Best Practices for Successful Rx-to-OTC Product Launches

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Introduction

Prescription (Rx)-to-over-the-counter (OTC) products are now many consumers’ first line of defense in treating everyday conditions, such as allergies and heartburn. Rx-to-OTC products (commonly referred to as “Rx-to-OTC switches”) are an important growth driver for the OTC category. Since 2001, there have been more than 20 different products switched over from Rx to OTC in categories ranging from chronic conditions, such as allergy and heartburn, to contraceptive and weight loss.

Consumers trust these products, and in certain conditions, such as allergy and heartburn, more than 50 percent of U.S. households treat their conditions using OTC products only\(^1\). It is estimated that these products contributed about 13 percent of total OTC sales and approximately one-quarter of all OTC growth during the past five years\(^2\).

Overall, the Rx-to-OTC switch market is expected to grow faster than OTC with the approval of many new conditions, such as overactive bladder and nasal allergy, and the availability of blockbuster Rx drugs, such as Nexium OTC, in the OTC market. Without doubt, Rx-to-OTC products are increasingly becoming a key part of OTC portfolios of most marketers. Though more than 20 products have been switched over to OTC during the past decade, not all have achieved their full potential.

To achieve success, it is increasingly apparent that OTC marketers must understand how to successfully lead an Rx product through the switch to OTC for optimal growth. What are the best practices that can maximize the chances of Rx-to-OTC success?

Analyzing the success of two medications that underwent the switch provides illuminating information. Rx-to-OTC marketers often believe that order of entry is the critical success factor. However, the tale of two medications reveals a different story: while order of entry into the market is one factor of success, the concept of an unmet consumer need or satisfaction of currently-offered options continues to trump all other factors. In other words, for an Rx-to-OTC product launch to be most successful, OTC marketers should first ask a few key questions, including:

- Does this product address a truly unmet need in the marketplace?
- Am I committed to dedicating marketing and promotion dollars to support the switch?
- How aware are consumers of the condition that these products treat?
- Does the switch product require a broad consumer education effort to realize full potential?
- Will market conditions, such as formularies and copays, support my product?
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- What are the key marketing levers that require flawless execution addressing unique characteristics of the switch?
- Do I have a realistic expectation of the sales potential of the switch product?

Key drivers of Rx-to-OTC success can be divided into “Rx factors” and “OTC factors.” Rx factors are generally less controllable but more important in driving the initial success. OTC factors are more controllable by OTC marketers and critical in driving the longer term success of the switch products.

Key Drivers of Rx-to-OTC Success: Rx Factors

Rx factors are important to initial success as it is estimated that approximately 50 percent of the year one volume of most switch products is sourced from the parent Rx product. Factors such as size of the parent Rx product that is being switched over and the extent of DTC investments prior to switch are all very important factors in determining the sales potential of the switch product.

Researchers from multiple prestigious organizations found that “there is a significant and positive impact of direct-to-consumer marketing of Rx brands on the share of same-brand OTC products creating high awareness and usage familiarity.”

Among the Rx factors that can be utilized by OTC marketers to increase the chances of success, managed care organizations (MCOs) play a significant role in the Rx-to-OTC switch. Two key factors that helped Medication 1 (an allergy product) switch were MCO-related: a change in formulary controls and an increase in copays that coincided with the OTC launch of Medication 1³.

For instance, typically the rate of prescriptions written by doctors but then rejected by MCOs is around 5 percent. However, this number rose dramatically in the early days of Medication 1’s OTC launch, thereby driving more consumers to purchase it over the counter as opposed to a prescription.

Key Drivers of Rx-to-OTC Success: OTC Factors

Satisfaction with current choices in the marketplace is also important to consider when switching from Rx to OTC. For example, allergy sufferers generally report low levels of satisfaction with their current medications and thus are more likely to try new options to alleviate their symptoms. This is a group known as “searching and suffering” consumers, who are still looking for the OTC solution that will help them relieve their symptoms.
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The opposite is true of heartburn sufferers, who generally report high levels of satisfaction with their existing medication and are less likely to make a switch.

This clearly ties back to the idea that in order for an Rx-to-OTC product to be successful, it must address a truly unmet need in the marketplace. Therefore, from a marketing and packaging perspective, OTC marketers should focus on what unique benefits their product offers consumers that differentiate it from competitors’ products.

**Case Study**

**Medication 1 Success Story**

It helps to take a look back at previous Rx-to-OTC product launches to glean some examples of “best practices.” The case of Medication 1 proves, once again, that although order of entry is certainly a factor in Rx-to-OTC success, it is not the driving factor.

For example, Medication 1 showed positive growth trends despite being the third entrant in the OTC allergy category. A significant professional marketing campaign as well as a managed-care adjustment in reimbursement was a very important success best practice. These activities translate to increases in physician recommendations.

**Estimated All Outlet Year 1 $Sales**

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<tr>
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<td>Heartburn 2</td>
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Source: IRI New Product Profiler/Pacesetters, IRI estimates

**Medications that received significant and consistent media spending support for first two years tended to perform better than those with less and inconsistent support.**

In addition, heavy media spending both in the first year and beyond in the marketplace is a must for long-term success. When compared to Medication 2 (a gastrointestinal product), Medication 1 enjoyed a consistent media spend, primarily on TV, to build awareness and trial. Medication 2 showed an inconsistent media spend.

Additionally, consistent trade support is necessary to drive trial as well. Medication 2 started with higher levels of trade support than Medication 1, but marketers then reduced this support after six months. On the flip side, Medication 1 received more consistent levels of trade support after the initial 2 – 3 months.

Lastly, Medication 1’s pre-launch marketing efforts were especially aggressive and marketers also invested in high-quality display merchandising.

On TV, Medication 1 started with a strong push before the product even hit the shelves. Marketers also supported Medication 1 with significant promotional spending in-store before its launch; e.g., with “Coming Soon” ads in store aisles, which drove excitement and attention to the date it would become commercially available.

On social media, Medication 1 marketers offered promotional discounts for trials to also help drum up support. As for its website, Medication 1 benefited...
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from strong branding from its prescription heritage, which helped communicate the trust element to consumers. Other features of the website included a product locator, showing what stores would carry the product as it became available, as well as coupon offers and online banner ads for pre-ordering.

In addition, while all Rx of Medication 1 was moved to OTC, Medication 2 was available as a generic Rx as well as OTC, which allowed for an Rx option and made pricing and an overall managed care reimbursement strategy even more important. Its messaging was inconsistent and marketers priced the product at a premium without identifying unique benefits that could justify this premium.

Conclusion
A new wave of Rx-to-OTC products will drive OTC growth in the long term. Lessons learned will help marketers maximize success for future brands. Marketers should consider four factors when determining the factors that will impact the success of an Rx-to-OTC switch: Are consumers dissatisfied with current OTC offerings in that category? Will marketers make sufficient investments to support the product? Will market conditions support or hinder the launch? And finally, which marketing levers are critical to increase the probability for success?

IRI recommends a basic checklist of OTC launch best practices:

• Factors that contribute to Rx-to-OTC success:
  - Managed care/pricing and Rx dynamics
  - Product differentiation that translates to meaningful consumer benefits
  - Clear positioning and engaging advertising
  - Consistent media and trade support in year one and into year two
  - Achieving Rx conversion (50 percent) via professional detailing and other marketing support

• Factors that contribute to failure:
  - Premium pricing without meaningful product differentiation
  - Inconsistent media and trade support that ends in year one
  - Trial below benchmarks; set two-year trial and repeat goals for Rx-to-OTC switches
  - Setting unrealistic goals and expecting results too quickly; Rx-to-OTC switches require longer term planning, including broad consumer education efforts, beyond year one
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More than $22 billion of U.S. branded Rx sales are expected to face patent expirations in 2013 and 2014. Marketers have an opportunity to support brands moving to OTC, thus helping to leverage Rx medicines in an OTC setting to reduce costs and ultimately contribute to better compliance and health outcomes.

OTC medications are widely accepted and used by U.S. consumers. IRI anticipates the U.S. OTC market will continue to grow, at a compounded annual growth rate (CAGR) of 4 to 6 percent during the next three to five years. As such, it represents a very attractive opportunity for manufacturers who successfully plan, invest and support the Rx-to-OTC switch.

However, to achieve success and tap into the market acceptance of OTC medications, it is important to get back to basics and first understand the consumer. Does a new entrant fill an unmet need and successfully address the other market factors outlined above? Order of entry is a factor, but history has shown this is not the most critical factor. Those that identify high-value market opportunities with differentiated products and support those products with consistent, longer term marketing programs have a strong probability of success, while those that under research and/or under invest will suffer the consequences.

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Footnotes:
1IRI survey of U.S. Households, January, 2013
2IRI InfoScan Reviews™,Total U.S. MULO. Rx-to-OTC sales include all Rx-to-Switch products approved since 2002 and their private label knock-offs; OTC growth excludes nutritional sales
3Symphony Health Solutions

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