



# Misplaced marketing

“Mine is the blue one on the left”: function and dysfunction of pharmaceutical brand names

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**Abstract** *Looks at the use of brand names in the pharmaceutical industry in comparison with generic versions. Gives a brief history of brand name development. Concludes that brand names for pharmaceutical drugs should be banned since this is open to abuse in the area of cost enhancement.*

It is the frustration of many patients that their medical coverage either refuses to pay for brand name drugs or requires a higher co-payment for coverage of brands than for generic versions of the same drug. When a doctor recommends a brand name, the patient must decide if the specific brand is worth the higher cost. Other times, the patient just curses the pharmaceutical companies since a generic version is not available.

In the latter case, the problem is not the brand, but rather, that it is a new product that is still under patent protection. In the former, there exists some evidence that doctors or even patients might be misled about a brand's value apart from the scientific data on the matter (e.g. see: Avorn *et al.*, 1982). At a more basic level, there is some question as to whether the medical system is served by brand names for any prescription drug product whose patent has expired.

The issue can be better understood in reference to the history of brands and mass demand as both originated in the nineteenth century.

Many people assert that advertising made mass demand possible and that people started branding and advertising so they could sell more products. But such assertions ignore a basic fact: mass distribution and mass demand existed before any manufacturers started branding their products. And branding came before advertising.

Before the US Civil War, any advertising that existed was retail in nature. After the war, with the development of the national railroad system, companies started producing more products for sale outside the local area. But the products were generic in nature. Then, as now, the maker of a commodity would start branding and advertising more out of a desire for power over the channels of distribution. With consumers desiring the company's brand instead of a generic product, the company had some control over the price and distribution. A pull strategy on the brand forces distribution to the stores. With a brand, the company might actually end up selling less product, but at a higher price (Norris 1984).

**The problem is not the brand**

**Generic in nature**



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## Higher value worth cost

This is not to say that the branded products did not initially have a higher value that would make them worth the cost. Food products might be in more sanitary packages that would be available in bulk and all manufacturers would need to come up with innovations to make the product stand out. Ready-made packaged bars of soap are more convenient than a bulk purchase. Morton Salt could come up with a way of granulating the salt so it would not lump together when moist (“When it rains, it pours”) or iodize the salt to aid in prevention of disease (“Keep your family goiter free”).

Innovations can make the branded product worth the higher cost (Rotfeld and Rotzoll, 1976; Rotfeld and Parsons, 1989), that is, until the innovation is imitated by all competitors. Over time, the old claims are not so much a statement of greater value as a tie to an old image.

The late advertising icon Reeves (1973, p. 54) has been quoted as saying that “Many [advertising] clients throw two newly minted half dollars on the table and ask us to persuade the public that one is better”. Reeves often asserted that no brand should use empty puffery to inflate meaningless or false claims, but should instead claim a real benefit. However, he never says how to handle those two half dollars, or what to do if the half dollars are two drugs with a wide difference in price for cash-strapped consumers.

Years ago I visited a bakery in Illinois that made a popular brand of enriched white bread. I noticed several bags at the end of the line in the same size but with different writing. The majority of bags were for the primary advertised brand, but many other bags had the names of local store brands. Years later in Pennsylvania, the same thing was seen at a potato chip company, with a half dozen different brand names on different bags all filled with the same product. And at a drug company, the almost-finished pharmaceutical pills went down one conveyor belt to the left to be stamped with the company label and dyed the trademarked blue, while other pills went down a different belt to the right for generic sales.

Some people retain an unrealistic faith in the power of brand name drugs, but the Food and Drug Association (FDA) repeatedly assures us that any functional benefit is virtually nonexistent. Generic drug manufacturers are subjected to the same standards as their brand name counterparts. But despite these repeated assurances from the government agency charged with regulating the efficacy and purity of prescription drugs, some patients and even doctors retain faith in the brand names.

## Can charge whatever is necessary

Logically, the FDA could ban the use of all brand names for pharmaceutical drugs. When a new drug first comes on the market, the pharmaceutical company has a patent. No one else can make it without their permission and they can charge whatever markup is deemed necessary to make up the costs of development. They do not need a brand name to do this. And once the patent expires, they have competition from what are now identical products. The new products brand name might have had an initial value to make it easier for consumers to recall the name in direct-to-consumer television commercials, but once the product becomes generic, maybe the former brand name could become generic, too.

The medical insurance companies have taken the pharmaceutical brand names as a surrogate indicator of what they claim are unnecessarily high costs. And in the process, they also make it more costly for people to use any and all newly developed drugs. The probable solution is to see all pharmaceutical brand names as unnecessary, or, at least, not serving the needs of doctors or their patients.

## References

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