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Over-the-Counter Segment of the Allergy Market Regains Ground

Claritin OTC switch ignites a reversal of trends within the allergy treatment market, reveals Ipsos

February 25, 2004, New York, NY - Following the switch of the former blockbuster prescription allergy drug Claritin to an over-the-counter (OTC) formulation in December 2002, leadership within the allergy treatment market has changed, according to recent findings from Ipsos PharmTrends®, a syndicated service tracking consumer purchase behavior of both prescription (Rx) and OTC drugs, provided by Ipsos, the global marketing research firm. One year after the move to OTC, Claritin—along with other non-prescription drug introductions such as Alavert and generic Loratadine—halted the growth of prescription oral antihistamines market and ended the market leadership the segment had gained by significant and pioneering investment in direct-to-consumer advertising over the past seven years.

Fuelled by Claritin, the OTC segment of the allergy treatment market has quickly regained lost ground due to heavy marketing and promotion by Rx alternatives. The OTC segment now accounts for 63% of the allergy buyer base for the year ending November 2003, which is an increase from 48% for the same period year ago.

Prior to the switch, the Rx segment of the market, including oral antihistamines and inhaled nasal steroids such as Flonase, captured 7 out of 10 allergy buyers. Today, that proportion has declined to 58% of the total Rx/OTC allergy buyer base.

“The Claritin OTC switch was a success in its ability to rejuvenate the soft performance exhibited by the OTC segment of the market over the past five years,” stated Fariba Zamaniyan, PharmTrends spokesperson and Vice President of the Ipsos Health Practice, “Claritin not only retained its prior Rx users, exhibiting strong buyer loyalty, but also helped expand the allergy market by attracting new buyers. Both are signs of successful brand development.”

With the help of significant consumer advertising expenditures, special offers, discounts including coupons distributed by managed care companies, as well as professional marketing including detailing to physicians, trial for Claritin OTC—as well as Alavert and generic OTC drugs containing Loratadine (Claritin’s active ingredient)—helped ignite momentum within the OTC segment of the market in the first 12 months following launch. The size of the total allergy market buyer base (both Rx and OTC) increased by 9%, driven primarily by new-to-category buyers who entered the category and purchased new OTC allergy drugs, as well as existing brands such as Benadryl. As a result, the OTC allergy buyer base expanded by 45% for the 12 months ending November 2003 versus the same period a year ago.

Despite rejuvenated OTC growth, the Rx segment of the allergy market has felt a negative effect from Claritin OTC’s launch. This segment of the allergy market realized a decrease of 9% in its buyer base as a result of declines within oral antihistamines, driven primarily by Claritin Rx buyers who either left the market (did not purchase any Rx or OTC drug for allergy treatment) or transitioned to an OTC alternative. Rx alternatives such as Allegra and Zyrtec have been able to hold their ground and deter significant erosion of their respective franchises. Both brands exhibited a flat performance; unable to increase their buyer base compared to year ago when Claritin OTC was not in the market.

With one year in the OTC market under its belt, Claritin is meeting expectations. A third of Claritin OTC buyers sourced from new-to-category entries and the remaining two-thirds came from prior Rx and OTC brand buyers (either switched or added Claritin OTC to their allergy treatment mix). More than half of those buyers who switched to Claritin OTC are continuing buyers of the parent Rx formulation.

“Through effective use of consumer promotional strategies and brand recognition with the established Claritin Rx franchise, Claritin OTC was able to leverage equity and reshape the allergy marketplace pushing the OTC segment to renewed heights,” stated Ms. Zamaniyan.

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"Competing prescription and non-prescription brands must continue to emphasize strategies that enhance existing buyer loyalty in order to maintain and grow market share. Driving trial through consumer advertising for prescription antihistamines requires a new wavy of thinking. Differentiation and relevance is more important than ever because of the emphasis on cost created by these perceived price-value introductions and the rising formulary pressures placed on Rx alternatives. Establishing a unique position that is relevant to the intended end user will be necessary in order to gain fair share of new market entries as well as to encourage brand switches," added Ms. Zamaniyan.

One consideration is the promotion of savings for the purchase of Rx allergy drugs versus branded OTC's like Claritin. For many Americans, the out of pocket expense for branded OTC allergy medicines like Claritin is higher than you would expect. The general perception is that Rx drugs cost more since you can't simply turn to a drug store shelf to purchase. However, for individuals who have prescription drug insurance, the cost per pill may actually be less.

"Consumers are empowered more than ever to seek information that pertains to their health benefits. With so much attention on rising costs for Rx's and, in some cases, introducing cross-border purchasing to alleviate the burden, not enough attention is drawn to the significant savings drug insurance provides versus OTC alternatives when it comes to yearly out-of-pocket expenses for treatment of ailments such as allergies. In its first 12 months on the market, the out-of-pocket cost for Claritin OTC was an average of $.89 per pill; Alavert, $.55 per pill; and generic Loratadine much less at $.29 per pill. Their Rx allergy counterparts, Allegra and Zyrtec, cost an average of $.42 and $.46 per pill, respectively (average consists of both full price and drug insurance coverage payments). Some food for thought," stated Ms. Zamaniyan.

For more information, please contact:

Fariba Zamaniyan
fariba.zamaniyan@ipsos-na.com
Vice President
Ipsos Health
516.507.3047

Or

Scott Cutler
scott.cutler@ipsos-na.com
Account Manager
Ipsos Health
516.507.3321

Ipsos PharmTrends Methodology

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