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Optimizing Brand Equity

Pre-Launch through Patent Expiry and Beyond!

By **John Mack**

One of the unintended consequences of direct-to-consumer (DTC) advertising and one-on-one marketing to physicians is that, for the first time, pharmaceutical brands are now "brands" in the same sense that major consumer packaged goods brands, such as "Apple," "Crest," or "Shell" are brands. Demand has been created for brands like "Lipitor" and "Viagra" because there are meanings attached to these brands and emotional benefits upon which they are being marketed. They are not just trademarked pneumonic devices for a chemical entity.

Once you've invested so heavily in gaining such strong equity, can you afford to limit that "star power" to the patent period?

Clearly the answer is "no."

Today's Landscape

"These are interesting, but scary times for pharmaceuticals," says Dr. Larry Friedman, Global Director, Brand and Advertising Research TNS, speaking at a recent Webinar hosted by PharmaVOICE and TNS Healthcare. "There are few new blockbusters on the horizon and many profitable drugs are coming off patent. Pharmaceutical companies have scarce resources to deal with this situation and every function wants to be taken seriously when these resources are marshaled. Everybody wants a seat at the decision-making table."

If pharmaceutical marketers want seats at the table, then they must show how marketing can contribute to long-term company financial performance. What's the real value marketers can provide over the years ahead? Data and methodological limitations will not be accepted as an excuse, according to Friedman. The mandate is to dig deeper, think differently and come up with ideas for creating long-term value in the brand.

Generics

Pharmaceutical companies have used a variety of techniques and strategies to extend the life of brand name drugs beyond patent expiry. Often, brand name drug companies litigate aggressively to extend patent protection for their products and to keep generic versions off the market, a process referred to by some critics as "evergreening."

Apart from litigation, drug companies use other methods such as reformulation or licensing a subsidiary (or another company) to sell generics under the original patent. Generics sold under license from the patent holder are known as authorized generics.

These tactics are all well and good. Eventually, however, patent battles are lost, and brand name drugs often disappear.

Don't Leave Money on the Table

"Real commitment, which includes both emotional and psychological attachment, has been developed for some Rx drug brands," says Friedman. A very important implication of this is that it is no longer acceptable to think of the value of a brand only extending as long as the original chemical's patent period. To do so is to leave huge amounts of money on the table. It's critical for companies to create strategies that build brand value over time—and extend it beyond expiry.

In the past, costs could be recouped by the end of the patent period. Today, the world is very different. The costs to develop drugs are higher and there's tremendous pressure on prices. A lot of money is being spent on marketing and sales efforts that go on while the brand is in-line, not just at the introduction of the brand to the market. As a result, investments may not be fully recouped by the end of the patent period.

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Old Model	New Model
Spend at launch, little afterwards	Marketing/sales efforts ongoing while in-line
Costs recouped by end of patent period	In-line investments not fully recouped by end of patent period
Brand value "used up" at end of patent period	Brand value built up over life of patent

The brand value that is built up over time does not go to zero at the end of the patent period. Just think of major brands that are going off patent in the next several years and how much money is being spent on advertising. Then, consider the strong consumer commitment that has been built up toward those brands. Clearly, companies don't want to lose that equity just because their brands are facing expiration. They need brand architecture models that will let them continue to leverage the commitment they've built over the long term—even after expiry.

Realizing Brand Value After Expiry

There is a lot of residual brand value at patent expiry left on the table. Some marketers have realized this potential, although they have not articulated it well nor have they thought systematically about how to extend their brand value through better portfolio management or more effective brand architecture models.

Some companies have taken steps to address extending equity. For instance, they have developed new forms, new indications or new delivery systems. The market has witnessed an increased in the number of products, like Ambien CR, that are meant to extend the life of a brand.

To gain a true competitive advantage, however, pharma companies must think more strategically about portfolio management and brand architecture. They must answer an array of key questions to help them optimize the value of their brands:

- When should a new brand be created—and when should an existing name continued to be used?
- How should brands within the portfolio relate to each other?
- How can a brand family be strengthened?
- And ultimately, how can overall corporate equity be reinforced?

"These are basic questions that many companies in other industries have been thinking about over many years but are actually fairly new within the pharmaceutical industry," says Friedman. "The industry should not take these questions lightly or leave them to junior levels. Senior management must step up to the plate and think strategically about how to structure and manage brands and the equity flow among them."

Brand Architecture Models

Brand architecture refers to how a company structures its brands and how it manages the flow of equity between brands in its portfolio. "Decisions around brand architecture are some of the most important decisions that key senior level executives can make," says Friedman. "These decisions have far reaching implications for fully capturing the value of brands over time."

There are several different brand architecture models that a company may consider. Let's look at the "extremes" first.

One extreme is the standalone model in which brands are all "specialist brands" and the equity of one brand has no impact on another. Under this model, you wouldn't know that more than one brand is made by the same company. Each brand is really independent of the other.

P&G, for example, has a number of standalone healthcare brands, including Actonel, Crest, Macrobid, Metamucil, Nyquil/Dayquil, Pepto-Bismol, Scope, and Vicks. There is no P&G brand. There is no flow of equity between brands. All the equity stays within each individual brand.

The other "extreme" is the masterbrand model in which equity for all products in the portfolio accrue to one overall brand. There are no sub-brands. GE is a good example of a masterbrand. There are GE Appliances, GE Aircraft Engines, etc.

Shared and Hybrid Models

The more interesting models for pharma to consider fall between these extremes, in what are called shared or hybrid models.

The strategy behind shared and hybrid models is to take advantage of the equities in two or more brands or to create equity in a newer or weaker brand by associating it with a stronger one.

"These models hold out the most interesting possibilities for pharmaceutical companies," says Friedman.

For example, one possibility would be to create a masterbrand for all products in a given class (diabetes, cardio, etc.). When a new entrant comes

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into the category, it would gain immediate credibility from the equity built up in the masterbrand. Over time, equities from individual entries would flow back to the masterbrand. As a result, equity doesn't run out with the patent. Value continues to live on through the masterbrand. This approach creates "an ongoing positive feedback cycle of equity reinforcement that builds the value of the company."

Extensive consumer marketing has built up value in brands like Lipitor and Viagra.

Could this value be better realized if they became masterbrands for lines of OTC products after they came off patent? Lipitor, for example, could be a masterbrand for a line of nutrition products and Viagra for men's health products. This approach could help companies "stretch" a brand name to cover an extended product line.

"Obviously there may be regulatory issues with these specific brands," cautions Freidman, "but I offer them as thought starters."

Combination Drugs

Over the past few years, we've seen increasing numbers of combination drugs introduced into the market under new brand names. Vytorin, for example, is a newly named drug that is a combination of two established brands (Zetia and Zocor). Combining two or more drugs to create a new brand has not always been a successful strategy. In fact, in some cases, market results may have been better if a shared brand was employed.

Understanding Equity Flows

Market research has a role in understanding equity flow. Survey research data can be an important component for making decisions on how to form a brand architecture or revive a brand architecture for a company.

"Through multivariate analysis of attribute data collected in the course of market research surveys (e.g., BPO, SPO—TNS Branded Solutions) we can statistically determine how equities can flow from Masterbrands to sub-brands, vice-versa, and among sub-brands," says Freidman.

We can look at how sub-brands are connected because of the attribute strengths they have. In the example shown in Figure 1, the masterbrand and product in category #1 share the attributes "brand appeals mainly to specialists" and "is on most formularies." So by focusing on those attributes for that sub-brand in that product category, equity will flow back to the masterbrand and help strengthen it.

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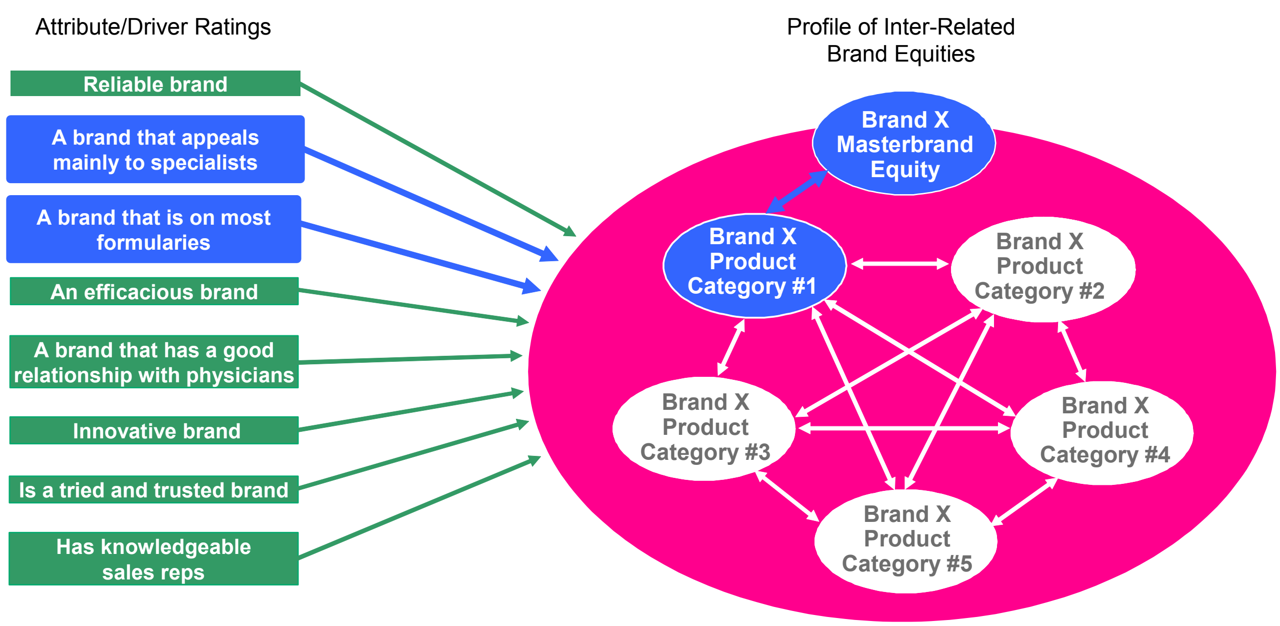

Figure 1: The Brand X masterbrand equity drivers can be compared with those of the five sub-brands as shown. In this example, the Brand X masterbrand and Product Category #1 sub-brand shared key equity drivers (left). This kind of analysis providea insights as to how to best leverage Product Category #1 to build equity in the masterbrand.

The Role of Communications

"To use an expression, blockbusters, are like rich people. They are not like you or I, they're different," quips Ian McKinnon, Ph.D., Senior Vice President, Advanced Methods, TNS Healthcare. "They can make or break a company. The challenge is to identify these brands early, create a success plan for them, and monitor that plan over time."

"Communications Management starts long before launch," says McKinnon, "As its primary purpose, it must place and maintain the brand on its trajectory toward becoming a blockbuster. Secondarily, it must enable the blockbuster's equity to flow back to the portfolio or to the manufacturer."

McKinnon cites 5 steps to realizing the potential of a blockbuster brand:

1. Identifying a Brand's Potential
2. Identifying How to Capture a Brand's Potential
3. Executing a Brand's Success Plan
4. Monitoring and Managing the Success Plan
5. Retaining Brand Equity During Maturity and Patent Expiration

These can be broken down into categories: pre-launch (steps 1, 2, and 3) and post-launch (steps 4 and 5).

Best Communication Management Practices

McKinnon cited some best practices in each of these steps and summarized how communications management fits in with the strategy. After the launch of a product, for example, the plan must be monitored and modified as necessary.

"Monitoring of an in-line brand will come from many sources," says McKinnon, "including, but not limited to secondary and primary data, competitive intelligence, financial data, and also data on the company's own pipeline developments."

The key metrics in this phase include information about awareness, adoption, current use, future use, commitment, perception of the brand and its associated sales and support activities, message recall and the impact of these messages, etc.

Communications management is one of several components critical to the success of a blockbuster and the retention of its brand equity. The goals of communications throughout the product life cycle are:

- Prelaunch: Development of the Detail Aid
- In-line: Message Monitoring and Message Adjustment
- Maturity and Patent Expiration: Retain Brand Equity

In the prelaunch phase of communications management, there are three key steps to follow:

1. Message Development and Testing: guiding you on how to communicate a brand's positioning to physicians
2. Creative Concept Testing: identifying how to evoke the emotion that will maximize the potential of the brand
3. Sales Aid Development/Testing: putting all the pieces together into the most effective promotional materials

During the in-line phase, communications management is concerned with message recall, message match, and message driver analysis. "At this stage," says Mckinnon, "we want to know if the messages being recalled by the physician are supporting, matching or aligning with the product positioning." More precisely, are the messages that are recalled by physicians driving usage and the strategy that has been mapped out for the brand? If not, what adjustments need to be made?

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Measuring Commitment

Commitment is a psychological measure. It tells you how people feel. It's about the strength of the psychological relationship – the bond with a brand. As a result, commitment is predictive. It lets you anticipate future behavior, not just a look back in a rearview mirror.

TNS defines commitment, which it measures through its unique Conversion Model™, as having three dimensions:

- **Needs Fit**: How do people rate your brand? How do alternatives compare?
- **Involvement**: How important is choice in the market? How much does choice matter?
- **Ambivalence**: How much are people torn between different choices? Are there many or few reasons to choose another brand?

For more on brand commitment and how TNS measures it, see "Optimizing DTC Performance" in the October, 2006 issue of Pharma Marketing News.

Optimize the Franchise

In the final stages of a blockbuster's life cycle, when pharmaceutical companies often introduce a new product within the same category, it is imperative to create appropriate messages to maximize not the individual brand, but the entire franchise. This speaks to the importance of retaining as much equity in the blockbuster as possible, even beyond expiry—and transferring that equity to the full portfolio and any new products within it.

"At this stage," says McKinnon, "Communications are created to optimize the franchise, looking for message differentiation and commonality to maximize the value of the franchise. You must identify communications synergies that envelope the franchise and accelerate prescribing."

"This speaks to retaining as much brand equity from the blockbuster as possible, protecting against brand value dissipating at patent expiration," says McKinnon. "Strong communications programs can help achieve this goal by transitioning equity to the broader portfolio and to new brands within the franchise."

Communications management plays an important role in creating and retaining blockbuster brand equity at maturity and patent expiration. For example, when a new product comes along that fits within the brand portfolio, how do you communicate to physicians and patients in a way that helps both products can co-exist? How do you transfer equity from the original brand to the new one? Strong communications programs can find common attributes among brands that link them together (ie, measured attributes; see Figure 1, pg. 10) in the physician's mind, so the new product benefits from the strengths of the familiar brand.

Conclusions

It is essential to leverage brand equity beyond the patent period. Only then can companies optimize ROI on promotional investments. Pharma brands are now capable of achieving the household name status once reserved for consumer giants. The ability to take brand value beyond expiry is well within reach. All stakeholders within the company need to take a more systematic and strategic approach to think through and manage the processes to take brand value beyond expiry.

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Experts Consulted and/or Cited In Article

The following experts were mentioned or consulted in the preparation of articles for this issue.

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