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**PACKAGING/DRUG DELIVERY**



**Where Are the Generic Rx Brands?**

By Jeff Siegel  
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*Generic manufacturers, and some retailers, are dabbling with the concept*

The news will not surprise anyone who follows the pharmaceutical industry. Generic drugs currently account for just over half of total prescriptions filled in the United States, and could increase to third-thirds by 2009, driven by the approximately \$60 billion in branded drugs that are losing patent protection over the next three years and pressure from the federal government to cut health care costs.

But what is surprising is that as generic pharmaceuticals increase in popularity, something that is taken for granted with OTC medications—and to consumer products in general—still seems to be far off. That is, of course, the store brand. There's a private label for everything from ibuprofen to diabetes testing equipment, but so far, there don't seem to be retailer-brand labels for pharmaceuticals.

There have been some in-roads, like Target's Clear RX program, which uses distinctive packaging to differentiate the prescription from other retailers (as opposed to giving the drug a Target-only name) And authorized generic manufacturers like Prasco Laboratories in Cincinnati have been selling Prasco-specific products for years, with different packaging and different names from the ethical non-authorized products. But true store label pharmaceuticals, say manufacturers and consultants, are still just a possibility – an intriguing possibility, certainly, but one that must overcome a variety of obstacles before it becomes realities.

And those obstacles are daunting. Is the consumer the end user, or is it the retailer or the physician? And if it's the consumer, will they buy prescriptions based on perceived quality (Tide is a better detergent than the store band) or strictly on price? And, finally, where does the insurance company— which has the final say in so many prescription purchases—fit into the equation?

"I honestly think that 99 percent of it, if the doctor tells them what do, that's what the consumer will do, not because of any perceived branding," says Ann Stephenson, the CEO of New York City's Stephenson Group, a marketing and public relations consultancy that works with health care companies. "I just don't think it will mean anything to the consumer, that you can get them to ask for a specific generic."



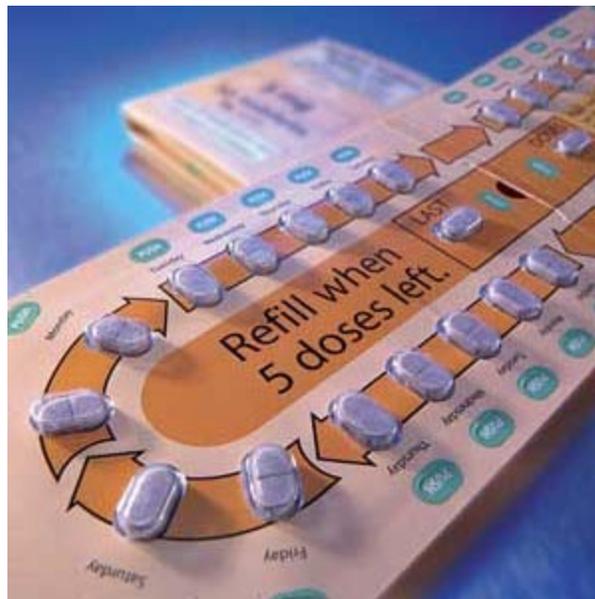
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**Supply Chain and Channel Management**

"Supply chain" usually refers to the physical movement of products or supplies, while "channel management". . .





The Warfarin Track Pack of Taro Pharmaceutical was developed specifically for Wal-Mart pharmacies

#### Store labels

Yes, but consider the possibilities, say those who see the changing health care landscape, especially since it will put more of an emphasis on the consumer to make his or her own decisions, as the impetus for specifically branded generics. Bain & Co. estimates that generic drug sales will grow at a 10-12% annual rate over the next few years, more than double the rate of branded drugs.



DONATELLA GIACOMETTI, TEN SECOND WORLD

"It's a major opportunity for the big players to distance themselves from the rest," says Donatella Giacometti, the chief brand officer for New York City consultants Ten Second World. "They're better known to consumers, and they'd feel much more comfortable doing it."

But, so far, no one has taken generics to quite that point. CVS spokesman Michael DeAngelis says his company carries CVS-labeled versions of over - the-counter medications, but doesn't brand generic prescription drugs with a CVS label. McKesson, whose subsidiaries distribute Healthmart and Valu-Rite private label products to pharmacies, does so only for OTC products, says spokesman James Larkin.

There are host of reasons for this, say analysts, and it's not just because no one is sure if the consumer can be convinced to ask the pharmacist for a store label generic, even assuming that it's OK with the physician who

wrote the prescription and the insurance company that's paying for it. Though, says Giacometti, this is one area where the market has shifted considerably over the past couple of years, and will continue to change as consumers are urged to ask their doctor about their health care, rather than letting their doctor tell them what to do.

Also important: Generics' reason for being is their lower cost, which means smaller margins and less cash available for marketing and brand building. In addition, since generics usually aren't detailed, there's no one to push the product to physicians. Finally, it's a matter of shelf space. Since all generics are by definition more or less the same, pharmacies don't need to carry more than one or two for each drug, and so don't have the room to carry extensive product lines.

"It's the ROI question," says Bill Johnson, the managing director, New York, for the Brand Institute consultancy. "Is there a way to build enough value? That's the trickiest part."

### **Market examples**

Yet some companies have found sufficient ROI. Customers who shop Target's pharmacy spend three to five times more than the average Target shopper, which helps to explain why the national discount department store chain launched its Clear RX program in April 2005. Clear RX features new prescription bottles with flat-front panels, large-print labels, and colored ring tops for different family members. The effort, apparently, is the first time a large-scale pharmacy has done something other than fill prescriptions in the traditional container.

Target did not respond to several requests for interviews for this story, but Target Stores president Gregg Steinhafel told Drug Store News when the program started: "We really think this is a breakthrough. It offers a reason for our guests [customers] to switch from their local pharmacy or some other competitor to us. It's a competitive advantage."

All of which, say several consultants, sounds pretty much like a store label, overcoming the problems previously outlined. But retailers are not the only ones addressing the issue, with increasing innovation on the manufacturer end. A 2005 survey conducted by Roper Public Affairs and Media for Prasco found that 90% of Americans would like to be told specifically by their pharmacist when an authorized generic is available – which seems pretty close to consumers asking for a store-label brand.

"It's hard to make sweeping generalizations about what the marketplace will do, but a variety of factors come into play," says Kimberly Carroll, Prasco's vice president of communications and marketing services. "Price is one part of it, but not all of it."

Case in point: The oral contraceptive Solia, Prasco's authorized generic version of Oragnon's Desogen. Consumer research, conducted by Prasco, found that women didn't like the cardboard card that holds most birth control pills. So when it released Solia in 2004, it did two things – made the box smaller, to take up less space on the pharmacist's shelf, and used a plastic card to hold the pills. Says Carroll: "We most definitely try to take into account the needs of the marketplace."

And, says Carroll, no one has come to Prasco yet with a plan to do store-label authorized generics. But if they did? "If the business strategy aligns with our philosophy of providing a consumer solution, we'd be interested in taking a look at it," she says.

Which is the situation that much of the industry finds itself in. "Branded generics are still unexplored territory," says Johnson. "It's certainly a possibility, but no one quite knows where to go from there." As of now, anyway. As the health care landscape keeps changing, who knows?

### ***The Branding Question for Authorized Generics***

For years, when blockbuster pharmaceuticals went off patent, there wasn't much drug companies could do, save for shrugging their shoulders and hoping for the best. All that, apparently, is changing.

Cutting Edge, the Durham, NC, research firm, says that almost half of drug companies it survey are considering using authorized generics in the next three years, compared to just 29% in 2004. And almost one-third the same companies are considering the use of generics subsidiary units over the same time frame, compared to 29% in 2004. "They're looking at a way to defend the brand through the use of authorized generics," says Eric Bolesh,

Cutting Edge's research team leader. "They see significant market advantages to doing it, one of which is that it's easier for them to crowd out other market entrants. Why would I want to do a generic if the manufacturer is already doing an authorized generic?"

This could mean a couple of things, one of which would be higher generic drug prices, primarily because of the reduced competition. This irony, says Bolesh, could also make it possible for Big Pharma to look at branding generics much differently than they do now, which is hardly at all. He notes that higher prices mean better margins, especially for biologics, and better margins can pay for stepped-up marketing – and Big Pharma knows how to market and brand products. And could store labels be far behind? It's a good question. Bolesh doesn't expect to see it in the near future, but, he says, "It doesn't seem out of the realm of possibility."  
— Jeff Siegel

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