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What Comes First in Brand Decline – Lower Loyalty or Lower Patronage?

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Background

Previous research has focused on two main scenarios that exist within the new and existing brand markets. These are; near instant loyalty and trial preceding loyalty (Schweidel and Fader 2009). Very little research had focused on brand decline.

Pharmaceuticals

Pharmaceutical companies need to maintain sales levels just before and following generic launches. Klemperer (1987), Shugan (1980) and Janakiraman, Dutta Sismeiro and Stern (2008) found that physicians exhibit *persistence in their prescribing behaviour and posit a number of reasons for this.*

Ehrenberg, Uncles and Goodhardt (2004) found that high loyalty tends to be driven generally by light buyers. This may be due to the fact they are 100% loyal as they made few purchases.

Stern and Hammond (2004) found that the results found by Ehrenberg et al (2004) only holds true if the light and heavy buyers are compared from the same time period.

Decline and the lifecycle

Cox (1967) developed a way to measure the product lifecycle of a prescription drug, but focused on the overall lifecycle rather than a specific phase.

Kvesic (2008) suggests a number of ways to manage the decline of a brand. These include: attempting to maximize loyalty, investing in generics and developing over-the-counter sales.

Sahoo (2006) suggests that promotion in the late stages of a drug's lifecycle may maximize brand loyalty thus maintaining visibility when other branded drugs and generic alternatives enter the market.

Current Research

The objective of this research is to examine the patterns for a declining brand, which (as the reverse of a new launch) should show one of three patterns

1) *Coincident reduction of patronage and loyalty*
2) *Initial reduction in loyalty followed by reduced patronage*
3) *Initial reduction in patronage followed by reduced loyalty*

There has been no prior research which examines which of these three scenarios best describe how brands decline, This research will examine the empirical patterns of a number of drugs over an extended time-scale.

This exploratory analysis focuses on Omeprazole, a gastrointestinal drug produced by AstraZeneca.

Figure 1. Shows the sales for Omeprazole between 1995-2005. The data shows the 12 month moving average sales measured as the number of new or switch prescriptions written per 100 GP's. This measure allows for the exclusion of repeat prescriptions for ongoing chronic conditions. This means only active prescribing decisions are measured.

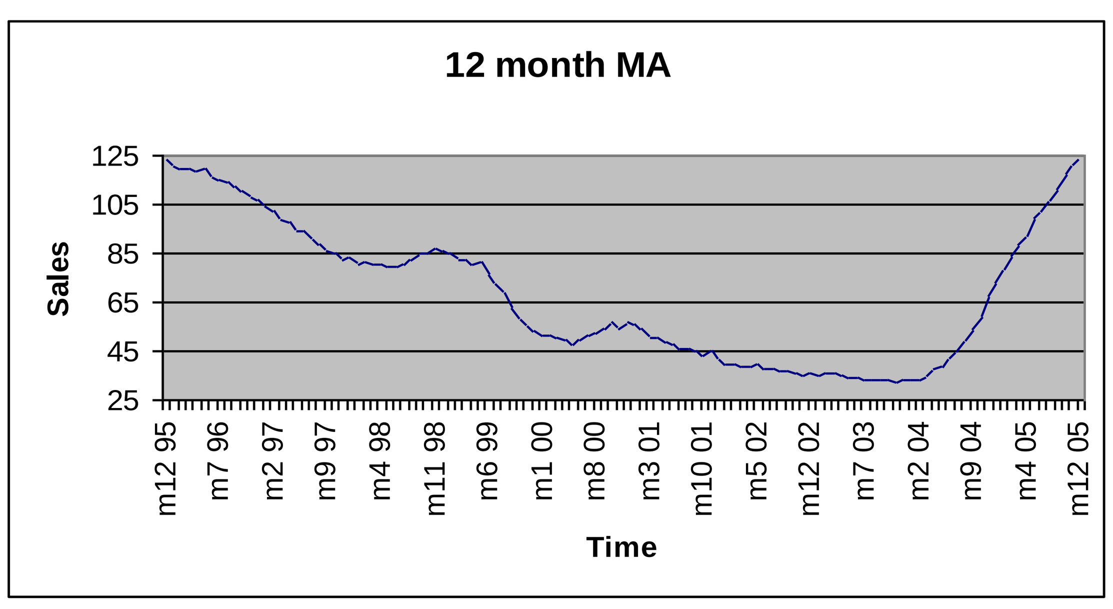

Figure 1: Sales of Omeprazole over ten years

Omeprazole sales started to decline in early 1995 and continued to decline until the start of 2004 when sales grew again rapidly. This is an especially interesting example as the drug lost patent protection in 2002.

Figures 2 and 3 show the percentage of prescribers and the average frequency of prescribing during the same time period.

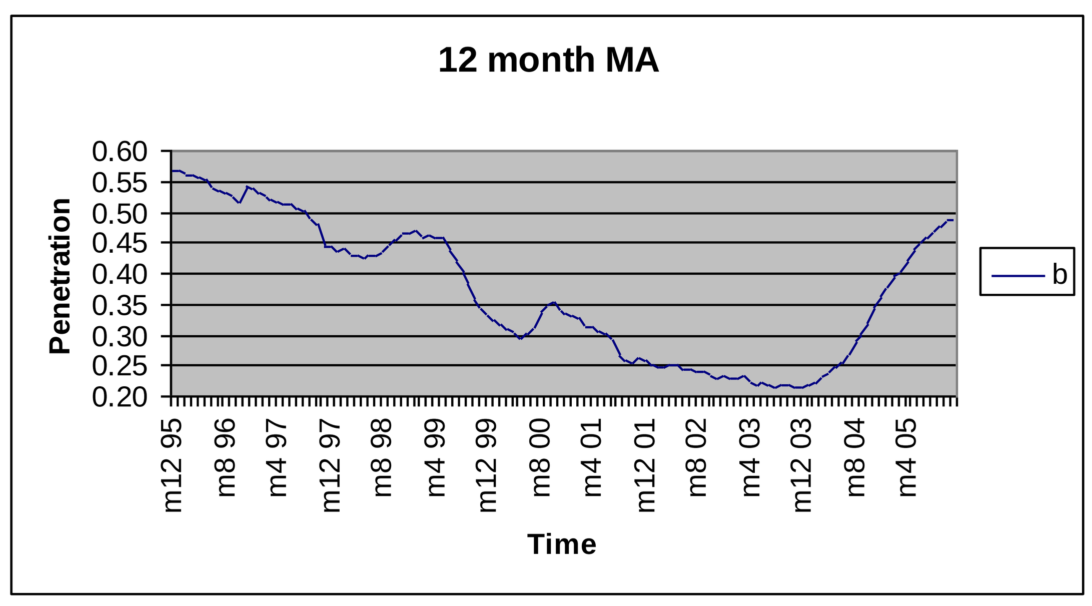

Figure 2: Penetration of Omeprazole
The penetration can be seen to track the changes in sales very closely (the correlation is >0.96).

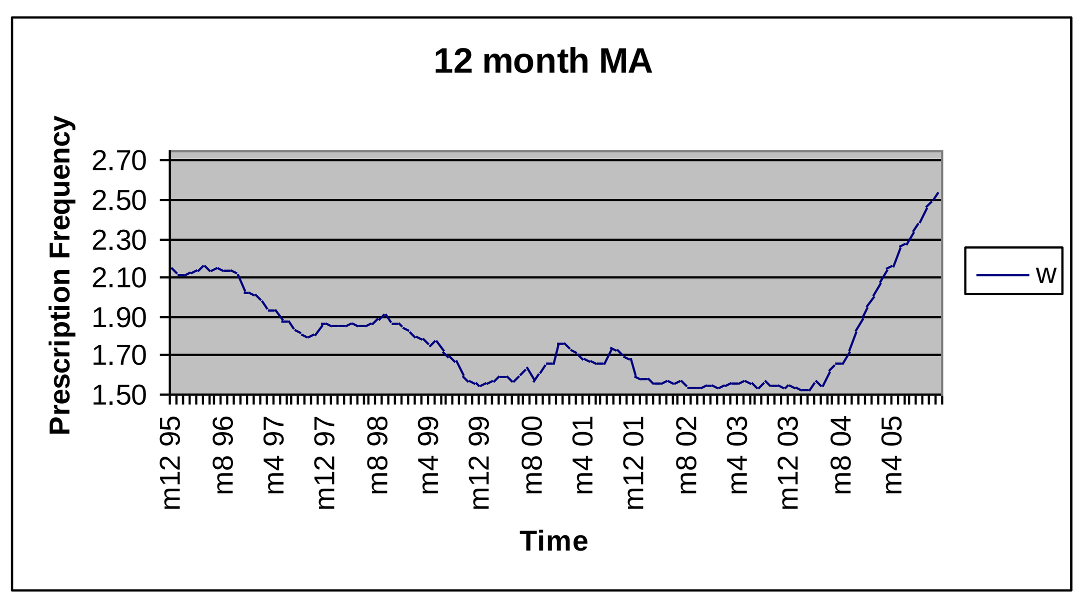

Figure 3: shows that average frequency does not initially fall with sales (unlike penetration shown in Figure 2)

Figure 3 shows that the average frequency does not (like penetration) initially fall with sales. The frequency level is maintained for about a year before starting to fall. This pattern is repeated in 1998 when penetration falls but frequency stays constant. Interestingly, the second growth period beginning in 2004 appears to be coincidental penetration and loyalty growth (near instant loyalty).

Conclusion

This exploratory analysis finds support for the 'reducing patronage model of declining brands. Further research is underway to examine the extent to which this pattern generalises across other drugs in both the same and other categories.

Implications of current research for managers

Coincident decline in patronage and loyalty would imply that existing marketing programmes be maintained or increased.

Initially declining loyalty implies a focus on maintaining share of category requirements.

Initially declining patronage indicates a need for customer acquisition.

Early results indicate that brand decline starts with reduced patronage not with lower loyalty and this would suggest maintained or even increased detailing activities.