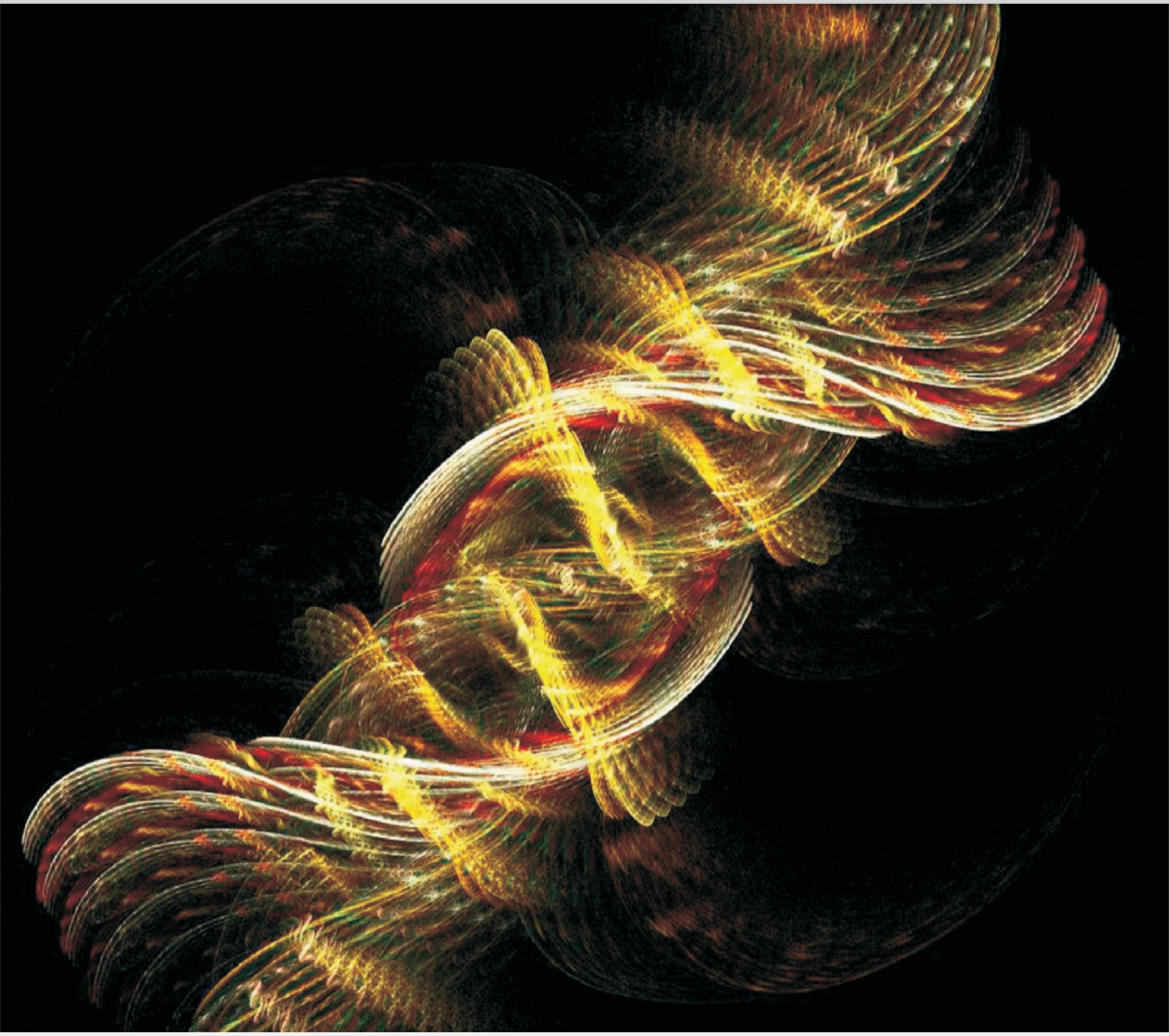
Anti Aging Therapy For Mature Brands - Interlink White Paper



INTERLINK

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From The Publisher's Desk :

Brands are usually tangible intellectual assets and are undoubtedly the most strategic and significant resources of the firm. They act as a face of the company in the minds of consumers and influencers.

In the Indian Pharma Industry, “Mature brands” still dominate in size and margins. There is a need to identify growth opportunities amongst them. As new products give life to organizations, mature brands hold the organization with a concrete support of group of customers.

So the critical question is

Milk the brand or revitalize it?
Will revitalization generate value?
How can we add value to mature brands if they still have utility?

In this whitepaper, we attempt to answer these questions and help you to leverage strength of your mature brands to achieve business growth.

Dr. R. B. Smarta

Many seemingly modern and up-to-date brands have actually been with us for a long time: Coca-Cola was born on 29 May 1887, Johnson & Johnson was born in 1910, the Michelin Bibendum appeared in 1898, Gitanes and Gauloises in 1910 and Amul in 1946, to name a few. With well-conceived strategies, a brand can be kept relevant to consumers, continue to provide consumer value and last almost indefinitely. Stories of Barbie, Colgate, Marlboro, Mercedes-Benz, Nescafe and Kodak justify the possibility. And in Pharma, we see brands like Benadryl, Phensydyl, Aten, Beplex Forte, Unienzyme, Hepataglobin and Liv-52 among others living on…While therapies may change, some brands remain evergreen, standing the test of time.

The perennial appeal of some brands reminds us that although products are mortal and governed by a more or less long lifecycle which can be delayed but not avoided, brands can escape the effects of time. It is this resistance to the course of time that leads certain countries to consider (in accounting terms) that when a brand is entered as an asset in the balance sheet, it should not be depreciated. Nevertheless, brands can also disappear. If badly managed, any brand is doomed.

Should companies allow declining, aging brands to quietly finish their life cycles, or conversely, should they opt to revitalize them? These are crucial questions that product manufacturers must find answers for in this age of fast-changing physician's and patient's needs, increasingly global competition and diminishing awareness of aging brands among younger consumers.

In this paper, Interlink attempts to deliberate on the issues that mature brands face with a focus on the Indian Pharmaceutical Market (IPM) and the imperatives for managing mature brands.

Understanding mature brands

Brand gurus define mature brands as:

"Mature brands are older brands and their value to a company is over time, not just from annual sales" - Huffman & Wansink (2001)

"Mature brands have been out in the market for a number of years (at least 5 or 10) and have a certain level of awareness and image with its target market. If it didn't have that ... it would be a developing or maturing brand" – K. L. Keller (1999)

Some argue that there are no mature brands but only mature markets and whether a brand is

Exhibit No. 1: Symptoms of Mature Brands

Brand Dimension	Price Dimension
Long-held heritage. Weakening brand association with the target market. The audience will have 'heard it all before' and are likely to be unreceptive Eroding distinct Point - of - Differentiation. Narrowing brand awareness Efficacious and the 'gold standard' in a particular therapeutic area	Moderate to premium priced. Under focused, under advertised and under promoted. The latent loyalty is keeping the brand floating. Stiff competition - Generic products will either be imminent or already available.
Sales Dimension	**Technology and Investment Dimension**
Stagnating or declining Sales and Sales Velocity Wide distribution and shelf space. Brands losing the loyal customer base	Sustenance of Resource and management focus little or no sales force activity or interest Outdated technology and therapeutically superseded No new medical evidence. The level of in-house product expertise is likely to be declining,

mature or a market is mature can be a matter of debate. Mature markets are those which experience sales growth of about 2% a year or grow at the rate of price inflation. In other words there is no significant volume growth in the market and if there is, it implies that the average selling prices are falling.

So what qualifies as a Mature Brand? Mature brands display certain symptoms on 4 dimensions. Brand Dimension, Price Dimension, Sales Dimension and Technology and Investment Dimension (Exhibit No. 1)

Are old brands worth revitalizing?

In the context of the above analysis, companies may want to examine revitalizing options for mature brands. Many business school scholars, experienced CMOs and brand managers feel that brands follow irrevocable life stages: they are born, they mature, they plateau and eventually begin to decline and die. In Pharma, this lifecycle of a brand needs to be superimposed on molecule and therapy lifecycles.

Generally, companies that witness specific brands in their portfolios go into the decline phase, employ the classical 'best business practice' of cutting advertising and marketing investments on these brands, and reallocating the budgets on growth brands instead. Without any marketing investment and support, declining brands continue to wither away and die.

Classical Strategies at various levels of the Lifecycles are outlined in Exhibit 2.

Companies sometimes choose to sell off weakening brands or discount them to bring whatever value is left in the brand. Yet considering the heavy investment necessary to launch new brands, more than ever before, companies may be interested in revitalizing these diminishing brands.

The IPM brand canvas

Indian pharma market is no different to the above scenario. Today it is valued at Rs. 36,527 Cr growing at the rate of 11 %. In spite of achieving a critical mass, all top 20 brands in IPM are showing healthy growth, all the brands have achieved a stage of maturity and are likely to enter declining phase in the years to come. (Exhibit No. 3)

Growth has been largely driven by new introductions with 7% of the growth coming from them. Perhaps neglect of older brands has led to a decline in the growth contribution coming from old brands. (Exhibit No. 4)

Revitalizing a mature brand

Before a mature brand can be revitalized, it needs to be thoroughly understood. Hard questions need to be asked and each layer of the brand needs to be peeled back to assess:

•What is it about the brand that gives it its identity?

•At the core, what gives the brand its value?

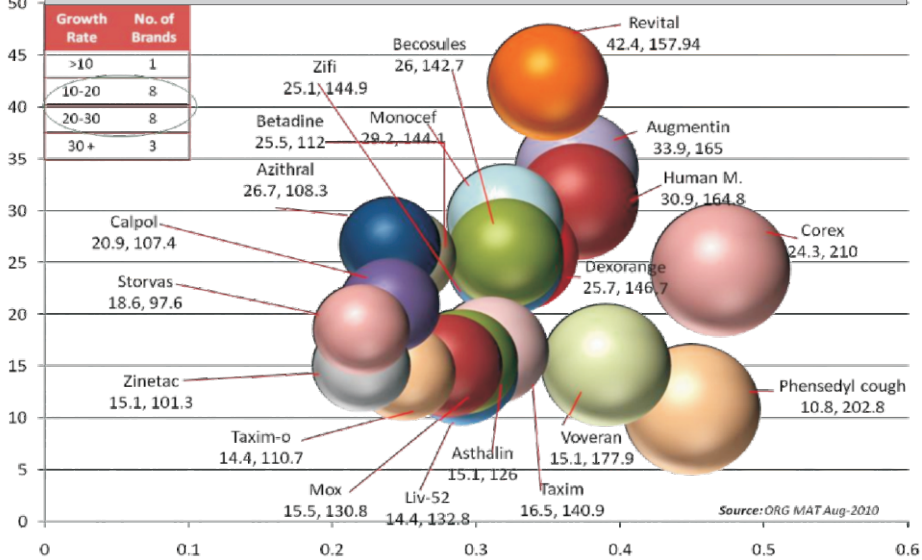
•What's the central idea?

What really counts is how the brand comes across to customers. The internal brand team may be too close to tell. This is where inertia

Exhibit No. 2 : Classical Brand Strategies and Lifecycle Stages

Introductory Stage	Growth Stage	Maturity Stage	Decline Stage
1. Create awareness 2. Achieve acceptance by opinion leaders	1. Maintain quality 2. Establish brand identification 3. Market position	1. Defend position 2. Brand reposition 3. New market segments 4. Target late, majority and laggard segments	1. Cost reduction Pricing

Exhibit No.3 : Top 20 Brands of IPM



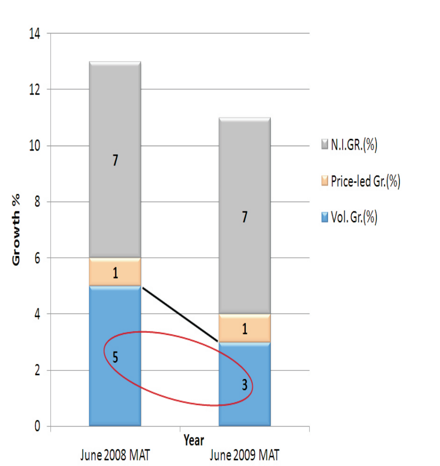
can really hurt brand revitalizing efforts: the older and more established the brand is, the harder it is to break free from that inward focus.

Marketing mature brands is more often a case of managing decline and delaying the inevitable. Mature brands are often shadows of their former selves. They walk the fine line between life and death, and are often demoted to the bottom shelf of the retail counter, which is the death row in many stores.

Yet, revitalizing a mature brand can be much more profitable than spending millions to launch a new one. The challenge is to secure in-house resources in terms of promotional budget with sales force resource often being out of the question. The key question, however, is how costly are such revitalization efforts and how profitable will they be? Prospects for revival can be evaluated in the light of the following general parameters…

- Does the brand still have goodwill among distributors or the public?
- Is it the brand itself or the company which is responsible for the decline?
- Does the brand's product correspond to the market's expectations?
- Is there anything in the company itself blocking the change?
- Is there still a group of local buyers who offer potential for tomorrow's growth?
- Does the firm have long term plans or does it expect quick results?

Exhibit No.4 : IPM Growth Drivers



N. I. Gr: New Introductions Growth Rate, Vol. Gr: Volume Growth Rate, MAT:: Moving annual total

Source: Market Intelligence Report, June 2009

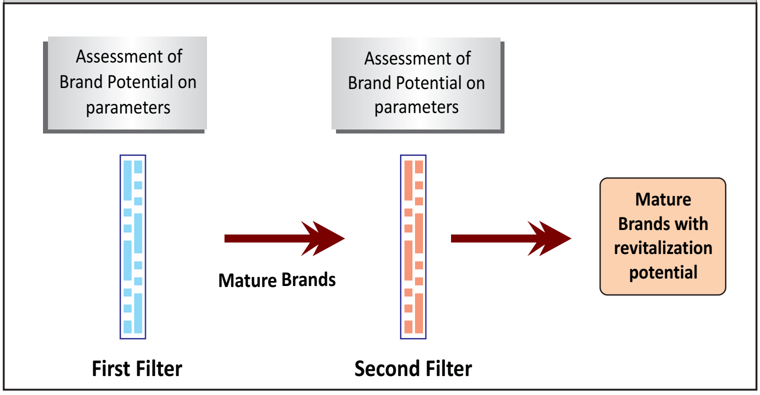
Interlink's mature brand model

When should companies allow aging brands to finish their life cycles? When should they opt to revitalize them?

Interlink has conceptualized and tested a Mature brand model for the Pharma industry which aims to assess:

- Which brands are truly mature?

Exhibit No. 5 : Interlink's mature brand revitalization approach



- Which mature brands have the potential for revitalization?
- Which brands should be divested or allowed to decline?

Interlink's mature brand model puts a brand through 2 stages of filters …

1. The first assesses the brand potential on various parameters and
2. The second affirms whether the brand is worth investing in.

Exhibit 5 portrays Interlink's mature brand approach

Once it is identified via Interlink's model that a brand is mature, the Model then helps plot an organization's mature brand on a 9 quadrant strategy matrix that can be used to target revival and growth. A rigorous assessment of the mature brand and its market dynamics precedes the determination of the opportunities available for growth – either by focusing on existing or new customers in existing or new usage segments. Exhibit No. 7 highlights assessment parameters used in Interlink's mature brand model.

Imperatives for mature brand revitalization

While dealing with mature brands, the options open to organizations include:

1. Revitalize them

For a lasting revitalization strategy, one has to work on three factors – **the customer, the brand's market share, and tactical trade off's.** These influence the revitalization strategies that should be used with a particular brand. Not all strategies are equally appropriate for all brands at all times. Besides relying on industry and company specific factors,the appropriate strategy also depends on a brand's market share and on the tactical trade-offs that managers are willing to make.

1.1 Customer

The Importance of loyal or existing users cannot be overlooked while speaking about revitalizing mature brands.

a. Brand associations

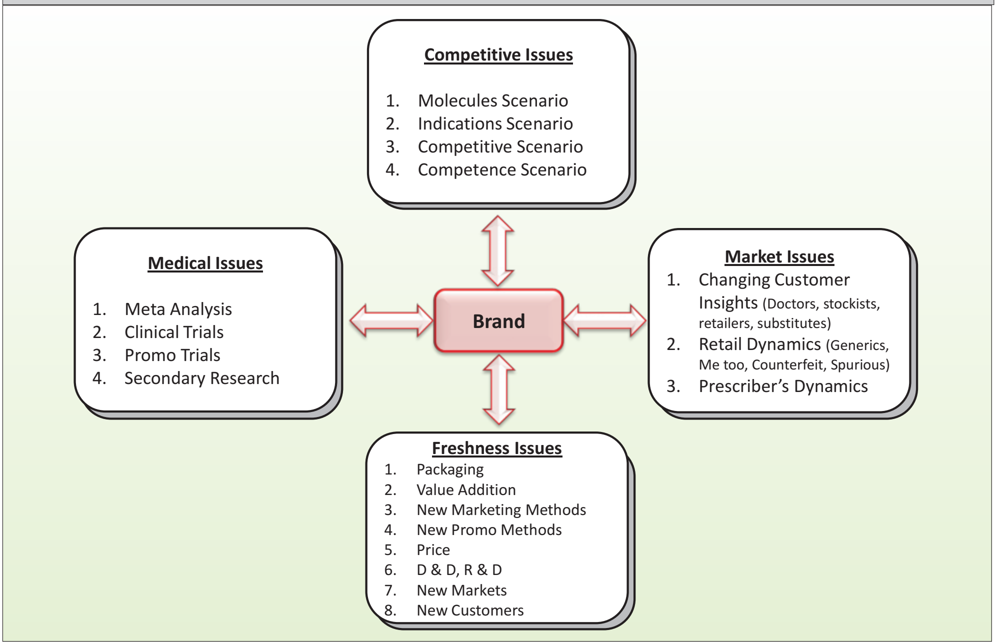
A consumer's perceptions of a brand are based on the associations (characteristics, usage situations, past experiences, etc.) he or she has with that brand. While these associations contribute to brand equity, they also make it difficult to reposition the brand. e.g. If a particular brand is strongly associated with economy but not convenience, repositioning the brand as convenient may erode perceptions of its low cost

b. Managing existing users' perception about a brand

Understanding customers' associations with a brand allows managers to modify these associations by:

- Refreshing their salience,
- Associating the brand with new

Exhibit No. 6: Interlink's mature brand assessment parameters



goals and usage situations, or by

- Encouraging category substitution

c. Refresh favorable perceptions and salience

New information is often most easily learned when it is related to what is already known. So, it can be quicker and less expensive to refresh or re-activate favorable associations with a brand than to create new ones.

1.2 Redefining a brand's share of their target market

High share brands enjoy a high degree of loyalty and favorable perceptions. Low share brands, on the other hand, often suffer from low awareness, or poor perceptions, both of which lead to low prescription / purchase incidence. Revitalizing the sales of a mature, high share brand requires a different approach than revitalizing a small share brand. A high-share brand should focus on strengthening perceptions of the brand and on accelerating its use. In contrast, a low-share brand should place a greater emphasis on simply encouraging choice. Medium-share brands may need to employ tactics based on all three strategies (perceiving, choosing, and using), in order to attract new consumers. The critical part of this deceptively simple framework lies in defining one's market. It is important to note that the "Market Share of Target Segment" is not the same as the "Total Market Share."

A niche brand such as Vibazine may have a 1.6% share of the total antibiotic market, but it may have a 16% share of the anti-acne/ PID prescriptions. If they want to define their market as "all antibiotics users," they need to change how Doctors of various specialties perceive and choose their brand.

1.3 Analyzing Tactical Trade-offs

After defining the target market, tactical options can be analyzed based on:

1) Effects on margins,
2) Effects on brand image, and
3) Speed of implementation

Each revitalization option necessitates different tradeoffs. The impact of some tactics on the three target criteria varies across companies. While some companies can quickly and inexpensively implement a new promotional/ detailing campaign, others might be more efficient at increasing their distribution.

2. Milk them

2.1 Using low-cost promotional methods and new information to promote the brand is another method to milk the sales from these brands. e.g. positive fall-out from competitor studies. It is important to review the latest medical information on the brand and to assess the changes in audience - there may well be new and interested people out there who haven't been exposed to early marketing. Direct mail is a low-cost option, along with low-cost journal advertising, both of which can offer a good return on investment. These can be used as part of an integrated approach to direct prescribers to a Web site, e-detailing or CD-ROM

2.2 Fostering (other companies may want to foster a brand to develop their presence in new therapy areas)

3. Out source marketing

Sometimes an organization may have many other priorities like a slate of new products which need to be established or a portfolio of large and growing brands which need to be defended and grown, leaving little time for managing mature brands. Modern day brand managers want to work on therapy areas that are current and futuristic and are not attracted to the idea of working on older brands. Moreover since there is a crunch on the number of brands a medical representative can promote to a doctor, these brands end up just as a lame reminder. Thus, mature brands often languish as also ran's, with little time, money and attention from both the product management and field force. In this context it may be best to outsource the brand to an external agency for both sales and marketing.

4. Divest them

Divestment options can range from moving them to the OTC category or just selling them off.

4.1 Switching to OTC

Diversification in the form of switching a product from ethical to OTC is another option, with dual status being the desired outcome. However, the key to success is an "educated patient" able to self diagnose and self medicate. This is easier to achieve in certain areas, e.g. heartburn, common cold and not feasible in others, e.g. depression. Patient awareness and motivation is therefore vital. The product must also be easy to use and available at an acceptable price. A number of marketing investment factors influence the success of switching from prescription to OTC:

- Direct-to-consumer advertising,
- Position of the product in-store,
- Materials used at point of display,
- Training offered to counter staff,
- Packaging opportunities

OTC marketing suits a separate consumer division and investment in factors outside the product itself, such as customer loyalty initiatives. Patient support services can be successful, as can affiliation to patient associations. Another option is web-based information on a particular disease area with links to other sites, 'chat' areas, and access to experts.

4.2 Selling the brands

Selling the brands to another company looking for a strategic fit with its portfolio is another option that is viable.

4.3 Pruning

Pruning involves taking the product out of the market when time spent is less than the return gained.

Conclusion

Mature brands are the heritage of an organization as a great deal of time, effort and money goes into building a brand. In the quest of launching and making a success of new brands, companies often lose focus on older brands.

It has been proven across industries that mature brands have potential for growth and profitability if the necessary interventions are made at the right time. However the decision to revive a mature brands is not an easy one. A rigorous and continuous monitoring and assessment of the health of brands and their market potential is necessary to make the right decision. Depending on the assessment, mature brands can be revitalized, milked, divested or pruned. The strategic options to revitalize mature brands depend on whether the opportunities lie in leveraging existing customers and existing usage or exploring new customers and usage bases by using a holistic mix of strategic and tactical brand, product and sales management tools.

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