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Nine prescriptions for brand health

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Companies in the pharmaceutical industry, like most companies which do not sell direct to the consumer, have a limited understanding of the value of branding. The authors, all with considerable experience of how branding works in different sectors, provide a valuable, well illustrated guide to why branding is essential when growth stalls in the pharmaceutical industry

PHARMACEUTICAL companies today face a series of significant challenges that are affecting their ability to maintain growth and sustain earnings levels. These challenges include competing against generic products – drugs whose patents have lapsed and which are typically 60% to 70% cheaper than the 'branded' version – and the drying up of the research and development pipeline that has led to a reduction in the rate of new compound discoveries. In addition, pharmaceutical companies have to operate in a complex industry environment. For prescription-only medicines, the relationship between consumer (patient) and pharmaceutical company is highly regulated and subject to government intervention. Governments and private insurance companies determine the price consumers pay. Furthermore, pharmaceutical companies are severely constrained in what they can communicate directly to consumers.

In response to these challenges, the pharmaceutical industry has undergone, and continues to undergo, a period of consolidation and rationalisation to control costs and maintain R&D rates per company. However, these measures provide only short-term 'symptom' relief and fail to 'cure' the underlying problem.

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It is time for pharmaceutical companies to re-evaluate their approach. If they want to boost performance for the long term, they have to think and act differently. Branding is essential to ensure the successful uptake and penetration of existing and new compounds, and to maximise their potential and relevance beyond patent expiry. Increasing the success of these brands will increase the return on investment and also support additional investment in R&D, generating a reinforcing effect.

So how should pharmaceutical companies go about branding? We have organised nine observations and their implications into the following three sections:

- Develop a distinct and compelling value proposition.
- Build the right structure, resources and capabilities to deliver.

- Communicate the value proposition and manage customer relationships effectively.

Develop a distinct and compelling value proposition

1 Pharmaceutical companies focus on managing patents, not brands

In its earliest years, Coca-Cola's communication was centred on the drink's medicinal qualities: a nerve tonic that would perk up 'brain workers' and provide solace for hangovers and headaches. Frank Robinson, one of the inventors of the drink, soon realised that the long-term success of the product was linked to the ability to build a global brand rather than to protect a patent drug. Successful brands, unlike patents, do not have an expiry date.

In the pharmaceutical industry, patent protection is undeniably a critical asset, as it allows companies to sustain the price premium needed to recover heavy R&D investment. For this reason, companies have developed increasingly sophisticated patent protection strategies and spend large amounts of money in lawsuits against generic manufacturers.

But pharmaceutical companies rarely focus on building a sustainable brand, able to prosper beyond patent expiration. When a drug goes off-patent (typically after 10 to 15 years), pharmaceutical companies tend to reallocate their sales forces and marketing spend to other, patent-protected drugs, in the expectation that the generic version will erode 70% or more of the branded drug sales in just one year.

Except for a few cases, this is what invariably happens across pharmaceutical brands. For example, with annual revenues of £250 million, Losec dominated the prescription market for the treatment of frequent gastro-intestinal disorders in the UK until its patent expired in April 2002. AstraZeneca, which had launched and successfully marketed the drug for nearly 15 years, introduced a slightly more effective drug (Nexium) before Losec's patent expired. The company reallocated their entire marketing and sales budget to Nexium in an effort to replace Losec before the latter went off-patent. As anticipated, Losec sales dropped by about 75% in the first 12 months after April 2002. However, Nexium never succeeded in taking over from Losec. Moreover, AstraZeneca probably missed a great opportunity to leverage the heritage of Losec in the consumer market by launching an over-the-counter (OTC) version of it in the UK.

In the US, however, AstraZeneca did launch an OTC version (Prilosec) with success. Pharmaceutical companies are now beginning to realise that their brands do not expire along with the patent expiration.

Prescription 1: *Focus on building a brand from the outset and develop a plan early on to leverage it beyond patent expiration.*

2 Pharmaceutical companies tend to focus primarily on the healthcare professional as their only customer

The customer landscape for pharmaceutical companies is complex. Consider how medication is prescribed. Unlike most markets where consumers make their own brand choice and purchase decision, patients (end-consumers) pass their brand choice to a qualified healthcare professional, who diagnoses the condition and writes a prescription for a drug. The act of handing over the decision to external parties (co-dependent choice) is a defining characteristic of the pharmaceutical industry. This type of co-dependent choice can also be found in some other categories – for example, products and services directed at children, where parents act as gatekeepers.

In the pharmaceutical industry, there is still further complexity. A doctor's choice of medication depends not only on his or her knowledge of the range of available treatments, but also on prescription guidelines developed by the healthcare authorities. These guidelines shortlist recommended drugs suitable for treatment of conditions and are aimed at controlling the cost of healthcare.

In addition, once-passive consumers are now taking a more active interest in their own health and are actually influencing the doctor's prescription of products – in fact, research shows that when a patient asks for a drug, 70% of the time the doctor will prescribe it. Once a prescription is written, the patient presents it to the pharmacist to obtain his or her medication. In the case of OTC products such as Nurofen in the pain relief category, the pharmacist can influence consumers' choice by deciding to stock the brand or making a recommendation. These interactions and changing dynamics increase the complexity within which brand managers have to make decisions.

The brand is the focal point for competing for the choice of all these stakeholders. Although each stakeholder has a different perspective on the drugs, they all have the same ultimate goal – to make sure patients are relieved of symptoms and cured of the disease or condition.

Overcoming the market complexity and competing for choice effectively require a solid foundation of customer

People want to be cured. A pill is only a means to an end and is not an end in itself. Pharmaceutical firms need to realign their activities with this ultimate goal and consider developing propositions around therapeutic categories

knowledge. Brand managers must develop a strong understanding of who their customers are (both the intermediaries and the end-consumer/patient), how they interact, the degree of influence they have on one another, what they value and how the products and services should be optimised or configured to deliver this value. This insight is critical in order to identify the bottlenecks and opportunities to unlock growth, and to ensure the brand is positioned consistently in the minds of patients and healthcare professionals, who frequently interact with one another.

Prescription 2: *Develop a fact-based understanding of the roles, interactions and degree of influence the different stakeholders have on the brand choice, and develop a coherent strategy for each.*

3 Most pharmaceutical companies sell pills, whereas patients want therapy solutions

People want to be cured. A pill is only a means to an end and is not an end in itself. Pharmaceutical companies need to realign their activities with this ultimate goal and consider developing propositions around therapeutic categories. This is a broader proposition than an individual product or pill. It defines what the company does from the standpoint of a disease or type of patient.

The provision of a therapeutic proposition does not replace the need for a good product with high efficacy and safety. However, with the proliferation of products, many of which have already surpassed acceptable efficacy and safety requirements, product differentiation is very limited in many therapeutic drug classes. In those drug classes where a product still retains a lead in terms of efficacy and safety, the position is not sustainable, as equivalent products will soon become available. Under these circumstances, pharmaceutical companies need ways to infuse more added value into their propositions to satisfy stakeholder needs while differentiating their offering.

The example of Nurofen

Nurofen provides a broader proposition than convenient product formulations for pain relief. It also provides supporting information and services directed at both consumers and healthcare professionals. Nurofen sponsors an impartial website (www.painforum.com) providing consumers and healthcare professionals with information and advice on pain, remedies and complementary therapies, and has formed partnerships with online health portals. In addition, Nurofen provides services targeted at pharmacies and healthcare professionals, such as Nurofen Pharmacy Solutions, an accredited pain training programme for pharmacy assistants.

There are several additional services pharmaceutical companies can provide to compete for choice and create a win–win situation for all stakeholders. They can provide patients with condition-specific information, such as lifestyle and educational information to enhance their wellbeing. They can also provide doctors and specialists with product-specific information, as well as service support to increase their ability to treat patients (such as diagnostic equipment, information services, education programmes, practice management programmes and hospital process support). Obviously, the product and service offering must satisfy regulatory constraints and must be carefully aligned with each stakeholder to ensure that the additional investment in support services is financially feasible from the pharmaceutical company's standpoint.

Pharmaceutical companies can realise several benefits from providing a more holistic approach towards therapy solutions. Differentiating and enhancing a company's value proposition with the different stakeholders will result in higher share of patient prescriptions – increasing the uptake, penetration and longevity of a product. In addition, some of the services may create new revenue streams for pharmaceutical firms.

Adopting this view will also encourage better portfolio management across the company's product range and higher customer retention within the company's product portfolio. Furthermore, developing propositions and capabilities around therapeutic areas could have knock-on benefits for the R&D pipeline – according to Ashish Singh and James Gilbert, about 70% of 'blockbuster' drugs created in the past 30 years were generated in therapeutic areas where the companies had already established a presence that was either moderate (over $500 million in sales from one or more drugs) or strong (over $1 billion in sales).

Prescription 3: *Consider developing therapy solutions as opposed to product-only solutions, to enhance patient well-being while differentiating the offering to compete effectively for choice.*

Build the right structure, resources and capabilities to deliver

4 Pharmaceutical companies fail to apply appropriate risk management techniques to building brands

Pharmaceutical companies have developed very sophisticated tools for effective risk management in developing new drugs. This is because the success of a pharmaceutical firm is closely tied to its ability to develop a robust and substantial drug pipeline. For example, Merck's share price dropped significantly in November 2003 after the announcement that four of the eleven drugs that it was expecting to sell by 2006 had failed and two had seen their approval process significantly delayed. It then recovered substantially after the announcement that two new potential blockbuster drugs for Alzheimer's were under development.

The key to successful risk management in new drugs development is the application of a diligent process. After a number of promising compounds are shortlisted, a formal evaluation should be performed on each compound at each phase of the development process. This involves an assessment of the probability of success, the estimated development costs and the potential revenue generation. The top five pharmaceutical companies excel in managing this process. But a changing market requires pharmaceutical companies to apply this approach to building brands as well, in order to sustain growth in the future.

In reality, a number of tools exist and are used in other industries to enhance creativity, develop contingency plans, identify branding initiatives and test and quantify their potential value creation in a risk-free environment. Such tools include sophisticated scenario planning and computer modelling.

Petroleum company Shell succeeded in retaining its leading position in an industry also characterised by high risks and long-term investment projects. It achieved this by successfully managing the delicate transition from being research-driven to consumer-driven. Shell pioneered scenario planning tools in the early 1970s, when it realised that, challenged by an increasingly unstable environment, it could no longer sustain its leadership by relying solely on leading-edge field exploration technology.

Pharmaceutical companies are today in a similar situation to Shell before the 1970s. They tend to be very conservative in their approach to branding, applying the same business model across brands, rarely experimenting with alternative initiatives or exploring untapped opportunities.

A few pharmaceutical companies have, however, started to make the transition and are building the appropriate resources internally by employing professionals with proven branding backgrounds. Some are trying to speed up the process by forming strategic partnerships. A remarkable example is the alliance between AstraZeneca and Procter & Gamble for the launch in the US of Prilosec in September 2003. By employing radical and unconventional initiatives, Prilosec reached in two months over 25% dollar share of the market – something that had never been achieved before.

Prescription 4: *Employ rigorous risk management techniques to articulate and test your brand strategy on a continuous basis.*

5 *Organisational structure tends to be too rigid and inhibits effective brand management*

Managing therapies rather than pills requires a major structural change in most pharmaceutical companies. Typically, the organisation of a pharmaceutical company is rigidly structured around two main divisions: pharmaceuticals (Rx products) and consumer healthcare (OTC products). The first manages drugs that can be sold under prescription only; the latter manages drugs that can also be sold without prescription in pharmacies, groceries and supermarkets. In many instances, both divisions in a pharmaceutical company manage products that are directed at the same therapy class. Yet they do not have a cross-brand strategy and lack a managerial role responsible for the therapeutic franchise across the pharmaceutical and the consumer healthcare division.

This distinct separation is not without reason. Prescription-only medications are mainly chosen (prescribed) by doctors and paid for by the government and not by the consumer, and in most countries (except the US) cannot be advertised directly to the consumer. But the realisation that different knowledge and skill sets are required does not justify the organisational structure of most pharmaceutical companies, where resources (for example, market research, marketing, sales force) are rarely shared and communication between divisions is very poor at best, even within the same therapy area.

The organisational structure of medical device companies provides an insightful contrast to the approach of pharmaceutical companies. For instance, Medtronic, a leading medical device manufacturer, organises its 25,000 employees in four primary product line groups based on therapy areas – cardiac rhythm management, vascular, cardiac surgery and spinal – each with its own global profit-and-loss statement.

It is now even more important for pharmaceutical companies to adopt a similar structure, given recent developments in the regulatory environment to allow certain forms of direct-to-consumer advertising (see also point 8 later). This implies that some of the skills and expertise typically 'owned' by the consumer healthcare division will become more critical in the pharmaceutical division. Furthermore, successfully launching previous Rx products into the OTC market requires an organisation capable of leveraging and coordinating the different skills across the two divisions.

Prescription 5: *Design a customer-driven organisation capable of enabling proper brand management across divisions and around therapy areas.*

Pharmaceutical firms often do not track the right data. They make strategic decisions based on fragmented intelligence and rarely have a system in place to measure their strategy's progress

6 Pharmaceutical companies rarely use data effectively to inform brand investment decisions

Pharmaceutical companies can access very accurate and detailed market and brand data. For example, prescriptions given by doctors or healthcare professionals can often be recorded in a system and associated with patients. This makes it possible to determine every month the number of patients new to a particular drug, or to the whole category of drugs, as well as the number of patients that sign off or get a new prescription after a lapse in treatment. A few research companies have established a leadership position in providing such information.

Unfortunately, despite availability of more accurate data, it is not uncommon to find that pharmaceutical companies do not track the right data. They continue to make strategic decisions based on fragmented intelligence and rarely have a system in place to measure the progress of their strategy. Indeed, this abundance of data, coupled by poor understanding of the brand's underlying structure and of the data needed to populate that structure, often leads to 'analysis paralysis': the inability to generate insights and convert data into actionable strategy.

Pharmaceutical companies operate globally across medical conditions with a variety of products that range from cancer treatment to baby or dietary foods. They must learn from the fmcg sector how to use quality data to inform decision-making.

Prescription 6: *Develop a clear understanding of the underlying business structure that drives your performance and of the key metrics in the system.*

Communicate the value proposition and manage customer relationships

7 Pharmaceutical companies fail to move from profiling basic suffering towards actionable segmentation

To be successful, brand managers and sales representatives must understand how to maximise resource allocation across a range of customers. The preoccupation with developing blockbuster drugs has led to an undifferentiated, one-size-fits-all approach to marketing medicine. This mass approach may have been sufficient in the past; however, as competitive intensity increases, and with the large number of customers and stakeholders, pharmaceutical companies need to become more refined in their approach and communication – they need to segment and focus. Segmentation aids the identification of customer populations with similar characteristics and requirements, in order to find the appropriate product and service offering and the correct communication channel and message.

Pharmaceutical companies often analyse brand usage and performance in terms of measures (such as share of indication, or share of chronic and acute disease sufferers). These classifications are a first step towards patient segmentation, but fall short of translating into better management decisions and resource allocation.

A similar scenario exists with regard to the segmentation of healthcare professionals. Sales-force visits to healthcare professionals are primarily driven by accessibility rather than the doctor profile. In some cases, the sales rep does some basic prioritisation of doctors and specialists, but in most cases there is no formal system or structure to guide them, and the communication message remains the same. In a recent study by Verispan, 90% of doctors said they preferred to be detailed by a speciality sales rep who had more knowledge of the therapeutic area than a general rep. However, only one in five pharmaceutical companies invest in any sales-force training beyond initial courses undertaken by recruits.

Effective segmentation requires the ability to capture, analyse and share information within the company. Access to integrated information is a powerful support to effective decision-making and resource allocation.

Prescription 7: *Develop a deeper understanding of the behaviour and characteristics of the patient, doctor and other stakeholder segments for maximum impact and spend-effectiveness.*

8 Pharmaceutical companies rely disproportionately on their sales force to build brands

At a time when market complexity is increasing and product differentiation decreasing, the leading brands will be those with effective marketing and sales operations. For decades, pharmaceutical companies have relied on a sales model for promoting drugs, whereby sales reps visit doctors to spend a few minutes explaining the benefits of the drug to influence which drugs they prescribe. This model has been successful in raising doctors' awareness of the range of medicines available and providing pharmaceutical companies with more prescriptions and sales. However, the changing dynamics of the business have prompted a massive expansion of sales forces, resulting in doctors feeling 'constantly bombarded' and in escalating costs for pharmaceutical companies – pushing them deep into the zone of diminishing returns.

There is an opportunity for sales reps to build relationships with doctors through CRM, aided by better doctor segmentation. In addition to sales-force activity, pharmaceutical companies can also provide doctors and specialists with a range of value-added services to increase their ability to treat patients. For example, in promoting Fosamax for the treatment or prevention of osteoporosis (thinning of bone), Merck provided healthcare professionals with equipment to measure bone density, aiding diagnosis of the condition and increasing the uptake of Fosamax. Doctors also want to know information such as what patients think of a drug and whether they comply with its treatment regime. Providing them with this information is a valuable service, and most pharmaceutical companies are already sitting on vast amounts of relevant data.

In addition, with deregulation of drug promotion, direct-to-consumer (DTC) advertising has taken off in the US. In Europe, however, DTC is limited to 'statements relating to human health, not products'. DTC can take the form of an unbranded disease awareness campaign (DAC) aimed at building awareness of the condition and its symptoms. DAC is useful if it motivates sufferers who have not sought treatment (latent market) to visit the doctor for diagnosis – this not only results in higher prescriptions for the therapeutic drug class, but also allows early diagnosis, which often reduces the long-term cost to the healthcare system.

Moreover, DTC can be directed at patients already on treatment. Pharmaceutical companies can provide patients with ongoing education and self-management information about nutrition, exercise and medication. This can be provided through patient leaflets, websites and patient clubs. In some cases, after obtaining patient consent, pharmaceutical companies can communicate directly with patients through email or direct mail, on issues such as the benefits of compliance and persistence with treatment.

Increased market and customer complexity has placed great demands upon marketing and sales organisations, making resource allocation and investment decisions not only more difficult but also more risky. To overcome this and drive enhanced marketing spend decisions, pharmaceutical companies will have to develop a fact-based understanding of the brand dynamics to identify the highest leverage opportunities to increase performance. Once these have been identified, management must identify the range of levers and evaluate them for their expected impact and cost, then determine which ones to use and how much to spend. Investing in the right marketing and sales levers will significantly improve brand performance and may also reduce marketing costs.

Prescription 8: *Realign the sales force for the highest impact, and support with a broader range of marketing initiatives.*

Consumers buy drugs for their benefits, of which effectiveness is only one component. Despite this fact, most pharmaceutical firms today still focus their communication strategies on the technical superiority of the drug and fail to communicate the treatment benefits

9 *Brand communication is centred on science, not customer benefits*

Consumers buy medicine for its benefits, of which its effectiveness is only one component. This is even truer today, when new products are only marginally different from the previous version. In this environment, clinical effectiveness becomes a prerequisite for the success of a drug rather than a differentiating factor. The customer (be it the doctor, the government or the consumer) therefore faces similar challenges to the fmcg industry when making a choice.

Despite this fact, most pharmaceutical companies today still focus their communication strategies on the technical superiority of the drug and fail to communicate the treatment benefits.

It would in fact be wrong to assume that the doctor's choice of medication is uniquely driven by the rational logic of cost-effectiveness. The ultimate concern of doctors is to address their patients' needs, and between two drugs with similar clinical effectiveness, they are more likely to choose the brand that best fits the needs of the patient.

One example of a brand able to do this is Zofran, a GlaxoSmithKline drug used for nausea and vomiting that result from chemotherapy treatment for cancer. Research has shown that patients affected by cancer are more likely to be concerned about the immediate and adverse side-effects caused by cancer treatment than by the prospect of death. Furthermore, it unveiled a hidden sense of frustration and guilt on the part of doctors who have to administer these treatments. The ultimate benefit sought by both patients and doctors is to alleviate the patients' psychological distress associated with the chemotherapy. Zofran succeeded by conducting a communication campaign centred around building empathy with patients. It outsold a competitor, Kytril, who had both a better medical profile and lower price.

Another remarkable example is Viagra, a Pfizer brand for the treatment of erectile dysfunction. Viagra is the first drug of its kind to address this problem successfully. It owes its immediate success to patent protection and to an effective and massive awareness campaign. Having built a strong product, Pfizer did not stop there and built a brand by implementing a communication strategy that is tied to the long-term benefits of improved family life and relationships. As a result of this bond with its customers, Pfizer is able to face with confidence the imminent competition, as other, more effective drugs come on to the market.

Prescription 9: *Communicate a value proposition that addresses the emotional and rational needs of your customers.*

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