delivery fees
- Delivery fee: free
- Consultation service: local pharmacy
- Delivery time: 30 minutes
- Funding: €15m seed round

SUMMARY

Other quick commerce services like First A or Mayd are not enabling retail pharmacies. Instead, they only partner with very few and selected pharmacies in one given district, leaving many others behind. Additionally, they don't try to enable local pharmacies by integrating into existing processes and systems but try to gain customer access.

None of the existing players currently offer an appealing solution towards customers and pharmacies



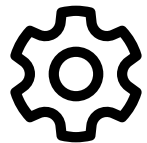
LONG DELIVERY TIME

Online pharmacies fulfill orders via warehouses in the Netherlands and consequently take 2-5 days to deliver the medication.



OUTDATED USER EXPERIENCE

Platform solutions are structured similar to Google Maps: The patient needs to manually pick one of ~15k displayed pharmacies that vary in service quality and price. The overall experience is mediocre at best.



TECH LEGACY

Online pharmacies struggle to quickly test hypotheses in the market and adjust to new developments due to a tech legacy that resulted from their buy and build strategy and integration issues.



LIMITED SERVICE OFFERING

Platform solutions do not offer digital consultation services and the delivery process tends to be slow and unreliable. This is a consequence of the marketplace approach. Pharmacists' core competence is the operations & service in the local shop - not the delivery.



Pocket A is one step ahead throughout the entire value chain

ENABLER. NOT DISRUPTOR.

We understand the importance of pharmacies and compared to other competition, we don't want to disrupt them. We want to give them the tools they need to evolve and thrive in a digital and mobile-first era.

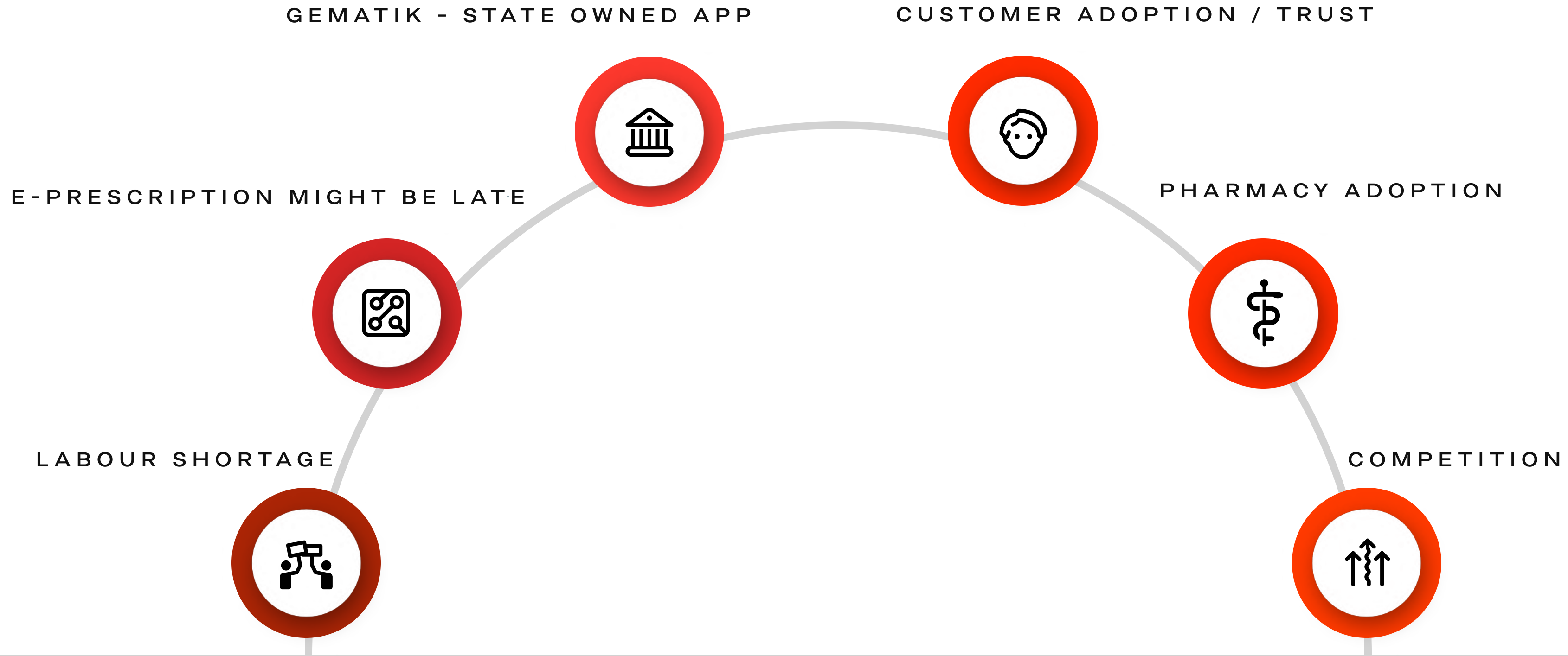
CREATING THE PHARMACY IN YOUR POCKET

For consumers, we are the pharmacy in the pocket. Regardless whether they need medicine, need consultation, or a trip to a pharmacy. We got them covered.

DEEPLY INTEGRATED INTO PHARMACIES PROCESSES.

For pharmacies, we are more than a logistics provider with a frontend to consumers. We integrate deeply into their processes, to make their lives easier and give them time back to spend with their customers. Both physically or online through Pocket A's online consultations.

There are several market risks that need to be addressed and mitigated accordingly



There are several market risks that need to be addressed and mitigated accordingly



GEMATIK - STATE OWNED APP

The German telematics infrastructure for the introduction of the electronic health card represents the cornerstone of the electronic prescription. This creates a great dependence on the state itself.



E-PRESCRIPTION MIGHT BE DELAYED

The introduction of the electronic prescription has already been postponed twice in the past. Experts also assume that the introduction in January 2022 cannot take place as planned because the underlying structure is not yet in place.



LABOUR SHORTAGE - RIDERS

Currently, many companies are being established and rapidly scaled in the quick commerce market space. All these companies need riders to deliver the goods. Since summer 2020, there has been a war for talents for available riders.

There are several market risks that need to be addressed and mitigated



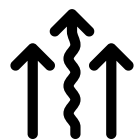
CUSTOMER ADOPTION AND TRUST

Another risk is customer adoption: Especially in the older age groups, there is a risk that customers will continue to be happy to visit the pharmacy physically for on-site advice. In addition, the question arises whether customers trust the application and the service enough.



PHARMACY ADOPTION

Besides that, there is a risk for pharmacy adoption - meaning that some pharmacies might not want to offer their products through Pocket A's service. Some of them are working on their own solutions and others will probably stick to conventional or old solutions.



COMPETITION

In addition to indirect competition in the quick-commerce market (e.g. rider cannibalization through grocery shopping apps like Flink or Gorillas), other direct competitors are entering the market. Strategic positioning and a fast go-to-market strategy are essential for the success of Pocket A.



Why other quick commerce companies won't enter and succeed

DIFFERENT LOGISTICS

All quick-commerce companies in the food sector operate with their own dark stores and own inventory. This is inherently different from our model and with the given regulatory environment impossible to replicate with own dark stores.

DIFFERENT BUSINESS MODEL

The entire business model of a grocery quick-commerce company is very different from ours, beyond just the logistics. They don't charge SaaS fees as they don't have a B2B relationship and don't build software solutions for their suppliers.

PARTNERSHIPS WITH PHARMACIES

The key winning factor in our business are the pharmacies and having strong relationships with them. This lays way outside of the expertise nor focus of any regular quick-commerce company.

While the business can not be IP-protected, the market itself inherits barriers to entry

As the business model is not built on an invention or years of proprietary research, neither patents nor copyrights are a suitable way to protect the business. While this seems like a downside first, the market itself inherits barriers to enter. Apart from the cost advantage for Pocket A.



GERMAN LAW

Every pharmacy may only have a maximum of three branches, which must be located in close proximity to each other. The legal basis for this regulation is the 'GKV Modernization Act (GMG)', which came into place in 2004. This means that there are no big players in the German retail pharmacy market. As the business model is dependent on partnerships with pharmacies in every location, this means there is no shortcut in acquiring these partners.



HEALTH REGULATIONS

A special German law, called "strengthen on-site pharmacies" requires all pharmacies to control the temperature of pharmaceuticals, even while delivering them. Additionally, an ever-increasing amount of pharmaceuticals are subject to this so-called 'cold chain requirements'. This makes it impossible for existing quick-commerce providers to enter the pharmaceutical market without new investments.