

NONFOOD STRATEGIES

Meijer Rolls Out Pet Health Insurance

By DAN ALAIMO

GRAND RAPIDS, Mich. — Meijer here is rolling out a pet health insurance program, displaying it within its pet departments, the company told *SN* last week.

As various financial product offerings take hold in supermarkets, pet insurance has special appeal because of the 58 million households with pets frequenting supermarkets more than twice a week, said Brent Hinton, chief executive officer, PetFirst Healthcare, Jeffersonville, Ind. PetFirst provides the program to Meijer, as well as to Kroger Co., Cincinnati, and Spartan Stores, also Grand Rapids.

New and remodeled Meijer stores feature stand-alone pet departments near the grocery products, said spokesman Frank Guglielmi.

“Our pet department has become much more robust in the last few years. Pet insurance is a logical addition to the pet department, providing as many choices as possible for the customers,” he said.

The pet insurance roll-out is expected to be chain-wide by early summer, he said.

At Kroger, which has had the program for almost a year, “it is becoming increasingly popular with customers,” said spokeswoman Meghan Glynn. Kroger displays the offering at the checkouts.

“It is part of the products and services that Kroger Personal Finance offers, and we continue to intro-
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OTC: ALLERGY ACTION

The OTC switch of a major allergy drug and the arrival of its generic equivalent are big news in health and wellness retailing

By AL HELLER

To cash in on the popularity of Rx-to-OTC switches, supermarkets gain an edge when they're early to market the new self-care remedies, with visible displays, competitive prices and pharmacists trained to make the recommendation.

Food stores that execute best, and connect switches to nurse-run clinics and wellness themes, will more certainly earn an image as a health care destination, retailers and health care industry experts told *SN*.

The rewards of getting it right are great. Self-care categories grew dramatically in the switch heydays of the past two decades, so supermarkets were ready to pounce on Zyrtec and Zyrtec-D from McNeil Consumer Healthcare, Fort Washington, Pa., the 24-hour, indoor-outdoor allergy medication that attained over-the-counter status this winter.

This launch was unusual because of the near-

simultaneous launch of a generic version, which chains used as an opportunity to market private label. Typically, the Food and Drug Administration could grant a branded switch up to three years of market exclusivity if the manufacturer shows the switch is new and different. That happened with proton pump inhibitor Prilosec in 2003, for example.

However, because allergy medication Claritin-D did not get exclusivity when it went OTC in 2002, the makers of Zyrtec didn't even attempt to get it in 2008, said Laura Mahecha, health care industry manager of the Kline & Co. consultancy, Little Falls, N.J.

Before that, the most significant switch was last summer's weight-loss aid Alli from GlaxoSmithKline, Moon Township, Pa., which broke new marketing ground by surrounding the former Xenical prescription drug with an educational book and calls for users to exercise more and eat low-fat foods.

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As spring arrived, John Fegan, senior vice president of pharmacy, Ahold USA, Quincy, Mass., said, "We'll see Zyrtec flying off the shelves, with flu season done and allergy season on the way." OTC Zyrtec launched at the beginning of the year.

Even in its early days of over-the-counter distribution, he called unit sales "significant. Of course, we're dispensing more tablets in the category, but getting fewer sales dollars because the branded prescription was so much more expensive. We're also seeing an increase in generic prescriptions."

The effect of the price break didn't surprise him, however. "Some insurance carriers are covering the OTC version when patients are directed by their physicians. They can move them off of higher-cost products without negatively impacting their health, and it helps to control their expenses," Fegan added.

Bob Mueller, director of

doing great, but the brand name isn't faring too well because, in this case, generics reached the shelves as fast as the brand name. Brands usually come out at least weeks ahead of the generics and get a jump."

Texas consumers are "glad they don't have to go get a prescription anymore for their allergy relief," said Ron Peters, vice president of pharmacy, Minyard Food Stores, Coppell, Texas. "The OTC is a good product, and there's a less expensive generic available too."

On the West Coast, Michele Snider, director of pharmacy at Save Mart Supermarkets, Modesto, Calif., also noted consumer preference for the generic OTC over the Zyrtec OTC because the brand is so expensive. "Most pharmacy benefit managers no longer cover Zyrtec, and few antihistamines are prescription only, so the PBMs recommended that their members take the OTC version," she said.

This aggressive pursuit of switch sales is understandable, given drug distribution

macy loses that anchor and retailers either get busy or lose their share," said Bruce Kneeland, president of the PharmacyConnections consultancy, Valley Forge, Pa.

"Unfortunately, I don't see supermarket wellness themes reaching into the switch arena. It continually evades me how supermarket pharmacy trails in segment volume. It seems counter-intuitive," he added.

If supermarkets do trail the sharp pricing and wide assortments of big-box discounters and the expertise and image of drug stores, there still appears to be plenty of switch volume and growth to go around for the foreseeable future.

PHARMACIST'S ADVICE

Field execution will be key to their brand success, suggested Kneeland, who told how his own attempt to buy Zyrtec was squelched by a relief pharmacist on duty at a nearby supermarket. "The pharmacist I trust recently moved over to this store," he said. "I went to see the product and get her opinion because I've only used Sudafed until now. A free-standing display of Zyrtec had no price. The relief pharmacist told me it was \$29, but, 'You don't want to buy it anyway. It's just a longer-acting version of Adderax [a mild tranquilizer/powerful antihistamine marketed by Pfizer in the 1970s].'"

"No consumer in the world would know that. I walked away. Five weeks later, I bought the private label at a discounter. Manufacturers need to educate pharmacists. This demonstrated the power of the pharmacist recommendation in reverse."

Supermarkets are at a slight disadvantage with switches because brand marketers tend to focus on drug and mass channels with displays, signs and training, said Kline's Mahecha. "A company as large as Ahold should also get good attention, but small regional operators get less."

"Since switches are pretty high-priced items with [good] margins, it behooves supermarket pharmacists

to be informed, even if they have to chase the information online or elsewhere," she noted, urging supermarkets to request that manufacturers also provide them with all of the same

around the entryway to clinics, just as they have for pharmacy checkouts," said Kneeland. "Their artful display of switched products can help capture first sales. The halo effect surround-

The Next Hot Switches

Fourteen prescription drugs that exceeded \$20 billion in sales in 2006 may have the potential to go OTC in four years, suggests a new report by Kalorama Information, New York.

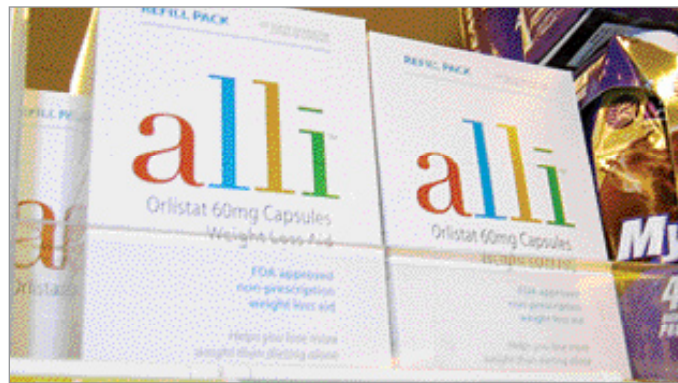
Predicting that Rx-to-OTC switch markets will reach \$5 billion in 2008 and grow by close to 40% by 2010, the study, "The Return of the Rx-to-OTC Switch: Market Analysis and Product Management Strategies," said more than half of this year's revenues will come from allergy medications that have already switched, such as Claritin, Benadryl, Sudafed, Nasalcrom, Mucinex and Zyrtec.

Red-hot by comparison, the compound annual growth rate for antilipidemic agent switches — such as anti-cholesterol drugs Mevacor, Pravachol, Lescol and Zocor — will outpace allergy by 127.5% to 3% between 2008 and 2013, the report forecasts.

Other future potential switches include gastrointestinal drug leaders Prevacid, Protonix and AcipHex; the allergy treatment Allegra; migraine therapy Imitrex; and oral contraceptives, the report cited.

Affecting the upswing in switches are patent expirations, generic competition, suitability for OTC shelves, drug safety and efficacy, petitions to the FDA and manufacturer trends. Report author Melissa Elder said that 2006 and 2007 saw a number of switches following a brief absence, but "we believe this product management tactic will continue to be aggressively utilized as companies seek ways to extend revenue life cycles."

— A.H.



The weight-loss drug Alli went OTC last year with strong sales resulting.

pharmacy, Schnuck Markets, St. Louis, observed that many customers in his trading area lost their insurance coverage for Zyrtec once it went OTC, and that is driving them to buy the less-expensive generic OTC version rather than the branded Zyrtec OTC product.

"Branded and generic prescription volume has fallen off a cliff with the switch," he said, calling the dynamics within the corresponding OTC segment "interesting. The drug entity is

trends and America's ongoing shift to self-care, the 47 million uninsured and a tightening economy that has people seeking lower-cost health care solutions. More than 700 OTC drugs use ingredients and dosages that were only available as prescriptions less than 30 years ago.

"When a drug goes OTC, it goes from being available in 55,000 locations to 500,000 locations — everywhere from the local 7-Eleven to airport bookstores. Phar-

marketing and educational materials.

"Pharmacists are so trusted that consumers tend to buy whatever they recommend," she added.

Zyrtec-D has pseudoephedrine, so it's behind the counter like Claritin-D and other remedies. Despite daily purchase limits and the loss of impulse, Mahecha sees a positive side to these restrained displays: "Patients are becoming accustomed to asking for PSE products, and this opens the line of communication with the pharmacist."

Supermarkets may not match the variety of Wal-Mart, with eight different Zyrtec OTC stockkeeping units, or its private label, or its pricing, but the intimacy of the supermarket format with walk-in clinics can create a key focal area for merchandising OTCs, and Rx-to-OTC switches in particular. "Supermarkets need to develop merchandising

ing clinics adds a rational component to the strategy.

"There's an opportunity now for the nurse-practitioner to recommend the switched product and say, 'Ordinarily, I'd prescribe this for you, but it's now available over the counter. If you'll take that, let me put it in your record so we can document it, track it and consult with you on any possible interactions,'" Kneeland added. "By treating the transaction seriously, supermarkets do a better job of convincing people that OTCs are real medicines."

ZYRTEC AND ALLI

How great is the potential of Zyrtec and Alli for food stores and other channels? Zyrtec prescription sales were \$1.3 billion in 2007, according to IMS Health, Norwalk, Conn. With the switch, retailers have told SN that prescription sales

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expectedly plummeted, and over-the-counter sales of the drug entity are strong. However, people are often buying the private label at the expense of Zyrtec to save money. That's not such bad news for supermarkets enjoying their high margins on the generic-produced alternatives.

By comparison, Xenical sales had dwindled dramatically to \$86.6 million in 2005, said IMS, and Alli has since revived the drug. After reaching store shelves in June 2007, Alli has sold significantly in spite of well-publicized leakage and oily discharge issues (from unabsorbed fat) associated with its use, and an estimated \$60-per-month consumer cost.

Alli has sold \$141.6 million in U.S. food, drug and mass merchandise outlets

(excluding Wal-Mart) in the 52-week period ended March 23, on sales of 2.4 million units, according to Information Resources Inc.'s Infoscan Reviews data. This represents a 37.5% share of dollar sales of the \$377.7 million weight-control candy-tablet segment. The brand's contribution to segment sales is greater than first appears, however, because Alli achieved its sales in less time than the 52 weeks reported for the entire segment.

It also opens the door for supermarket pharmacists to partner with store dietitians to provide some additional counseling about healthy eating as an adjunct to pharmacological therapy, John Beckner, director, pharmacy and health services, Ukrop's Super Markets,

Richmond, Va., told SN.

Wal-Mart said in January that Alli had become its best-selling OTC diet product.

What the data doesn't show is the degree of initial launch and first-time consumer sales vs. follow-up purchases reflective of people sticking with the regimen. "Glaxo has been praised for its educational materials and consumer outreach. They don't want consumers looking for a magic pill. They want users who'll eat right and exercise to lose weight," said Kline's Mahecha. "That said, if people spend that much, they want results. It's not a formalized program like Jenny Craig or Weight Watchers, and people who do it alone can fall back quickly. And the side effects are unpleasant.

"Will sales sustain? We'll see. It's certainly done a lot better than I thought it would," she added.

Additional reporting by Wendy Toth

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duce new services that are meaningful to consumers," she said.

The PetFirst policies offered at Meijer cost a flat \$24.95 a month for dogs and \$21.95 a month for cats, regardless of the age of the animal, said Katie Grant, PetFirst's vice president of marketing and business development. The insurance pays a 90% reimbursement for accidents, illnesses and routine care, including annual exams, prescription flea control, behavior training, spay/neuter services, diagnostics, heartworm protection, teeth cleanings and vaccinations.

At retail, PetFirst is marketed through in-store displays containing literature that directs shoppers to either a website to a toll-free number to order the insurance. Sales are then tracked and credited to the retailer, Grant said. No transaction takes place in the store.

"The financial relationship depends upon the retailers. For retailers that are P&C [property and casualty insurance] licensed, we can pay commissions.

solutions to help manage their costs — including veterinary care," Hinton said.

To a certain segment of the population — especially those that regard pets as family members — pet health insurance is going to be very attractive, said Robert Passikoff, president, Brand Keys, New York.



Pet insurance in a Meijer store.

"There's an emotional attachment that goes beyond the rational," he said.

"It's one of those things that allows a store to form an emotional bond without

"Our pet department has become much more robust in the last few years."

Frank Guglielmi
spokesman, Meijer

For those that are not, we pay rent for the space we utilize in the store," she said. Grant did not specify how Meijer, Kroger or Spartan were reimbursed for carrying the program.

"Pet insurance has grown 25% CAGR [compound annual growth rate] for the past five years. With companies like Purina launching this spring, the market will only continue to grow. People are looking for convenient

having to create an entirely new section," he said.

"Consumers have been very receptive," Hinton said. "In the U.S., education about pet insurance is a pivotal part of acceptance because it's still a relatively new concept. There was a time when the concept of offering bottled water in a grocery setting seemed unusual. Pet insurance at the grocery store is simply another huge convenience for the pet owner."