Pharmaceutical Brands: State of the pharmaceutical brandscape

By David Wood

The importance of pharmaceutical brands

If you look at why people create brands, there are a number of reasons. Fundamentally, they include being able to sell a product at a higher price and being able to create a sustainable entity through which to differentiate it from the competition and to leverage the brand going forward. If you look at the traditional pharmaceutical model, the model was to invest a lot of money to develop an innovative product for which you get a patent life, and when that patent is over you launch a new product. Once a molecule was approved you could more or less charge anything you like, and so pricing was never really an issue. The life of the brand was seen to last only as long as the life of the patent, and so it was not really possible to create a sustainable entity. Therefore, traditionally, pharmaceutical brands were created to build awareness. When pharmaceutical marketers talked about branding, what they really meant was brand awareness and whether or not a physician recognizes your product.

If you look at what has happened in pharmaceutical marketing over more recent years, a number of key factors can be extrapolated that have impacted on the way in which brands are now viewed and developed. First there are considerable price pressures going on. The differences in prices between Europe and the US are huge, with European markets much more restricted in what they are willing to pay for pharmaceutical products. Pharmaceutical pricing has become increasingly important, where "if I am going to pay that much money for something it had better be worth it." This trend is now evident in the US with the recent Medicare/Medicaid reforms meaning that individual states will have a significant drug bill, beginning to put the same sort of pressure on US prices that European governments currently exert on European prices.

Secondly, typically what used to happen in the pharmaceutical industry was that companies would develop and launch a new molecule that was many times better than the last one. It was probably more effective, it was probably much safer and worked faster, lasted longer and had all sorts of tangible benefits. If you go back to the 1980s and 1990s, you would also have the market to yourself for maybe four or five years after launch. However, now the whole model has changed. Innovations are smaller and smaller—it is getting harder and harder to produce significant improvements. New drugs may work in different ways, but they rarely work much better than the previous drugs on the market. As a result, distinguishing your drug has become very important and the chance of you having the market to yourself for any significant period of time has become pretty slim.

Finally, there is such pressure now, particularly with the big pharma companies, to be able to deliver a double digit growth every year that they are required to bill several billion dollars in drug sales each year. As a result the time to launching new drugs and marketing them into blockbusters has been squeezed into a much shorter timeframe. Thus, the traditional models that were set up to monitor adverse side effects by the Food and Drug Administration (FDA) and others, setting limits to the total number of adverse effects within a short period after launch, are no longer appropriate. For example, setting a limit of 100 adverse effects in the first three months on the market, but then having an accelerated launch, means you are likely to see many more adverse effects than expected. The problem is are there really more adverse side effects than expected or is it just a function of an accelerated launch?

So there are a number of reasons why pharmaceutical brands have become more important. First of all you have got to create more value from your molecule above and beyond the obvious benefit. Secondly you want to create an entity that is differentiable from your competitors. In addition to that, you have the potential to create a sustainable entity through which to leverage the value of your brand. For example, if you take Prilosec and Nexium, they have been able to try and leverage the values they had in their brand using the color purple and the vehicle of “the purple pill.” The brand elements that were associated with Prilosec, that were built well in advance of its decline following patent expiry, were leveraged into the Nexium brand. Another example of brand leverage is Claritin and Clarinex. Claritin never really had any discernable value other than it was a non-drowsy antihistamine, but Schering-Plough has leveraged that nicely into Clarinex.

So pharmaceutical branding initially was just about brand awareness and being able to make sure that you maximize awareness. Now it is much more about the value that my brand has over and above competitors in the marketplace. Pharmaceutical branding today is about expressing brand value—about expressing something else about the product that is valuable to the patient, physician, or any relevant audience.

Brand versus message

The same brand can be expressed in different ways to different audiences. If, for example, your brand is all about being trusted, then that may be expressed in one way to a physician, another way to a payer and another way to the patient. However, the brand is still about being trusted—what it stands for is consistent but its messages can change.

Global versus local

When you build a global brand you build a positioning and a brand essence. While you might be able to position your product slightly differently in different markets the brand essence needs to be consistent. For example, if we look at Volvo cars, the original brand essence is all about safety. However, in the UK you might have the S60 positioned as the young person’s car, whereas in the US the same car might be positioned as a reliable car for the older person, but the brand essence of safety remains constant.

Current trends in pharmaceutical branding

The traditional pharmaceutical branding model was developed around product features and related directly to the product's positioning rather than any consistent brand essence. You might position a new product because it has a fast mode of action. You would build your whole identity around being fast, and would probably have the market to yourself for quite a while, and you would own that space for being fast. If we looked at your logo, the typeface, everything would be about being fast. However, the problem is that markets are now becoming so competitive that you may have to change your positioning. The traditional model worked very well and was very functional and focused on what the drug did. However, things have now changed, and if you just load your whole brand on a single positioning that is not based on a consistent brand essence, then you risk severing your relationship with your audience.

So as the market is changing, we are in that flux period where some people are starting to look at what brands are really about and build brands from a different perspective than from the traditional, simple perspective. They are looking more into how superbrands are built, with a big idea as well as a positioning. However, progress tends to be limited to where you have big global launches with big global teams that spend a lot of time developing a significant opportunity. Smaller, more local, launches continue to develop brands in the more traditional way.

As part of this change we are beginning to see new people enter the pharmaceutical industry—people with different backgrounds, people with MBAs, people who have spent a lot of time in marketing and come from consumer brand backgrounds. So we now have a different type of marketing person in the industry—much more savvy, much more aware—and those people are starting to build the pharma brands of tomorrow.

Direct-to-consumer advertising

Direct-to-consumer (DTC) advertising can be a very effective medium. However, it often fails to get across what the brand is about. The problem with DTC, in terms of the information we must give legally, is that the information is usually conditional information and is given in such a context that people do not really understand it fully. It therefore becomes very difficult to get a balanced communication, and this limitation impacts on brand.

One of the main issues for DTC is the use of television. Television by definition is a single-minded media, it is all about putting one view across. However, in a 30 or 60 second commercial it is very difficult to get across a number of different concepts. While really what you want to say is "this works faster," a whole host of additional qualifying information is included to maintain "fair balance" and the key message that you are trying to put across gets lost. It is important to have a very simple message in DTC campaigns, otherwise they are confusing and not a cost-effective means of communication.

The future of pharmaceutical brands

As the pharmaceutical industry moves towards bigger and bigger brands, companies will have to look more closely at the equity they have created in those brands and how they can leverage it. For example, Lipitor is a US$ 10 billion brand, and out of that there must be some significant brand equity. So even if a blockbuster drug goes off patent and loses 90 percent of its sales, it is still a US$ 1 billion brand. This is enough money to force companies to ask themselves the serious questions: what is the brand equity and how can you leverage it?

On a smaller scale, pharmaceutical companies can leverage franchise brands. Key product brands can be leveraged into a therapeutic franchise area and other brands from the same therapy area. By building a portfolio of products, companies can invest in the franchise, spreading costs across a number of different products, rather than having to invest in each individual brand.

In the future, pharmaceutical companies will develop corporate brands, but not necessarily to support their products but rather to support their business. Traditionally, the industry has not focused on their corporate branding, but companies are more interested in it now because of the negative perception of the pharmaceutical industry right now.

The extent of lifecycle branding opportunities, with more and more drugs coming off patent in the future, is really down to how much brand equity a product has and how easy it is to leverage that brand equity. Obviously, the bigger a drug is when it is coming off patent, the more interesting the brand leveraging opportunities. However, the size of the brand equity will depend somewhat on whether companies have effectively built a brand in the first place. The big problem is that many of the pharmaceutical products on the market today are not real brands of additional value, they are simply brands that have a lot of awareness.

Successful pharmaceutical branding

Pharmaceutical companies need to clearly define the value that their brands have in the marketplace above and beyond that of the competition. Only by clearly defining and managing that value can they begin to build and leverage brand equity moving forward.