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Branding the Pharma Merger

David Sun of InterbrandHealth looks at global pharma branding trends for 2010 and beyond.

2009 was notable for Big Pharma's attempts at consolidation to provide near-term answers to stalling growth and imminent patent expirations. Not to be excluded from the altar dance, mid-size players and biotechs were also active parties to the frenzy of M&A activity, though typically more narrowly motivated by more incremental integration approaches emphasizing strategic areas of strength. Regardless, the cumulative industry impact is the same, with the remaining competitive field smaller and significantly more concentrated.

The key drivers of consolidation are largely characterized by three common strategic options: specialization, diversification, and achieving synergies. The brand implications of the consolidation trend in pharmaceuticals are three-fold. First, there is a shifting emphasis on achieving marketing synergies around overlapping brand product platforms in common therapeutic areas. While the immediate driver pivots around reducing costs and waste, the natural outcome from a brand management perspective is that silo'd product offers are frequently migrated to a more comprehensive solutions-based approach seeking to rebalance broader category- and disease-management investments across a complementary portfolio of branded products. At Novartis, for instance, the stable of hypertension branded products is consolidated under a common set of education and care-management services branded 'CV Success Zone' that is leveraged across the entire product portfolio.

Secondly, mergers can have the positive outcome of strengthening the newly integrated company's leadership position in strategic areas of therapeutic focus, due to the combined breadth and depth of the in-line and pipeline portfolios, as well as the combined expertise and commitment in the category space. The brand implication here is that the industry is witnessing a shift in brand management approach that seeks to complement traditional product marketing with an increasing focus on portfolio brand management considerations. The goal is to grow more committed and loyal relationships with long-term customers and partners in a category area at a portfolio — rather than *only* at a product brand — level.

The most progressive proponents of the portfolio-centric marketing approach in pharmaceuticals have adopted portfolio or franchise branding to position the entire portfolio above and beyond the individual product: diabetes (e.g., Lilly Diabetes), oncology (e.g., Genentech BioOncology) and other specialty areas (e.g., Allergan Medical Aesthetics) have been the early adopters. Interestingly, the emerging trend of therapeutic area portfolio branding has enabled pharma marketers to introduce a more *specific* and *relevant* link between their products and the manufacturer corporate brand through use of portfolio branding. Brand promotion at this level enables the company brand to demonstrate commitment, deepen relationships, and provide novel offering platforms to retain product brand equity beyond product patent exclusivity.

Thirdly, industry consolidation naturally presents an opportunity for the merged entities to (re)brand the company. The Pfizer-Wyeth, Roche-Genentech and Merck-Schering-Plough mega-mergers, for instance, suggest the possible introduction of several new brand identities and positionings to come in the next six months, following the close of the merger transactions. With the close of the Pfizer-Wyeth merger, most recently, we are already seeing the first hints of change in a global effort to refashion a more powerful, consumer-appealing Pfizer company brand. Certainly, the industry has not seen a significant new corporate brand launched at a major pharma house in nearly a decade since the launch of the AstraZeneca and Novartis brands.

In the short-term, corporate rebranding will likely have the effect of an increased level of corporate-level marketing and promotion to support efforts to 'brand the merger', as much as to 'rebrand the company', in the eyes of customers and investors. Over the longer-term, however, trade press indicates a philosophical shift among marketer leaders in the industry to find more productive ways to leverage the corporate brand to a broad suite of enterprise offerings and services that are increasingly the basis of differentiation amongst so-called 'me-too' product brands in mature categories.

Branding generics

Beyond the branded pharma sector, the generics sector has continued to grow at a rapid pace — around 15% CAGR in 2008 alone — while outperforming the traditional pharmaceutical market as a whole. With an estimated \$100bn worth of branded products expected to face patent expiry by 2010, generic growth has become an increasingly important strategic asset, either as a standalone business or as a complement to branded pharmaceutical products, in company's core portfolios.

From a brand perspective, generic offerings — by definition — gain limited returns through product-level brand promotion. Rather, driving strong uptake and growth in generics relies on competitive advantages sourced at an enterprise level, including effective portfolio, trade and channel strategies, which are more appropriately promoted at a company level.

To this end, the brand implication in the generics sector is the rising level of brand marketing investment and activity at a company level to drive preference and loyalty for a rapidly proliferating portfolio of offerings across key channel segments. This focus on linking the portfolio actively to the company brand in promotions can be seen among both the dedicated generics companies (e.g., Teva and Mylan), as well as diversified players (e.g., Novartis/Sandoz).

As brand management trends go, what is similarly observed in both the branded and generic pharma segments is that brand marketers are clearly warming to the increased role company branding should play in driving both effectiveness and efficiency of brand management of their product portfolio. While consolidation in Big Pharma and portfolio proliferation in generics have acted as the short-term market triggers, as an industry, we seem to be witnessing a more lasting rethink of the way corporate, portfolio and product brands should work together to enhance lasting category leadership and differentiation.

David Sun is Senior Director of Strategy for InterbrandHealth [http://www.interbrand.com/about_us_health.aspx?langid=1000] in Paris, France.



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