

Expert Insight Series

Foster | Rosenblatt

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US Companion Animal Health Market ENSURING LAUNCH SUCCESS IN AN INCREASINGLY COMPETITIVE LANDSCAPE

Background

The US companion animal health industry has consistently grown in volume and sales over the last decade. Companion animal products now represent 60% of the total US Animal Health market. Increasing rates of pet ownership, greater willingness to spend by owners, higher drug treatment rates and longer life expectancy for companion animals are collectively driving and sustaining sales growth.

The commercial environment for companion animals is rapidly evolving, due in large part to a changing distribution landscape. Though many pet owners continue to purchase their pet medications directly from clinics, this traditional distribution model has been challenged by the entry and expansion of online and big-box retail businesses.

It is expected that corporate owned veterinary clinics will continue to expand their footprint in the US market, and there will be increasing differentiation and diversification among veterinary clinics overall.

Launch Success & Failure

The process of product launch is the single greatest moment of value creation or destruction in the natural history of a brand. Many animal health brands struggle to reach the commercial potential implied by their clinical profile. Only a minority of brand teams find the deep customer insights required to optimize the unique value proposition that every product inherently possesses.

In order to compete in the US companion animal market, future brands will need to be thoughtfully differentiated or first-in-class products, supplanting current standard of care, changing treatment algorithms, or entering a new therapeutic area with significant unmet need. Zoetis' Apoquel and Boehringer Ingelheim's NexGard are examples of launches that fit these characteristics.

Parasiticides: A Study in Launch Success

Parasiticides (products that prevent and treat fleas and ticks in companion animals) represent the largest therapeutic area.

The top 3 companion animal health product franchises are all parasiticides, Boehringer Ingelheim's NexGard tops the league table. It is expected that parasiticides will remain the best selling sector for the foreseeable future.

Given the value of the parasiticide market, animal health manufacturers' investment in this therapeutic area is expected to continue at a high level. Thus, this intensely competitive market requires all new brand entrants to find a compelling story that resonates with the highest value customer segments.

Well-informed and perceptive brand teams are employing several "go to" launch tools.

New Product Planning

Though it may seem obvious, it is necessary to have a product with an enduring place in the market. This is far less about the quality of the R&D function from which a product is produced, and far more about the commercial discipline to stage-gate the development molecule with rigorous and broad ranging commercial criteria that precludes a weak product from ever getting to market. This requires a clarity of evaluative criteria that is only possible with a deep understanding of the multiple fulcrums on which the major buying decisions take place.

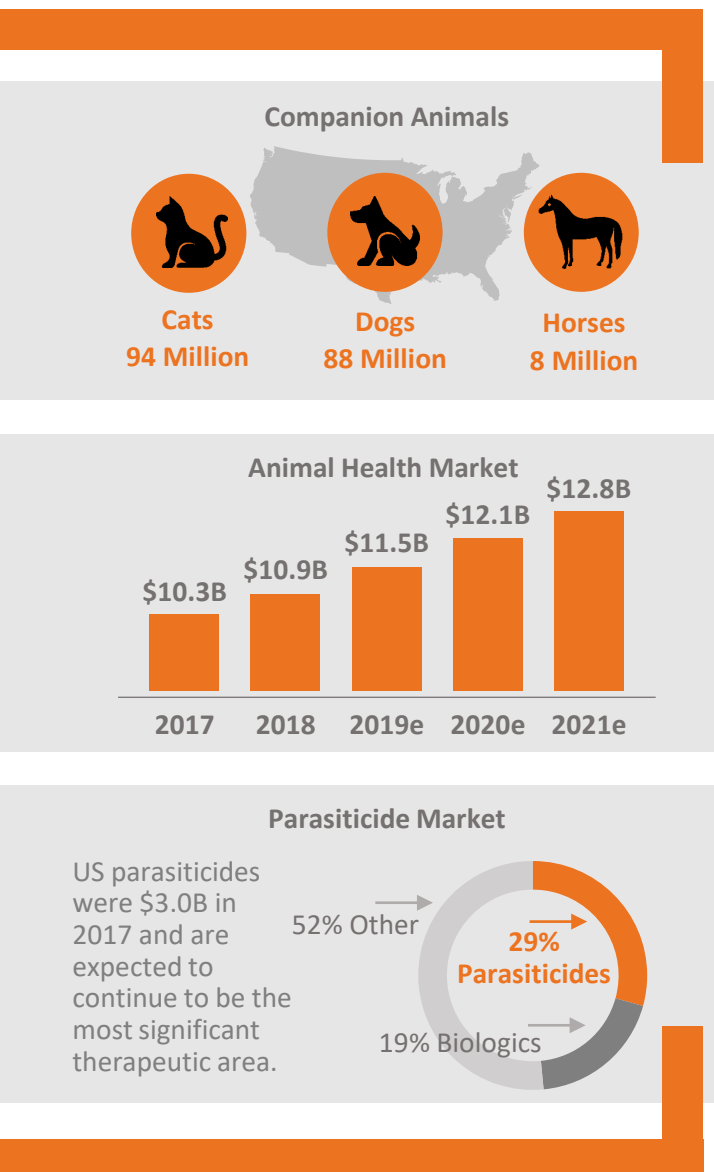
In the case of Boehringer Ingelheim's NexGard, the brand team was empowered by their organization to set high hurdles to maintain and further solidify their leadership position in this market, especially given the continued generic erosion of its Frontline franchise.

Specifically, the NexGard team was able to direct the development of their product to have these basic and highly differentiating attributes at launch:

- A combination product that offers a broad range of flea and tick protection
- A product that provides better efficacy and/or safety
- A product that improves pet owner compliance
- A product that has attributes that allow it to be easily kept in stock since veterinary clinics usually have limitations with respect to inventory space

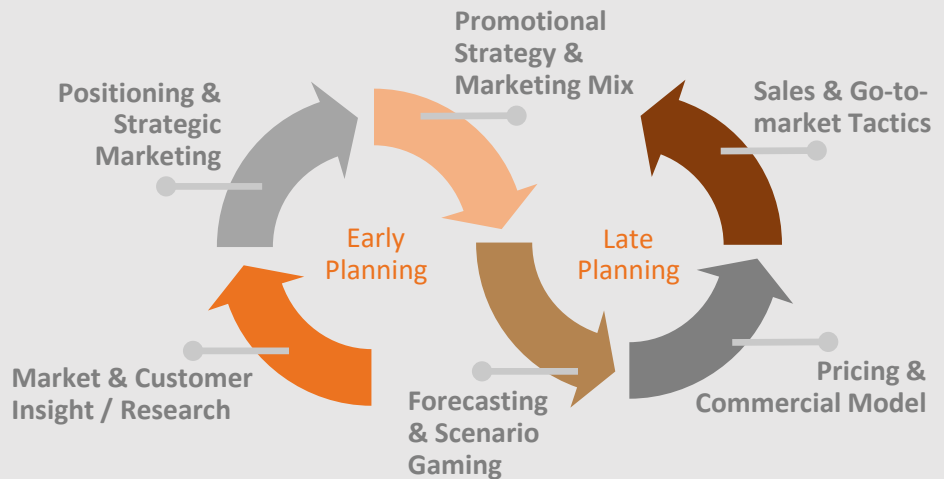
Customer Insights

There are three realities of market research and analysis in our industry. One, some brands are underfunded and will rely on Delphi techniques to complete the picture of the market. Two, there are brands that perform all the qualitative and quantitative research necessary to answer the standard set of customary questions designed to produce an understanding of who the customers are and how they make decisions. Three, there are the rare and special brand teams that go beyond



Pre-Launch and Launch Strategy

Pre-Launch and Launch Strategy drives performance by taking an integrated view of choices across key levers that can elevate the growth trajectory. This reflects an integrated set of choices and priorities.



the rote playbook and have the talents to ask new or newly nuanced questions about their marketplace that stretch the boundaries of past insights.

Through both qualitative and quantitative techniques, parasiticide brands that have had successful launches were particularly adept at gathering market data/ information, identifying meaningful segments, performing opportunity assessment modeling and testing marketing mix / advertising messages.

For NexGard, most important in this process of developing customer insights was the determination of the rank order and relative importance of the products' attributes in the minds of the target customers. These insights led the brand team to make informed decisions about development of their brand's positioning, differentiation and benefit.

Through its promotional strategy, NexGard also capitalized on the loyalty and familiarity built on the back of its Frontline franchise by reinforcing the company's long history in this market.

Predicting Uptake

Though modeling the future performance of a market and brand may not seem like a critical success factor, it is! Marketers who have multiple launches on their resume have long recognized the relationship between a bad forecast and bad brand-level profitability. A forecast, often seen as a simple financial exercise, is the driver of brand net unit contribution in the first 18 months after launch. Underestimate sales by 30% and brand profitability is destroyed by short-term production limits and long-term lost brand champions. Overestimate sales by 30% and fully loaded brand profitability drops precipitously due to oversized marketing, sales and manufacturing spend.

A successful launch depends on a brand team's ability to accurately forecast their product's potential future demand. By applying advanced predictive analytics to well executed market research, a high level of confidence can be achieved in determining Veterinarian and pet owner receptivity to the launch product, a Veterinarian's likelihood of stocking and recommending the product, and pet owners' likelihood of accepting their Veterinarians' recommendation.

Contingency Planning

No launch has ever gone exactly according to plan. This is especially true in the execution of ground-level tactics. Just as the road to hell is paved with good intentions, mediocre launches are paved with not-so-good coordination between Marketing and Sales. The easiest and best way to ensure that everyone on the commercial team is coordinated and ready for the unexpected twists and turns of any launch is to game the launch before it ever happens. Taking the time, effort and money to properly design and use a war game to play out launch scenarios allows competitive moves to be well characterized, market uncertainties to be quantified and optimal “quick response” tactics to be ready when needed.

Special Touches

The standalone brand is scarce in today’s marketplace. A well launched product is now at the center of an omnibus value proposition that includes in-kind transactions or services such as data management, continuing education, specific e-learning modules and overall business support.

Further, innovative use of digital marketing is no longer a plus. It is now a requirement of a successful launch in the highly competitive parasiticide market to have true expertise in this channel. Access to digital information on an unprecedented scale has made transparent the standard of care, empowered the buyer to play a more active role in product selection and unfortunately introduced the risk of being quickly deposed by a crafty competitor. Success in brand launch is now an exercise in omnichannel conversations between the manufacturers, Veterinarians and pet owners.

Wrap-up

In the end, a brand’s objective at launch is to successfully establish an emotional connection with the customer, not only to inspire loyalty, but to drive Veterinarians and pet owners to actively promote and advocate for a product.

The 12 months before launch and the 18 months after launch are the most important moments in the lifecycle of a product. Get this right, and all is well. Get this wrong, and the ability to regain lost sales is irrevocable.

Case Study



Business Situation

A leading animal health company was [preparing for the launch](#) of their newest canine parasiticide. The company sought to understand the pricing approach, product profile and positioning strategy that would result in [optimal profitability](#) for the product while maximizing the value of their portfolio.



Approach & Methodology

F|R designed & fielded [online quantitative surveys](#) with 500 Veterinarians, 200 veterinary clinic staff and 500 dog owners. F|R conducted a [conjoint analysis and a value proposition exercise](#) in order to determine what product profiles and positioning would maximize brand penetration and optimize portfolio profits.



Business Outcomes

F|R provided an accurate and [realistic outlook of the opportunity](#), and guidance on the attributes the client should leverage to ensure [strong positioning](#) for their product and its optimal price. This resulted in a clear direction for the product’s positioning & [successful product launch](#).



High-level Launch Checklist

Analytics | Marketing | Pricing | Sales

Market & Customer Insight / Research

- Market assessment and mapping
- Competitive assessment
- Launch analogs and market “lessons learned”
- Purchase and use process
- Primary research with all key stakeholders (Vets, pet owners, producers, etc.)
- Initial price hypotheses
- Initial commercial model

Positioning & Strategic Marketing

- Key differentiating product benefits, strengths and weaknesses
- Customer beliefs and drivers / barriers to trial and use
- Product positioning
- Value proposition for key audiences / stakeholders
- Summary positioning statement and supporting insights

Promotional Strategy & Marketing Mix

- Promotional mix and resourcing priorities
- Emphasis and priorities for key audiences / segments
- Definition of ATUs
- Promotional materials and agency coordination
- E-marketing, website, “reminder,” and all other digital
- Publication plan

Forecasting & Scenario Gaming

- Epidemiological and/or demand forecast methodology
- Market sales and trend data
- Preference share to market share conversion factors
- Identification of most critical points of share loss and/or gain
- Multi-player non-cooperative game model with scenario optimization functionality

Pricing & Commercial Model

- Pricing competitive assessment
- In-depth pricing primary research
- Sensitivity (price / volume) tradeoff analysis
- Value story
- Commercial model design and implementation plan
- Brand attributes and values
- Agency selection
- Branding materials and creative

Sales & Go-to-market Tactics

- Customer segmentation / focus
- Coverage model (reach) and call plan (frequency)
- Segment specific call engagement model / messaging platforms
- Performance metrics and analytics
- Sales materials (by all media platforms)
- Links to non-personal promotion



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Executive Biography

Anna is among the Animal Health industry’s most knowledgeable launch strategy experts. Her work supports many of the world’s most valuable product portfolios in both the companion animal and farm animal/livestock spaces. Her skills include knowledge and techniques that address the most critical commercial issues facing a brand.

Anna began her life sciences career in human health where she worked for IMS Health as a consultant in opportunity assessment and advanced predictive analytics. Previously, she had worked in multiple senior marketing roles in fast-moving consumer goods. She joined Foster|Rosenblatt in 2009 as a leader in multiple business intelligence practice areas. Due to high demand for her services in animal health, Anna is now exclusively focused in this area. She has run F|R Animal Health business unit since the group’s inception.

Anna and the entire F|R Animal Health Group help brands find their unique selling proposition for target segments by fostering a deep understanding of markets, customers and promotional levers.

- Strategic Market Research
- Brand Strategy & Planning
- Promotional Analytics
- Pricing
- Competitive Assessment
- Forecasting

About Foster | Rosenblatt Animal Health

The F|R Animal Health is the industry leader in comprehensive commercial consulting services that are specific to this unique sector of the life sciences industry. We are marketing and sales experts in both the companion animal and farm animal/livestock spaces. Our clients rely on us to deliver customer and strategic insights that maximize the value of their in-line products and R&D pipeline.

The F|R Animal Health is a unit of Foster|Rosenblatt, an international commercial advisory and training firm exclusively focused on life sciences.