

Re-pricing OTC medication After Release from Regulatory Restrictions

The regulatory requirement which capped the wholesale price that could be charged for this OTC oral medication was soon to expire. The pharmaceutical company wanted to plan how they could restructure their pricing to better reflect market demand.

In order to develop an optimal pricing strategy for this product, Pricing Solutions needed to understand consumers' willingness-to-pay at different price points. They also needed to understand the role of distribution partners—both in setting the end-prices charged to consumers, and in influencing the purchase decision.

After completing a large-sample consumer survey, Pricing Solutions was able to recommend a revised pricing structure. Pricing Solutions also determined key segments most interested in this OTC oral medication. The mystery shopping interviews provided valuable insights into how pharmacist and doctors varied in their opinions about the value of this medication, and how this might nudge consumers for or against a purchase decisions.

A Pricing Recommendation

for the OTC medication

The Challenge

The challenge was to measure consumers' willingness-to-pay at different price points; both for individuals and on behalf of their families. The study design also needed to consider the variation in prices charged via different distribution channels. Finally, the complete market research project had a strict one month timeline.

Building a Solution That Fits

Pricing Solutions conducted 2 types of primary market research.

1. Mystery Shopper Interviews

Pricing Solutions conducted interviews at 22 retail pharmacies and 10 travel clinics in Vancouver, Toronto, Ottawa and Montreal. The interviews allowed the team to:

- Measure prices charged at various retail stores
- Understand attitudes towards this specific OTC medication
- Understand the recommended use of the medication and how long the medication would be effective

2. Online Surveys

Pricing Solutions ran an online survey amongst roughly 800 target consumers across Canada. The survey:

- Used a monadic design with 6 different price points
- Employed MaxDiff for measuring value drivers with segmentation
- Employing CHAID to identify key predictors of interest in the OTC medication

Overall the primary market research provided deep customer insights that strengthened the pricing strategy implementation.

"I was very impressed with the work Pricing Solutions did on our brand, and appreciated the insights & additional perspective aimed to enhance our commercial success. It does underscore an important role of the HCPs in shaping our customers/ patients purchasing decisions/choices."

- Senior Director (Canada),
Fortune 500 Pharma

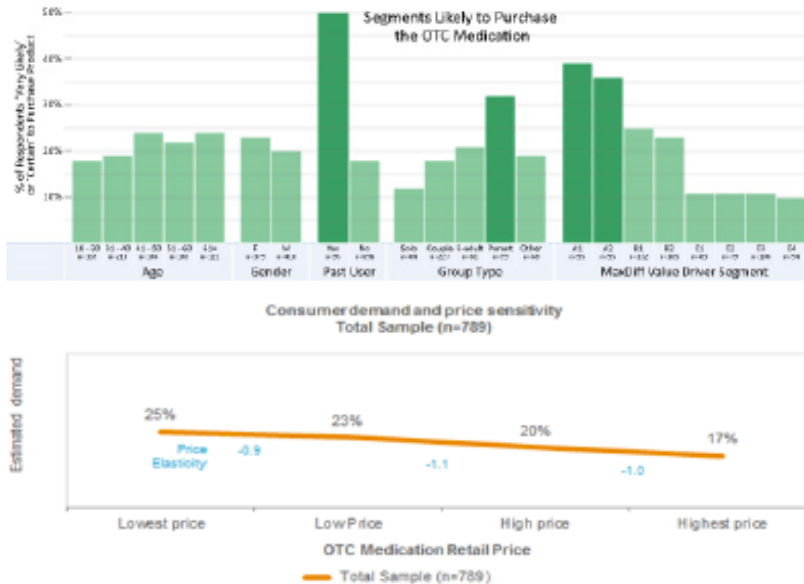


The Result?

Pricing Solutions provided the client with a pricing recommendation for the OTC medication. In addition, the study demonstrated large differences in willingness-to-buy according to MaxDiff derived segments, and identified the groups were most interested in buying this OTC medication. Finally, Pricing Solutions provided clear recommendations about how to encourage doctors and pharmacists to support the purchase decision of consumers.

What's the Pricing Solutions Difference?

For this project, Pricing Solutions was able to provide robust information and recommendations for a specific, time-sensitive decision. The robust information provided insights beyond the scope of the initial project with valuable implications for both the marketing and pricing departments.



Above: Price Elasticity diagram for this OTC product. Six tested price points were condensed to four within this analysis

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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