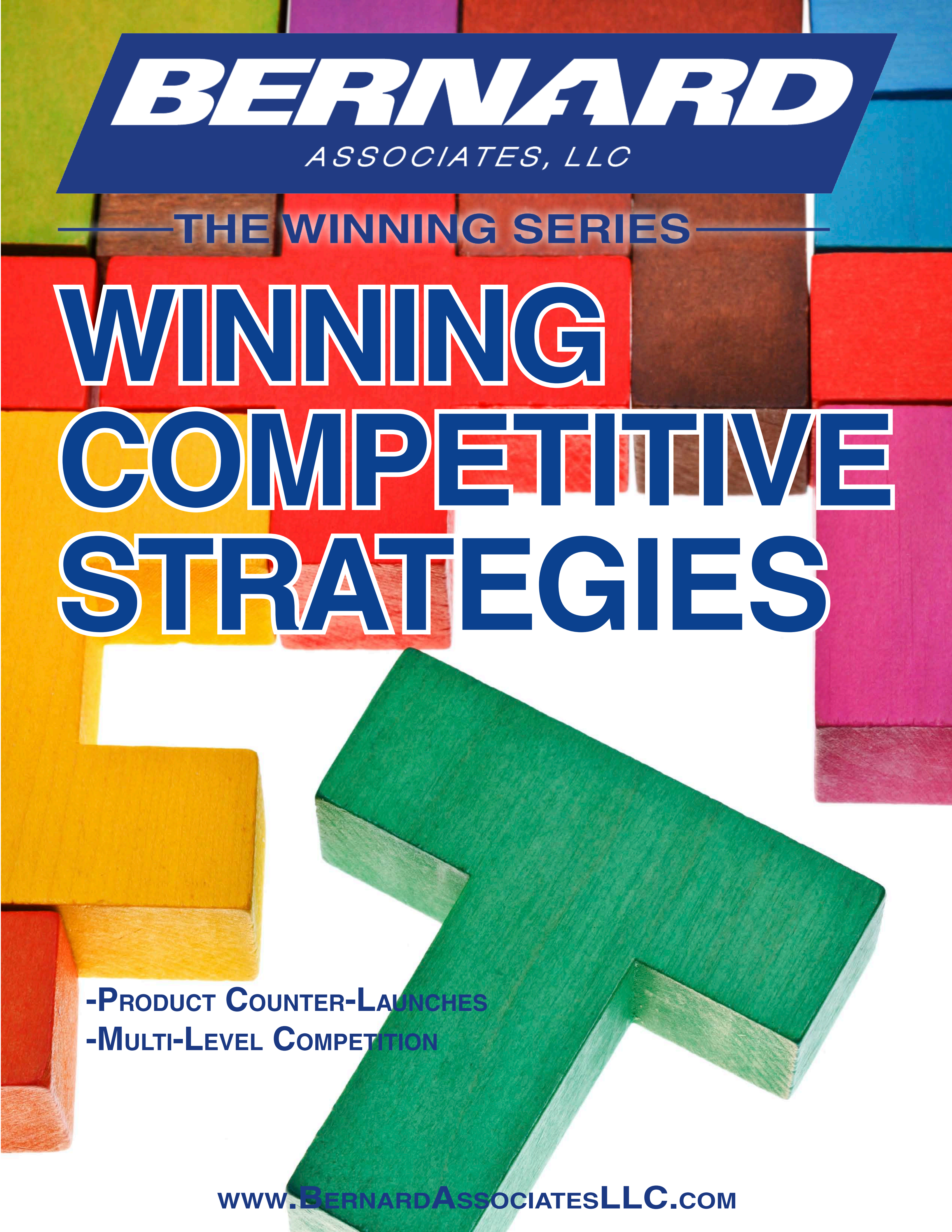

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PRODUCT COUNTER-LAUNCHES

Pharmaceutical executives and marketers should adopt the mindset that the best defense is a good offense: they need to select the best team, process, and plans for counter-launching

In December, 1999, Parke-Davis (now Pfizer Pharmaceuticals) launched Lipitor, a very potent LDL cholesterol-lowering agent. Despite being the sixth statin to enter the U.S. market, Pfizer overwhelmed the competition and soon made Lipitor the top-selling cholesterol and pharmaceutical product in the world. By 2002, AstraZeneca was preparing to launch Crestor, a new statin with even greater LDL-lowering effects than Lipitor.

As the market leader, Pfizer could have ignored the impending threat from Crestor and continued to expand the market, thereby continuing to capture the majority of sales in this class. Instead, Pfizer counter-attacked. Pfizer pre-empted the launch of Crestor by prepositioning the AstraZeneca drug as having safety concerns, specifically rhabdomyolysis, a rare but potentially fatal muscle condition. (Lipitor also had this safety issue highlighted in its label, but the incidence was considered slightly lower than with Crestor.) By the time of Crestor's launch, AstraZeneca was on the defensive, having to respond to physicians, patients, and the media regarding these safety concerns. Pfizer's proactive, counter-launch approach crippled the launch of Crestor and ensured that it would not become a major competitive threat.

"Pfizer, renowned for planning for and pre-empting competitive product launches, is exceptional in this regard," says Stan Bernard, M.D., MBA, president of Bernard Associates LLC. "While most pharmaceutical companies spend substantial money, time, and effort to launch their own products, very few companies prepare and execute comprehensive counter-launch plans (CLPs) to anticipate, undermine, and defeat competitive launch products before they have the chance to penetrate the market and gain significant traction. CLPs are a deliberate, systematic, and integrated approach to analyze, prepare, and protect a company's marketed product from a new competitive intruder. They differ from traditional competitive plans in that CLPs are specifically designed to pre-empt and thwart the launch of important new competitors."

Dr. Bernard says just as there are traditionally four Ps of marketing, there are four Ps to consider with counter-launch planning: philosophy, people, process, and plans.

COUNTER-LAUNCH PHILOSOPHY

"Pharmaceutical companies have long competed like gentlemen fighting a fair duel: take 10 paces before firing," Dr. Bernard says. "In the past, companies could afford such cordial competition because there were numerous product launches, many large and growing markets, and relatively few competitors. But with only 17 new molecular entities approved last year, fewer new markets, growing pricing pressures, and significant generic competition, companies can no longer afford to be so genteel."

Increasingly, pharmaceutical companies must learn to compete as aggressively as other industries such as telecommunications, manufacturing, and consumer electronics.

According to Dr. Bernard, the most important time to compete is actually before during the product launch period. “Experienced pharmaceutical marketers appreciate the adage that they live with what they launch: the product launch is essential to the short and long-term success of a drug,” he says. “Consequently, if a company can thwart or undermine a competitor’s product launch, it will severely hamper the market penetration and success of the challenger for years to come.”

In preparation for the launch of a competitor, many pharmaceutical companies will set up some defensive positions, such as fortified salesforces or higher promotional spending to offset a competitor’s launch. But very few companies aggressively and pro-actively compete against their competitors before their launch. Pharmaceutical executives and marketers should adopt the mindset that the best defense is a good offense: they need to select the best team, process, and plans for counter-launching.

COUNTER-LAUNCH PEOPLE

Commonly, brand teams will assign one team member, usually a brand marketer or market researcher, to be responsible for competitive launch planning. This person often works independently, perhaps using the services of a part-time market researcher or an external competitive intelligence firm.

“To develop a powerful, insightful counter-launch plan, companies need a powerful, insightful multidisciplinary team,” Dr. Bernard advises. “At the least, this team should consist of a senior brand leader; a competitive intelligence professional; a market researcher; internal professionals representing key stakeholder segments, for example physicians, consumers, and payers; a medical or scientific professional; an internal key opinion leader expert; field management; and public relations personnel. The team should have appropriate geographic representation and meet on a regular basis.”

Many counter-launch teams also use the services of an external executive consultant to plan and direct the project work; manage the counter-launch planning process; and serve as a domain expert on competitive, marketing, and industry issues.

Figure 1

COUNTER-LAUNCH PROCESS

For most brand teams, the professional responsible for “competition” collects market research, orders some competitive intelligence, and prepares a few standard promotional tactics such as salesforce preparation and training. These minimal steps represent a small fraction of the vast resources — time, money, and personnel — that the competition is investing in launch preparation and that the brand team itself committed to launching its own product. More significantly, this relatively small investment is often miniscule in comparison with the sales revenue an existing product stands to lose from the launch of a competitor. Such limited preparation is unlikely to even slow down a powerful competitive threat.

“To succeed against new competitive threats, brand teams need to take a systematic, integrated approach to counter-launch planning,” Dr. Bernard says. “This approach incorporates three key phases: analysis, simulation, and planning. The analysis phase is designed to assess external market factors and internal corporate capabilities to identify potential opportunities and threats. Ideally, this phase should be followed by a competitive simulation, a new version of business war games, to explore and enact these opportunities and threats. The planning phase captures the key learnings from the first two phases and outlines an integrated set of counter-launch strategies and tactics.”

Surprisingly, many companies only analyze the competing launch product, Dr. Bernard says. They will typically evaluate a competitor's product strategy, positioning, messaging, and key tactics, particularly salesforce numbers and deployment. This methodology severely limits a company's field of vision and misses the critically important interdependencies among the competitors, stakeholders, and other market forces. Moreover, it fails to incorporate a company's own strengths and weaknesses relative to the competitor and the market.

A more comprehensive approach includes both an external market assessment and an internal corporate analysis. The external assessment consists of a competitive analysis, a stakeholder analysis, and a market analysis. The competitive analysis should include not only the evaluation of a competitive product's clinical profile and launch plans, but also a profile of the competing company. What are the historical tendencies of the competing company? How does it typically launch, position, message, and target its products? For example, some companies consistently seek to reshape the market to set the stage for their products; other companies focus on clinical, marketing, or pricing differentiation; others try to overwhelm their competition with huge promotional outlays and larger salesforces.

Some companies will evaluate how traditional stakeholders, such as physicians, consumers, and payers, will respond to the launch of a competitive product. But there are many additional stakeholders who may influence the adoption, use, perception, or pricing of a launch product. Depending on the products and markets, these stakeholders may include key opinion leaders, healthcare professionals other than physicians, the media, politicians, patient advocacy groups, distributors, and others. Market factors, such as recent regulatory changes or technological developments, may also play a role in the launch of a competing product. An assessment of one's own company's capabilities, tendencies, and vulnerabilities is also essential.

"Once the analyses are completed, the counter-launch team should synthesize and summarize the findings, focusing on the key opportunities, threats, and potential action steps for the defending brand and company," Dr. Bernard outlines. "Next, counter-launch teams should conduct a competitive simulation to test these potential strategies, tactics, and action steps."

Competitive simulations are more realistic, more customized, and more engaging than traditional war games. Unlike war games, competitive simulations incorporate multiple competitors, customers, and stakeholders. They also simulate and test a competitor's overall launch plan and the company's counter-launch plan, not just a single promotional tactic such as physician detailing. Competitive simulations can be customized to address the most important counter-launch issues, such as various market scenarios and pricing options, and to capture valuable feedback from key customers and other stakeholders. Competitive simulations also use much more engaging, relevant, and appropriate themes than "battles" or "skirmishes."

"While many marketers and brand managers now conduct competitive simulations for launching their own products, relatively few conduct simulations to prepare their teams to preempt and defend their market against intrusion from a new product," Dr. Bernard says. "In my experience, there is no better type of market research or team preparation that enables brand teams to test counter-launch strategies and tactics."

COUNTER-LAUNCH PLANNING

The final step in preparing a counter-launch is the planning phase. Dr. Bernard asserts that there are two general rules for counter-launch planning. "First, do not fight unless you have to fight." he says. "There are several ways to avoid a fight, such as redirecting competitors to other disease states or marketed products or deploying legal maneuvers to prevent competitors from entering your market. For example, Amgen to date has protected its multibillion dollar

FIGURE 2: SELECTED EXAMPLES OF COUNTER-LAUNCH ACTIONS

Offensive/Proactive Steps	*Defensive/Reactive Steps*
Competitive Product Prepositioning	Base Defense (e.g., Market/Segment Denial)
Legal Maneuvers	High Switching Costs
Capacity Lockouts	Salesforce Augmentation
Proprietary Technologies	Enhanced Promotional Spending
Market-Deterring Communications	Threat of Retaliation

anemia drug franchise in the United States by filing a patent infringement lawsuit to prevent Roche from introducing its new agent Mircera. The second rule is that if you have to fight, pick the actions, place, and timing that provide your product with best chance of success. "Most companies use defensive steps or entry barriers, such as enhanced salesforces, price reductions, or high product switching costs," Dr. Bernard continues. "But relatively few companies take assertive or proactive actions to preempt and undermine a competitor's launch."

For example, some pharmaceutical companies have undertaken timely "capacity lock-ups" by purposely occupying key clinical researchers, research sites, or study patients; key manufacturing plants; or scarce raw materials. Other companies have leveraged proprietary technologies to preempt new competitors. Genentech's breast cancer agent Herceptin, the first compound in its class, has been combined with the HercepTest and other Herceptin-specific pharmacogenetic tests which identify which patients will respond favorably only to the drug Herceptin. Consequently, newer agents have been relegated to second-line options.

Most pharmaceutical companies wait until a competitor launches its product before defending their marketed product. Ironically, the launch period is the time when competitors are in the strongest possible position: they are most ready, best resourced, and most able to select their best battleground for attack.

"Incumbent companies should actively undermine market challengers in their pre-launch period, when they are weakest and most vulnerable," Dr. Bernard says. "In the prelaunch period, pre-marketed products are extremely limited in their messaging and promotions; the least prepared; and the least experienced. For instance, as discussed initially, Pfizer's Lipitor branch team undermined AstraZeneca's Crestor during its prelaunch phase by prepositioning it with key opinion leaders and other stakeholders.

"More importantly, because Pfizer acted early instead of waiting until Crestor launched, it was in a position to select the marketing battleground: the safety profile of the two statin products where Lipitor had an advantage, instead of cholesterol-lowering efficacy, where Crestor had the upper hand," Dr. Bernard continues. "Counter-launch planners should identify the best competitive advantage for pre-emptive strikes against competitors launching a product. The preferred battleground can refer to a market segment, a clinical parameter, or a stakeholder-specific issue. Ideally, counter-launch managers should seek to counter-launch where its planned actions, place, and timing overlap: the counter-launch zone, where the defending company has the optimal opportunity to protect its competitive advantages." [See Figure 1]

EXECUTIVE CHECKLIST FOR COUNTER-LAUNCH PLANNING

- ☐ *Multidisciplinary competitive planning team*
- ☐ *Executive consultant/ expert to lead team*
- ☐ *Systematic, integrated process for counter-launch planning*
- ☐ *Counter-launch analyses: competitive products/competitors, stakeholders, market factors, and counter-launch company*
- ☐ *Competitive simulation exercises*
- ☐ *Counter-launch plan*

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MULTI-LEVEL COMPETITION

Increasingly, pharma companies are expanding from brand vs. brand to battle at the franchise, portfolio, and corporate levels

Have you ever wondered why Proctor & Gamble sells nine different brands of laundry detergent? It's because P&G, which helped establish the commercial power of individual brands, recognizes the advantage of competing with multiple brands in a single consumer category. The company's goal is not simply to have the single best-selling brand; they want to maximize their total sales by owning the product category.

Similarly, Marriott gains competitive advantage by offering a portfolio of thirteen different types of lodgings, ranging from the lower-end Fairfield Inn to luxury hotelier Ritz-Carlton. The Walt Disney Company has leveraged its name to sell not only movies, but also amusement parks, hotels, television shows, consumer products, toys, and Broadway shows, among other things. While each of these companies offers a strong individual brand, they gain significant advantages by competing at multiple levels beyond their individual brand.

Like those companies, pharmaceutical companies are increasingly using Multi-Level Competition (MLC), the process of commercializing similar or related products and associated offerings across the brand, franchise, portfolio, and/or corporate levels to gain market advantages and to optimize sales, shares, and profitability for the company. The objective of MLC is to force your competitors to compete on the level or levels where your company has the advantage. This column highlights examples of pharmaceutical companies deploying MLC, identifies some of the advantages of this approach, and outlines steps for applying MLC.

PHARMA TURNS TO MLC

Progressive pharmaceutical companies are increasingly using multi-level competition to drive business beyond the brand level. This includes taking measures at the franchise, portfolio, and corporate levels.

Franchise Level (single therapeutic area or disease state) As the world's leading producer of insulin by volume, Novo Nordisk's diabetes franchise covers the full range of insulin analogues, oral anti-diabetic drugs, and the new GLP-1 compound Victoza. Novo complements its franchise with an industry-leading line of delivery pens and devices as well as diabetes education and support programs. By 2014, Novo is projected to have a 27 percent share of the anti-diabetic global market, the second highest share dominance of any major chronic care market.

Abbott has recently started competing at the franchise level in the cholesterol market. Abbott has focused on creating the world's most extensive cholesterol franchise using various combinations of fibrate, niacin, and statin products. According to John Thomas, Abbott vice president, "With TriCor, Niaspan, Simcor, ABT-335, and our combination [product] with Crestor, Abbott's growing cholesterol franchise has the potential to include at least five unique therapies by 2010."

Portfolio Level (multiple disease states) Roche completed the acquisition of Genentech to enhance the industry's strongest oncology portfolio, which now includes five innovative cancer products (Avastin Herceptin, Xeloda, MabThera and Tarceva), adjuvant agents, various tumor markers, and a range of molecular oncology tests. According market research firm EvaluatePharma, by 2014 Roche will have the most dominant single portfolio in the pharmaceutical industry: sales of its oncology products are projected to reach $28.3 billion, representing a massive 38 percent of the $75 billion cancer market. Moreover, Roche's pipeline of 88 oncology-related products is nearly double the number of its competitors.

Already among the top three vaccine manufacturers, GlaxoSmithKline (GSK) is seeking to leapfrog its competitors by developing the world's broadest vaccine portfolio. The company currently markets 30 vaccines, and has 25 more in clinical development. In 2008, GSK distributed 1.1 billion doses of vaccines—that's 3 million doses per day around the world.

Corporate Level (multiple disease/health segments) Unlike more mature industries, none of the major pharmaceutical companies to date has truly applied MLC at the corporate level. Johnson & Johnson is perhaps best positioned to do so because of its strong corporate brand name and product diversity.

ADVANTAGES OF MLC

Product Co-Positioning and Segmentation: Proctor & Gamble identified nine different laundry detergent segments, each with unique needs, and has distinctly positioned each brand (Bold, Cheer, Dash, Dreft, Era, Gain, Ivory Snow, Oxydol, and Tide) to meet the needs of these segments. For example, with a tag-line of "gentle as a mother's touch," Dreft detergent is "specially formulated for baby clothing and other items." Similarly, Abbott will be positioning its five dyslipidemia agents for specific patient segments with different combinations of LDL, HDL, and triglyceride abnormalities.

Combinations of Products: Abbott has leveraged its dyslipidemia franchise by combining products into single pills, including the developmental combination of its fibrate TriLiplix with AstraZeneca's statin Crestor. Roche tries to maximize the use of its oncology portfolio products by demonstrating the benefits of a combined regimen in clinical trials. For example, in the recent ATLAS trial, Roche's Avastin combined with its cancer pill Tarceva extended the period without disease progression in patients with advanced lung cancer.

Reputation/Brand: Armed with multiple cutting-edge, targeted therapies, Roche is able to leverage its growing reputation as the leading innovator in oncology with healthcare providers and other stakeholders.

Shelf Space: Abbott will likely use its five cholesterol products to take up space in physicians' supply cabinets. GSK tries to capture the limited available space for vaccines in the pediatrician's office refrigerator, thereby minimizing space for competitors.

Pricing/Contracting: GSK encourages its vaccine payers to purchase from its extensive portfolio of vaccine products by offering volume incentives. Roche's extensive oncology portfolio provides it with substantial negotiating leverage with payers.

Sales/Stakeholder Relationships: Because of its long-term focus on the diabetes marketplace, Novo has a tremendous understanding of and relationships with its diabetes prescribers, thought leaders, professional societies, and other key stakeholders.

Cost/Operating Efficiencies: Novo has made its insulin pen-filling station more efficient by using similar parts for components of all pens. Roche and GSK gain manufacturing efficiencies by using their plants to produce multiple biologic and vaccine products, respectively.

Business Development/Licensing: The competition to license or acquire innovative pharmaceutical compounds is increasingly intense. Companies which focus on specific franchises or portfolios have a competitive advantage in attracting partners due to extensive market experience, long-standing customer relationships, and established capabilities.

WINNING WITH MLC

There are several ways for pharmaceutical companies to successfully implement multi-level competition. These include:

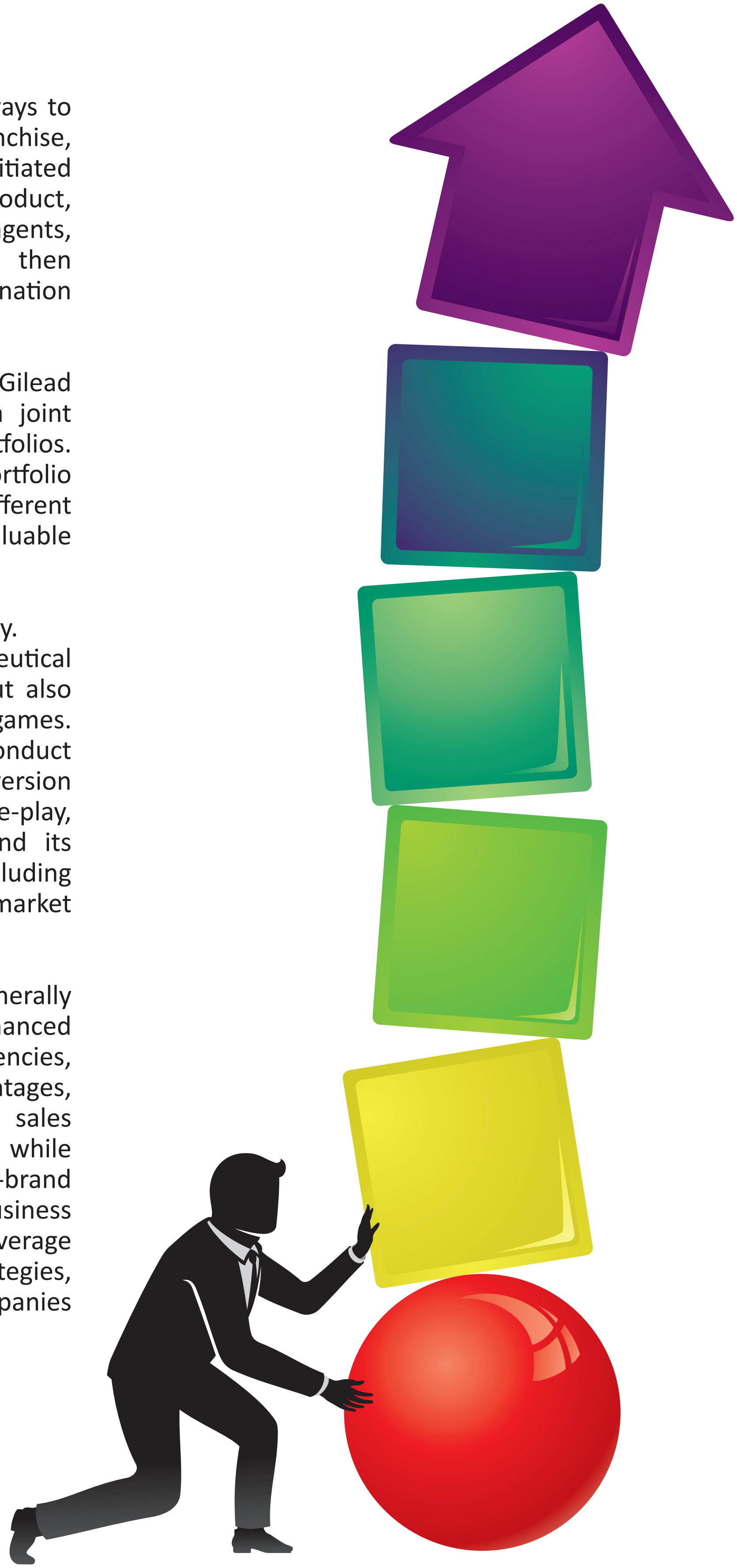
1 Incorporate MLC into strategy and marketing plans. Every corporate, portfolio, franchise, and brand plan should include sections on competing at all four levels. These sections should identify the levels where the company and competitors have relative advantages and describe how to leverage or offset those advantages.

2 Build, buy, extend, and/or partner for enhanced levels. There are different ways to enhance the competitive value of a brand, franchise, portfolio, or company. For example, Abbott initiated its cholesterol franchise with a single fibrate product, purchased Kos Pharmaceuticals to add niacin agents, created a second generation fibrate, and then partnered with AstraZeneca to develop a combination branded statin-fibrate product.

In order to compete with HIV industry leader Gilead Sciences, GSK and Pfizer recently formed a joint venture company to combine their HIV portfolios. GSK's CEO Andrew Witty said, "You blend our portfolio with [Pfizer's] and you cover a range of different targets in a range of different ways, which is a valuable benefit."

3 Test the Franchise Management Strategy. Increasingly, market-leading pharmaceutical companies are conducting not only brand but also franchise, portfolio, and corporate war games. The most progressive of these companies conduct "Competitive Simulations," an improved version of war games specifically designed to role-play, pressure-test, and validate a company's—and its competitors'—strategies and tactics, including Multi-Level Competition, in a simulated market environment.

Companies using MLC approaches generally demonstrate deeper customer knowledge, enhanced stakeholder relationships, improved efficiencies, better ROI, significant competitive advantages, and, ultimately, higher market shares and sales in their product categories. Importantly, while many pharmaceutical companies have multi-brand franchises or portfolios and designated business leaders, relatively few companies fully leverage powerful Multi-Level Competition strategies, techniques, and tactics to win against companies relying on single brands.



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