How to Get More from Mature Brands

'Mature', 'Established' or 'Diversified' brands – products that have lost or are approaching loss of patent exclusivity represent a significant source of revenue for pharmaceutical companies.

In 2000, few in the pharmaceutical industry had heard of mature brands. Yet now the vast majority of pharma companies have either entire portfolios or significant business units dedicated to their commercialisation. This shift in emphasis has been driven by reduced R&D productivity and the realisation that managed well, mature brands can provide strong profits following patent expiry. In this white paper, we explore the importance of mature brands to pharma companies, how best to approach loss of patent exclusivity and how best-in-class teams are commercialising mature brands effectively and redefining traditional life cycle management.

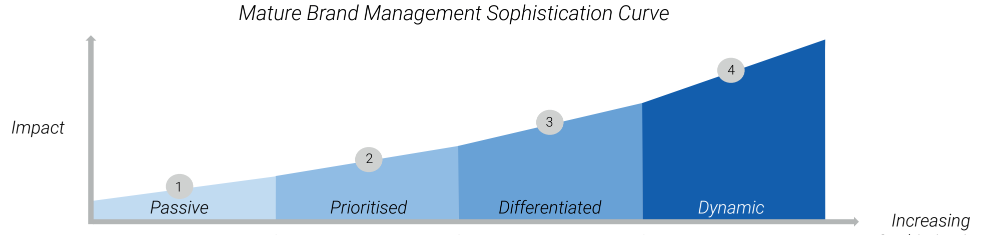
The birth of mature brands

'Mature', 'Established' or 'Diversified' brands – products that have lost or are approaching loss of patent exclusivity represent a significant source of revenue for pharmaceutical companies. For example, 30% of Sanofi's net sales come from mature brands and GSK sells over £5.6bn of such products annually. Despite the huge opportunity they provide, up until 2000 few companies had dedicated units to maximise their potential. This was primarily due to high R&D productivity and many companies pursuing an innovation agenda, which focused on new therapeutic areas. As this has declined, fewer products that address unmet medical needs for many patients have come to market and companies have had to look elsewhere for revenue and profits. Existing products has been where many have turned.

Orthodox thinking has been that the commercial opportunity of mature brands has not been significant enough for companies to dedicate resource to access it. Executives took the view that once loss of patent exclusivity occurred, sales fell and that a battle with generic manufacturers was one not worth fighting – the ‘juice was not worth the squeeze’. On closer inspection however, a number of executives realised that with the right approach, revenue could be maintained and in some instances, growth achieved. Securing the internal resources to achieve this was initially a challenge as the narrative was that it was better to invest resources discovering new products, than trying to maximise those that had lost patent protection. Today, most companies accept the value of mature brands and invest significantly to maintain or grow revenue, often at greater margins that in-line brands. However, Novasecta’s experience is that companies sophistication in mature brand management is highly variable, with few organisations truly maximising the opportunities such products provide.

More sophisticated companies dynamically assess mature brands and work at global and local level to maximise return

Mature Brand Management Sophistication Curve



	Passive	Prioritised	Differentiated	Dynamic
Summarised as:	‘mature brands are not a priority for us’	‘Let’s find out which brands are most valuable and in which markets’	‘How should we effectively deploy limited resource to our current portfolio’	‘We must continually plan for, track and adjust what we do with current and future brands’
Global Activities	• Sporadic	• Prioritise markets and products • Create team purpose and vision • Engage affiliates in mature brands	• Create decision framework to support affiliates • Train teams on resource allocation • Coach affiliate decision making	• Engage brand teams ahead of LoE • Continually adjust current and future portfolio • Track performance
Affiliate Activities	• Sporadic	• Prioritise investments	• Implement tactical plan	• Collaborate with global and other affiliates across product lifecycle

Mature brands need to be managed very differently to in-line brands

Many of those who work within pharmaceutical commercial functions are focused on driving growth of ‘in-line’ brands – those products that have patent exclusivity. The mindset here is one of top line revenue growth, with little or any consideration to the bottom line profitability of the product. An affiliate marketing director will have advertising and promotional spend to account for, but will have very little, if any, consideration for cost of goods or distribution costs. In mature brands, it is the reverse that is the case – an absolute focus on the bottom line determines decisions. As one executive put it:

> **"In-line brands are about sales & marketing – mature brands are about business"**

This shift of focus from top-line to bottom-line requires strong commercial acumen and a deep understanding of all commercial levers from supply chain management to managing the promotional mix through to financial modelling. Some in-line brand marketers struggle in such an environment, but for those that have an adaptive mindset, time spent working in mature brands equips them with a commercial skillset that can accelerate their careers.

Area of focus for in-line and mature brand teams

Another significant difference is the profile of mature brands. Frequently teams working in the space have lower profiles that those launching products or managing billion dollar franchises, but they tend to have high levels of accountability, greater innovative freedom and less hierarchical bureaucracy. Their task is to get on with maximising profit.

Effective mature brand management: start early, form teams and innovate

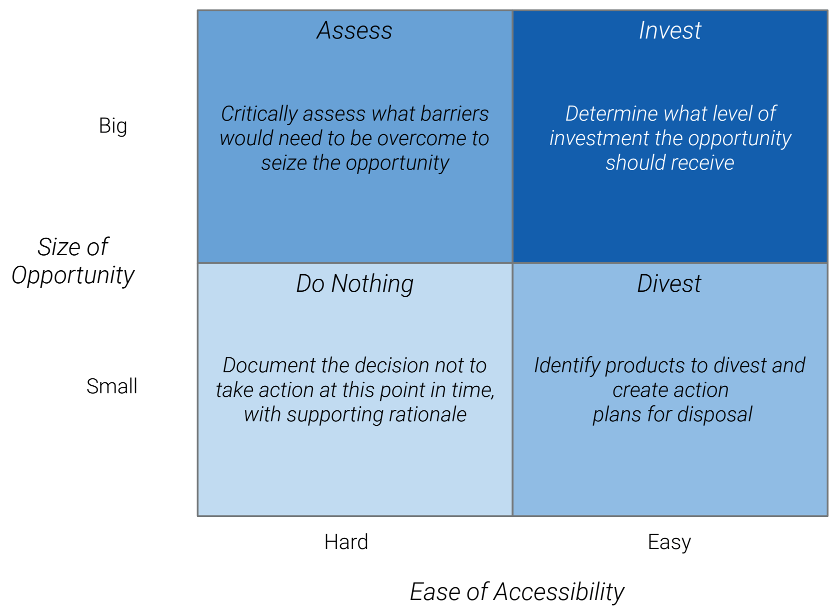
As companies get a better understanding of what works and what doesn't with mature brand management, Novasecta has identified four critical success factors to make the most from mature brands:

1. Start planning early

The patent system ensures companies receive an appropriate window of opportunity to recoup their investment in developing innovative products, and the timelines for this are well understood. To maximise margins, companies need to start planning at least 5 years before patent expiry as appropriate tactics like line-extensions or reformulations can take that long to bring to market. Unfortunately, many companies only consider a post-patent environment 1-2 years before patent expiry – by this time many of the most productive approaches, such as indication expansion, are no longer an option. Mature brand teams need to be formed if they don't already exist and to consult with in-line brand teams 5 years before patent loss. They should be actively running the brand in the penultimate 2 years to maximise post-patent profit. Additionally, companies need to be selective about the effort they put behind each product – this should be based upon a combination of size of opportunity and ease of accessibility.

Big opportunities are not always easily accessible – companies need to be selective about where they invest

Illustrative Mature Brand Prioritisation Tool



2. Build the right cross-functional team structure

Successful mature brand management relies on a broad understanding of not only the product and its competitive space, but the legal, regulatory and financial environment. Few individuals have such breadth of knowledge, so a cross-functional team including legal, regulatory, finance, manufacturing and commercial is critical for success. Alignment behind a common goal of 'how can we get more from this product' encourages the team or teams, to continually seek additional opportunity, no matter how small.

3. Encourage innovative strategies

Teams who are accountable for maximising mature brands need to create an environment where innovative strategies are generated and nurtured. Given the huge variability of each product opportunity, teams must ensure they are exploring all strategic options, rather than 'lifting and shifting' between one product and another. Additionally, they need to critically appraise each strategy for its ability to generate a financial return, its ease of implementation and compliance risk.

Illustrative Mature Brand Management Tactics

Litigation	OTC Switch	Pricing
Indication Expansion	Enhanced Safety Features	Formulation Changes
Branded/authorised generics	Publication Strategies	Supplementary Services
Packaging Changes	Product Re-positioning	Geographical Expansion

4. Know when to stop

Whilst mature brands can offer attractive returns, at some point, the resource required to realise the returns becomes too great. Companies need to then look at the benefits of product disposal, with the trade-off between on-going revenue and one-off payment a key factor. This can require a dispassionate appraisal of the product, and overriding institutional emotional attachment which may derail a rational financial decision.

The future for mature pharmaceutical brands

Mature brands represent a significant commercial opportunity for companies that have the appetite to approach their commercialisation with a profit-focused mind-set. Teams tasked to maximise mature brands acquire real business acumen that helps them progress their careers and open up new opportunities. With a structured approach to identifying mature brand management, companies can create additional value beyond patent expiry – the 'juice is always worth the squeeze'.

Novasecta is a specialist strategy consulting firm for pharmaceutical companies.

Novasecta's clients are primarily CEOs, Commercial Heads and R&D Heads. We provide them with practical solutions based on a profound understanding of their unique businesses and their industry context. We deliver the strategic counsel, insight, and change that they need to drive performance improvement and sustainable growth.

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