The Year of the Switch

Transition from Prescription to Over-the-Counter is 2003's Pharmaceutical Success Story

December 9, 2003, New York, NY – Two of the most highly advertised prescription drugs of their time made the switch from Rx to over-the-counter (OTC) in 2003, marking a significant shift in the health treatment landscape for their respective ailment markets, according to Ipsos PharmTrends, a syndicated study of consumer behavior by Ipsos, the global marketing research firm.

First Claritin and now Prilosec. Not only are significant sales expected for these two new OTC alternatives, but they are also expected to generate overall expansion within the allergy and heartburn treatment markets.

Since the launch of branded prescription drug advertising, as well as the introduction of new drug classes (Proton Pump Inhibitors and second generation antihistamines), the OTC buyer base within both of these markets has eroded. Not only did the highly advertised Rx drugs capture the majority of new buyers entering each market year over year since the influx of branded prescription drugs in 1997, but also they successfully transitioned existing OTC buyers to alternative Rx therapies.

However, with two of the most highly advertised Rx drugs of their time now available over the counter — and with each being the first in their respective drug class to make the switch to OTC — the landscapes of the allergy and heartburn treatment markets are changing dramatically. Similar to the promotional techniques used when they were available only by prescription, Prilosec and Claritin OTC are creating hype through significant advertising expenditures, physician detailing, special offers and promotions, and assistance from managed care organizations as they too have begun promotion through vehicles such as coupons to promote the purchase of OTC or lower perceived priced products.

"Claritin's historic switch changed the landscape of the entire allergy market in 2003," said Fariba Zamaniyan, vice president and spokesperson for Ipsos PharmTrends. "Claritin OTC has successfully sparked new life within the OTC segment of the allergy treatment market. Since it's launch, this category has expanded, driven primarily by new buyers who entered the market and purchased these new over-the-counter treatments as well as existing brands such as Benadryl. As a result, the OTC buyer base increased 49% for the seven months ending June 2003 versus same period a year ago allowing this previously soft segment to regain share of the allergy market buyer base." *(see chart)*

Through June 2003, one in six buyers of Rx or OTC allergy drugs made a trial purchase of Claritin OTC, with more than eight in ten making their first purchase before the start of the peak spring allergy season. Just over half of the Claritin OTC buyers during this launch period were buyers who transitioned from alternative Rx or OTC products. One in four Claritin OTC buyers who transitioned from other allergy remedies were prior Claritin Rx (includes Decongestant formula) during the same period year ago.

Overall, the switch of Claritin to OTC was a positive change for the allergy category since it served as a catalyst for growth in a previously flat market, thus increasing the potential opportunity for brand switching and loyalty development. The Claritin OTC switch also forced marketers of existing brands, specifically manufacturers of Rx oral antihistamines, to engage in strategies that focused on development of heavy buyers — a course for future promotion of leading Rx DTC advertised branded drugs.

The Prilosec OTC launch on September 15, 2003 is expected to similarly impact the heartburn treatment market. Early results indicate that Prilosec OTC is on the same course for growth as demonstrated by Claritin OTC. Prior to their respective Rx to OTC switch, Prilosec was a third of the size of Claritin in terms of number of buyers. Similar to Claritin, in its first two weeks on the market Prilosec sourced the majority of its early triers from existing heartburn/acid indigestion buyers of which one in four were previous Prilosec Rx buyers.

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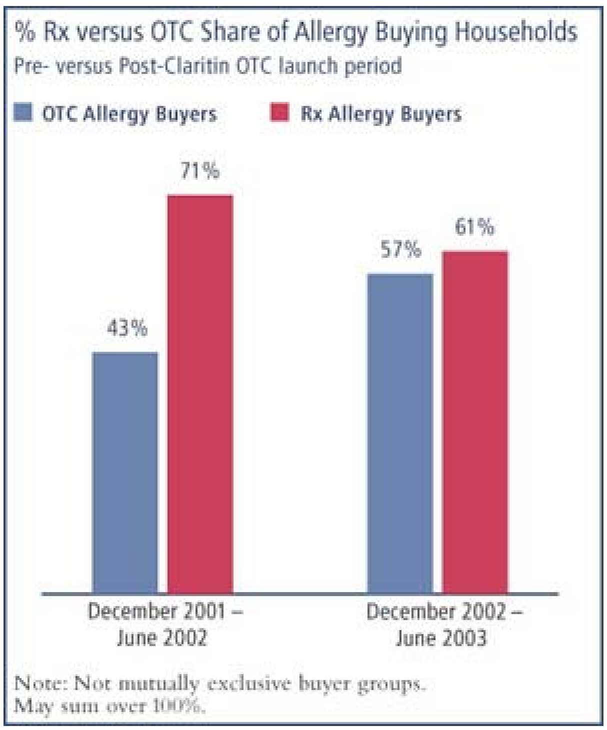
“The behavior witnessed in the first seven months of launch for Claritin OTC is only a snapshot of change that is to come. The purchase cycle for allergy drugs is fairly long due to the seasonal, infrequent nature of treatment for the bulk of the category and further brand switching or replacement will likely continue to occur,” said Zamaniyan. This seasonal difference will likely be a key factor in the differences seen between Prilosec and Claritin OTC during their first year of market availability. Given the more frequent, chronic pattern of treatment for heartburn and acid indigestion, brand switching may be a more significant contribution to Prilosec OTC’s business in the months ahead.”

“So, we expect to see Prilosec OTC’s effect on existing Rx and OTC competitors sooner than we’ve seen thus far for Claritin OTC. Prior Rx and OTC category buyers may not have been ready in 2003 to replenish their allergy supply. 2004 will effectively illustrate the switch product’s ability to leverage the equity built within the Claritin franchise and its ability to effectively utilize consumer promotional strategies to lure buyer re-entry to this OTC alternative. This same challenge lies ahead for Prilosec OTC in 2004,” said Zamaniyan.



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Ipsos PharmTrends Methodology

Ipsos PharmTrends® syndicated tracking service captures both prescription fulfillment and over-the-counter purchasing data through a longitudinal and continuous consumer panel of 16,000 households that is representative of the U.S.

census composition. Each month, panelists report their prescription and over-the-counter purchases for the treatment of a full spectrum of conditions (general and specific). The monthly tracking began in 1997.

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