

Nexium 24HR's impact: How top brands respond

In May 2014, Pfizer introduced Nexium 24HR, one of the top-selling acid blockers, over the counter in the United States. Nexium has been a leader in prescription acid blockers for more than 10 years, and its approval to be sold as an OTC medication makes it much more accessible to consumers. Nexium has clearly found its place in the OTC antacid category in the short time it has been available, but how have other top brands responded? How has this introduction affected both retailers and consumers?

DSN has partnered with Competitive Promotion Report and IRI to create an exclusive report on the initial impact Nexium has created in the OTC antacids category. This analysis looks at the changing trends in sales, list and retail prices, and retailer margin of top national brands of competing OTC acid blockers.

For drug retailers, Nexium has contributed to a nearly 30% increase in incremental retail dollar sales year over year — about \$10.1 million in OTC acid blockers alone for June and July. At an average retailer margin of 24.7%, it added another \$2.5 million margin dollars to the OTC drug channel. Additionally, as with any large new product introduction, increased advertising draws more consumers, who, in turn, benefit from increased competition in the marketplace.

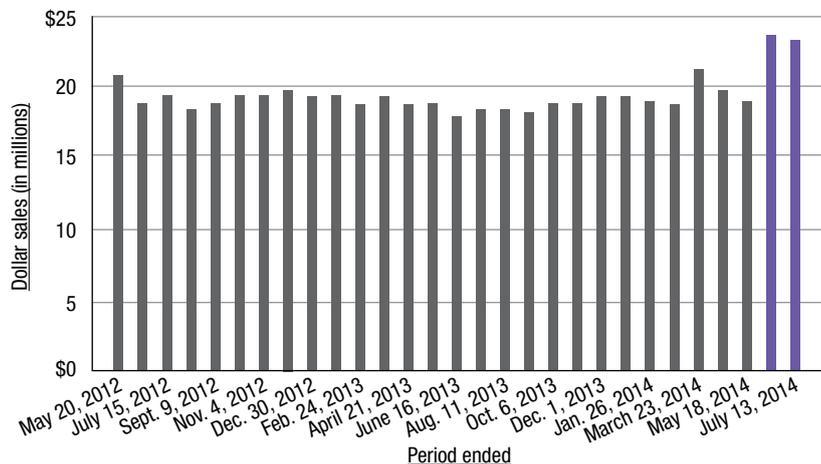
While all this is beneficial for drug stores, it is at the expense of Nexium's competitors. While the actions to be taken by competing brands are not yet known, it will be interesting to observe how each competitor responds to this important development, as well as to each other's actions. Specifically, Prilosec, Nexium's leading OTC competitor did not immediately show a noticeable change in promotional strategy, as its mix of promoted units stayed essentially static through the months of June and July. The lack of competitive pricing and more aggressive promotional strategies to brace the impact of Nexium's presence allowed Nexium to take immediate control of the antacids category.

The following are some additional findings in the study:

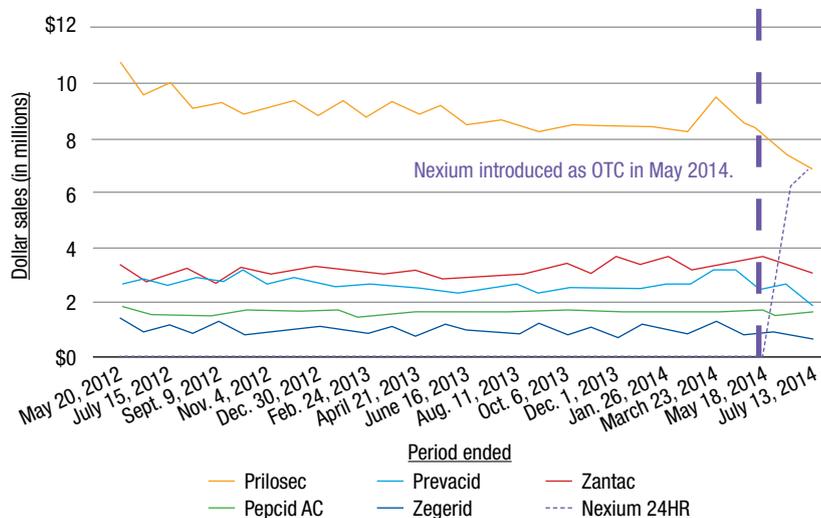
- Dollar sales of Nexium's competitors dropped by an average of 19% in the two months following Nexium's introduction as an OTC.
- Nexium surpassed Prilosec, the leading acid blocking brand, in July 2014 and is poised to become the dominant brand in the OTC antacids category.
- Total OTC acid blocker units increased by 570,714 year over year in the drug channel. Nexium accounted for 691,325, meaning Nexium has added consumers to the category but also has drawn away sales from other brands.
- Though Nexium and Prilosec are similarly priced at retail, drug stores are positioned to benefit further from the introduction of Nexium, with it providing an additional 5.5% more in margin per unit than Prilosec.
- Pfizer is the only manufacturer to gain ground in antacid tablet retail sales between May and July. Total private label dropped by 4.8%. Prilosec dropped by 21.2%.

OTC ANTACID CATEGORY

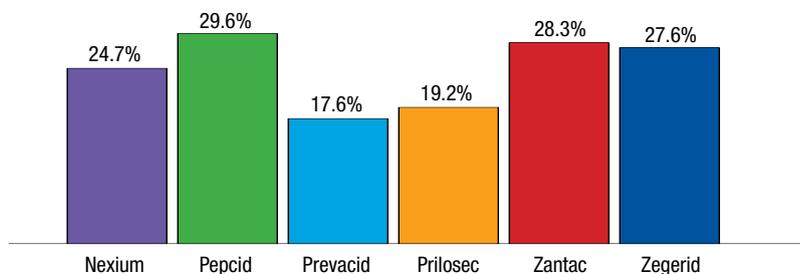
COMBINED OTC ACID BLOCKER DOLLAR SALES



OTC ACID BLOCKER DOLLAR SALES



OTC ACID BLOCKER AVERAGE RETAILER MARGIN



Source: CPR Database July 2012 to July 2014 and IRI, antacids tablets subcategory data for the 116-week period ended July 13, 2014

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