

Generics Branding Study

Adaptive Conjoint Analysis

Prepared for

Demonstration Report

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By



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Key Findings

Details omitted

Preferential Combination

Considering the set of levels (or attribute options) with the highest utility scores, the following would be the *ideal* combination:

- Quarterly promotions with discounts on a broad range of items
- Pay under the same terms as branded pharmaceuticals
- If the price drops in the first 30 days, you get credited back to the new lower price
- Your pharmacy provides dispensing data to receive additional savings
- Ship secondary manufacturer generics at same discounted price as primary
- Receive a rebate on generic purchases based on generic purchase levels AND receive a discount on branded product purchases based on generic purchase levels

When the Preferential Combination (highest utility scores for each attribute) was compared to the second highest set, that is, when there were only two levels the highest utility was again used while when more than two levels existed the second highest was used, it was estimated that 80% of respondents, overall, would choose the Preference set.

Statistical Note: There is no implied statement of general market penetration for the above only that their options had the highest derived acceptance based on this ACA and the paired comparisons presented to the respondents. Another study could produce a different result.

Adaptive Conjoint Analysis

Adaptive Conjoint Analysis (ACA) is based on a trade-off analysis – by trading off features, one against another. The term "adaptive" refers to the fact that the interview is customized for each respondent. Data are analyzed as the interview progresses, and questions are chosen that are more likely to reveal the most about the respondent's values in the shortest time and an excellent alternative to full-profile conjoint when you have a large number of attributes. ACA is not plan driven but based on a comparison of individual characteristics. Conjoint analysis can help answer questions such as:

- What product attributes are important or less important to the consumer?
- What levels or options of product attributes are the most or least desirable ones in the consumer's perspective?

This research was based on six attributes, they were: *Generics Special Offers, Generic Payment Options, New Generic Product Launch, Dispensing Data Items, Generic Formulary Alternatives, and Pricing*. Within this set of attributes, from two to seven options or *levels* were defined.

The various attributes and levels tested in this study are shown below (descriptive changes made).

Generics Special Offers

Quarterly promotions with discounts on a broad range of items
Bi-weekly specials with discounts on selected items
Special pricing offers on short dated and close out products

Generic Payment Options

Pay under the same terms as branded pharmaceuticals
Pay bill by credit card and incur a 2% fee

New Generic Product Launch

If the price drops in the first 30 days, you get credited back to the new lower price
5% discount on automatic shipment of one week supply when available with 60 days to pay
5% discount on automatic shipment of two week supply when available with 60 days to pay
5% discount on automatic shipment of one month's supply when available with 60 days to pay
Automatic switch from branded to generics when available
No automatic generic shipments

Dispensing Data Items

Your pharmacy provides dispensing data to receive additional savings
Your pharmacy provides dispensing data to help you maximize profits
Your pharmacy does not provide any dispensing data

Generic Formulary Alternatives

5% discount for 30 days if the manufacturer changes
Ship secondary manufacturer generics at same discounted price as primary
Offer package size substitutions from the primary generics manufacturer if ordered package size is not available
Ship generics only from the preferred manufacturers
Ship generics from the secondary manufacturer when they are not available from the primary manufacturer
Ship generics from the manufacturer with the lowest available price

Pricing

Receive a rebate on generic purchases based on generic purchase levels (branded product at competitive market prices)
Receive a discount on branded product based on generic purchase levels (generic product at competitive market prices)
Invoice generics at a reduced price with no rebate (branded product at competitive market prices)
Receive a rebate on generic purchases based on generic purchase levels AND receive a discount on branded product purchases based on generic purchase levels
Invoice generics at a reduced price with no rebate AND receive a discount on branded products based on generic purchase levels

Methodology

An email invitation and follow-up reminders to potential respondents based on a client list. Within the email, a link was provided to the actual conjoint interview which was hosted by the author using Sawtooth Software's SSI Web ACA Module Version 6.6.2. After being in the field for about 3 weeks, 572 completed responses were received and form the basis of this report.

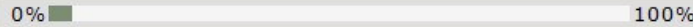
The general flow of the ACA interview for this study went as follows:

Each respondent was first asked to rate an attribute's set of levels in terms on their desirability as exemplified in the following (descriptives altered):

Please rate Generic Formulary Alternatives in terms of how desirable they are.

	Not Desirable		Somewhat Desirable		Very Desirable		Extremely Desirable
Ship generics from the manufacturer with the lowest available price	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Offer package size substitutions from the primary generics manufacturer if ordered package size is not available	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Ship generics only from the preferred manufacturers	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Ship secondary manufacturer generics at same discounted price as primary	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Ship generics from the secondary manufacturer when they are not available from the primary manufacturer	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
5% discount for 30 days if the manufacturer changes	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

Next

0%  100%

Next came their opinion of importance for various combinations of levels using the information derived from the desirable questions – *Please rate how important you feel it would be to have the first option instead of the second option shown, assuming all other parts of the generic plan are acceptable to you. Please rate on a scale of not important to extremely important.*


If everything else was equal, how much more important would it be to have the first choice instead of the second choice?

Not Important Somewhat Important Very Important Extremely Important

Receive a rebate on generic purchases based on generic purchase levels (branded product at competitive market prices)
---instead of---
Invoice generics at a reduced price with no rebate AND receive a discount on branded products based on generic purchase levels

○ ○ ○ ○ ○ ○ ○

Next

0%  100%

Finally, the conjoint, having adapted to the respondent's opinions, created a set of paired trade-off questions using those attributes and respective levels deemed desirable and important to each respondent. The content of the trade-off questions was set to display two attributes at a time then three. It was felt that this was an optimum sequence given the number of attribute/levels involved and the time to complete the survey; the average completion time was around 20 minutes.

Please indicate your preference for each set of options assuming that all other aspects of the generics program are the same.

If the generics program is acceptable and equal in all other ways, which of the following would you prefer?

<p>Pay under the same terms as branded pharmaceuticals</p> <p>Your pharmacy provides dispensing data to receive additional savings</p>	or	<p>Pay bill by credit card and incur a 2% fee</p> <p>Your pharmacy provides dispensing data for business coaching to help you maximize profits</p>
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Strongly Prefer Left Somewhat Prefer Left Indifferent Somewhat Prefer Right Strongly Prefer Right

Next

0% 100%

If the generics program is acceptable and equal in all other ways, which of the following would you prefer?

<p>Pay under the same terms as branded pharmaceuticals</p> <p>Your pharmacy provides dispensing data to receive additional savings</p> <p>5% discount for 30 days if the manufacturer changes</p>	or	<p>Pay bill by credit card and incur a 2% fee</p> <p>Your pharmacy does not provide any dispensing data</p> <p>Ship generics from the secondary manufacturer when they are not available from the primary manufacturer</p>
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Strongly Prefer Left Somewhat Prefer Left Indifferent Somewhat Prefer Right Strongly Prefer Right

Next

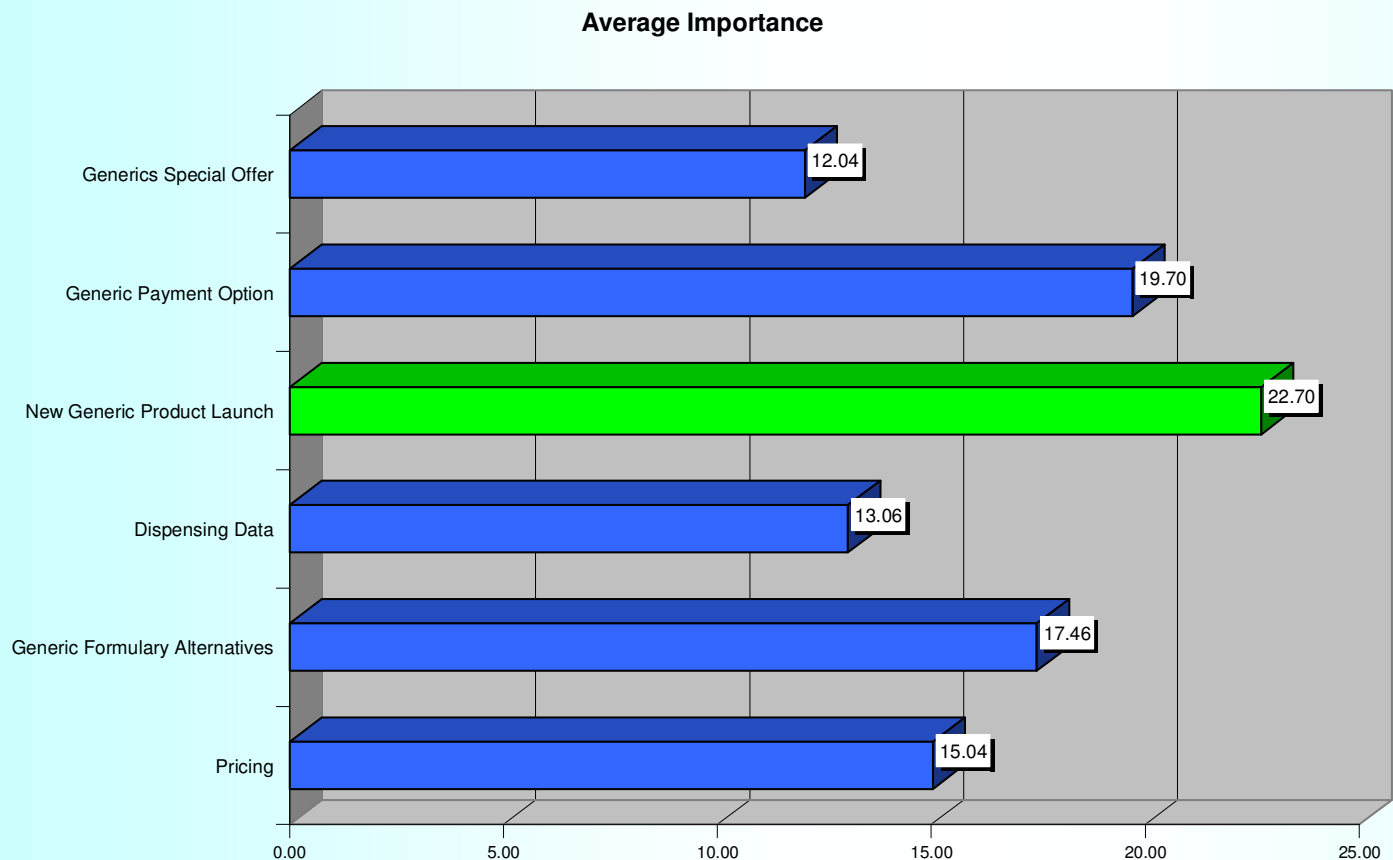
0% 100%

Conjoint Findings

Average Importance

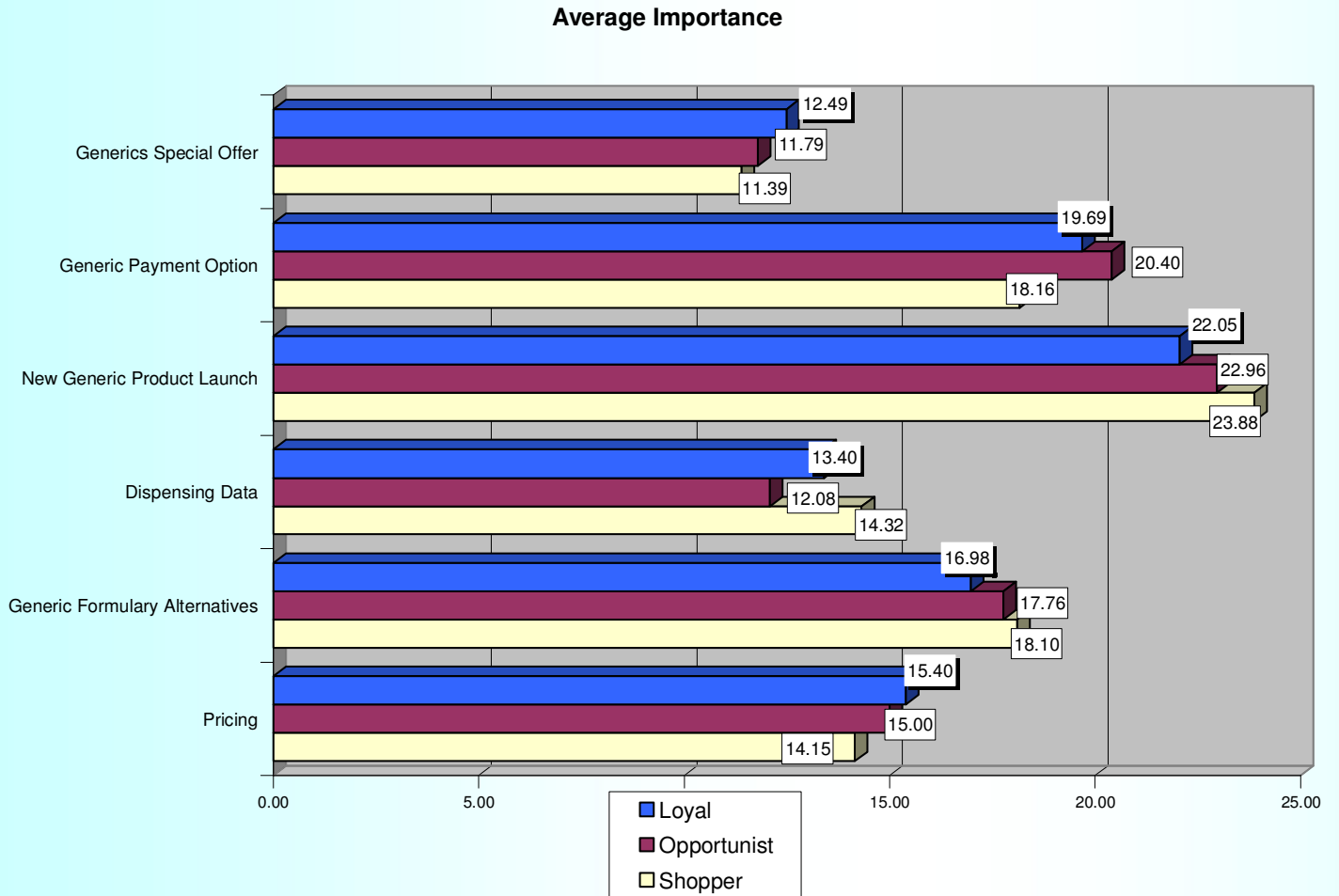
These scores characterize the relative importance of each attribute. They were derived by considering how much difference each attribute could make in the total utility. That difference is the range in the attribute's utility values (also known as part worth utilities). These ranges were then percentaged to obtain a set of attribute importance values that add to 100. Thus, a 22.70 can be stated that 22.7% overall found “New Generic Product Launch” as the most important attribute compared to the others in the study.

Overall, the result of this conjoint study finds that “New Generic Product Launch” (with an importance score of 22.70) was the leading attribute followed by “Generic Payment Options” (19.70). Thus, a 22.70 can be stated that 22.7% overall found “New Generic Product Launch” as the most important attribute compared to the others in the study.



Classification of Segment

The general attribute importance pattern was the same for the three segments. Opportunists did have a higher stated importance for “Generic Payment Options,” whereas Shoppers’ preferred “New Generic Product Launch.”

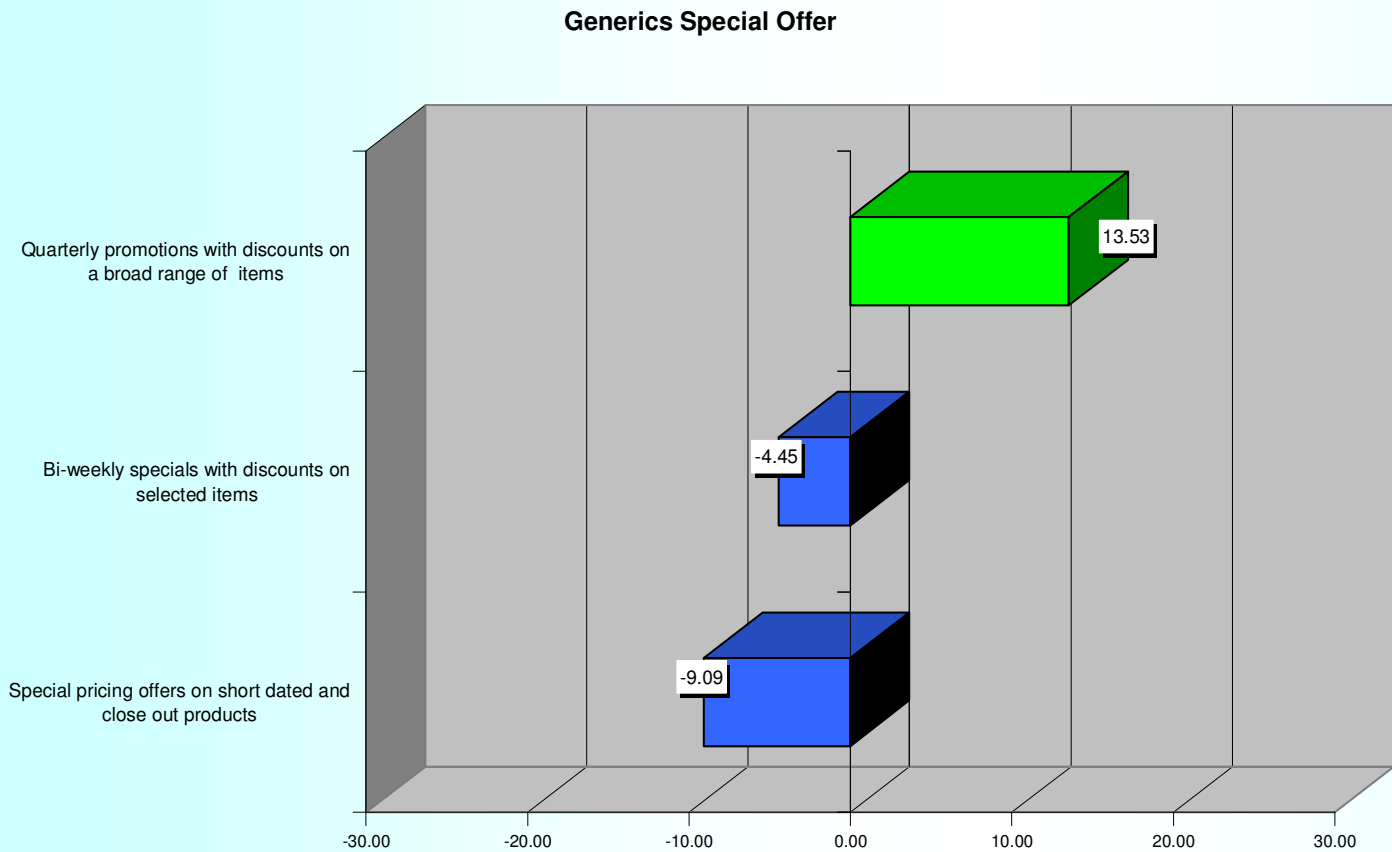


Utility Scores by Attribute

The utility scores were derived using an Ordinary Least Squares methodology then the average utilities rescaled so that for each individual the total sum of the utility differences between the worst and best levels of each attribute was zero. This normalizes the data so that each respondent has equal impact when computing the population average.

Generics Special Offers

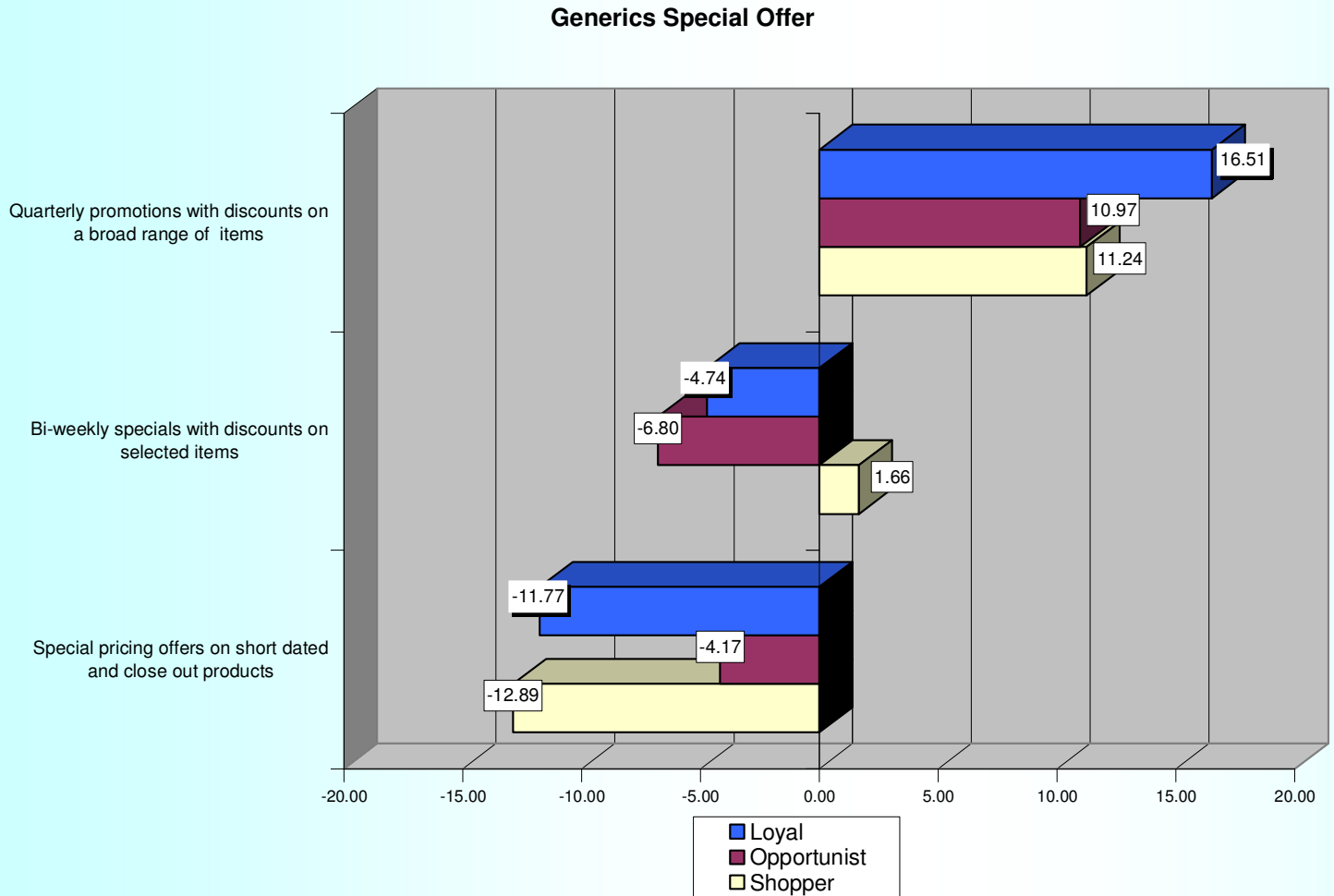
“Quarterly promotions with discounts on a broad range of items” was the most preferred of the Offers presented with a utility score of 13.53.



Statistical Note: Just because a level received a negative utility value does not mean that this level was unattractive. In fact, it may have been very acceptable to all respondents. But (all else being equal), the one with the greatest positive value is better. To translate these utilities into any form that might suggest a rank ordering would be misleading.

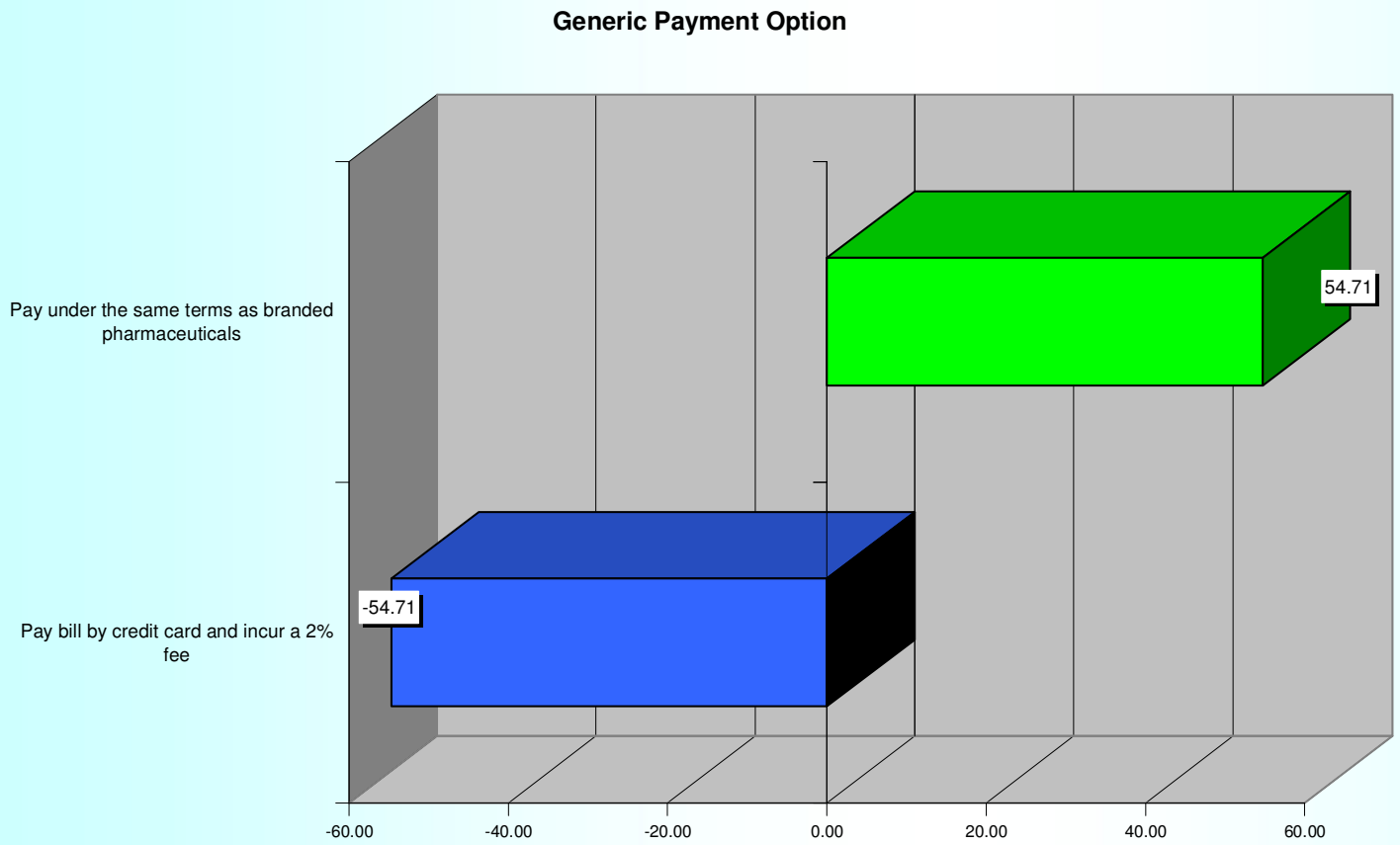
Classification of Segment

While all three segments most preferred “Quarterly promotions with discounts on a broad range of items,” Loyalists had the strongest preference (16.51).



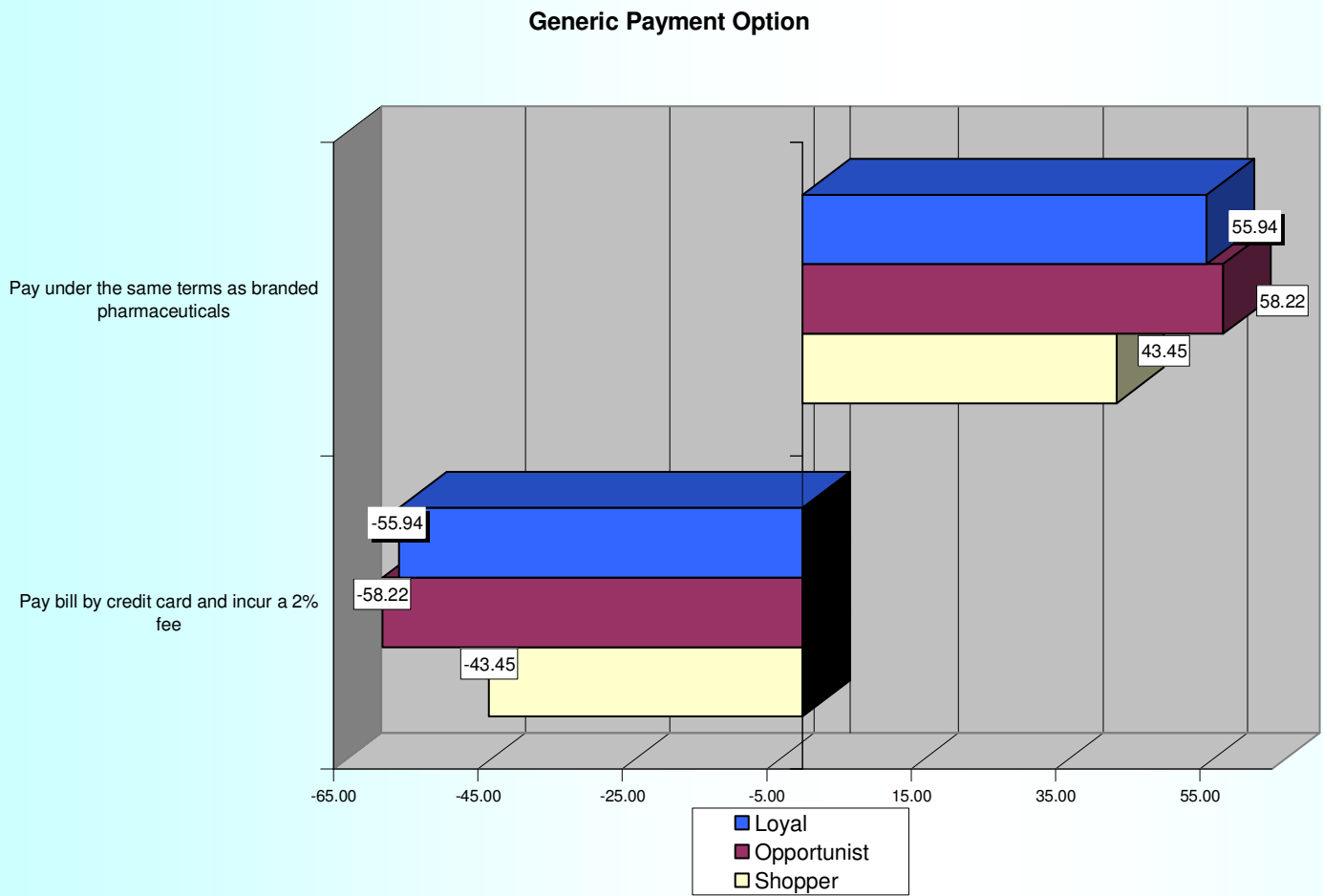
Generic Payment Options

“Pay under the same terms as branded pharmaceuticals” was clearly the preference within “Generic Payment Options”



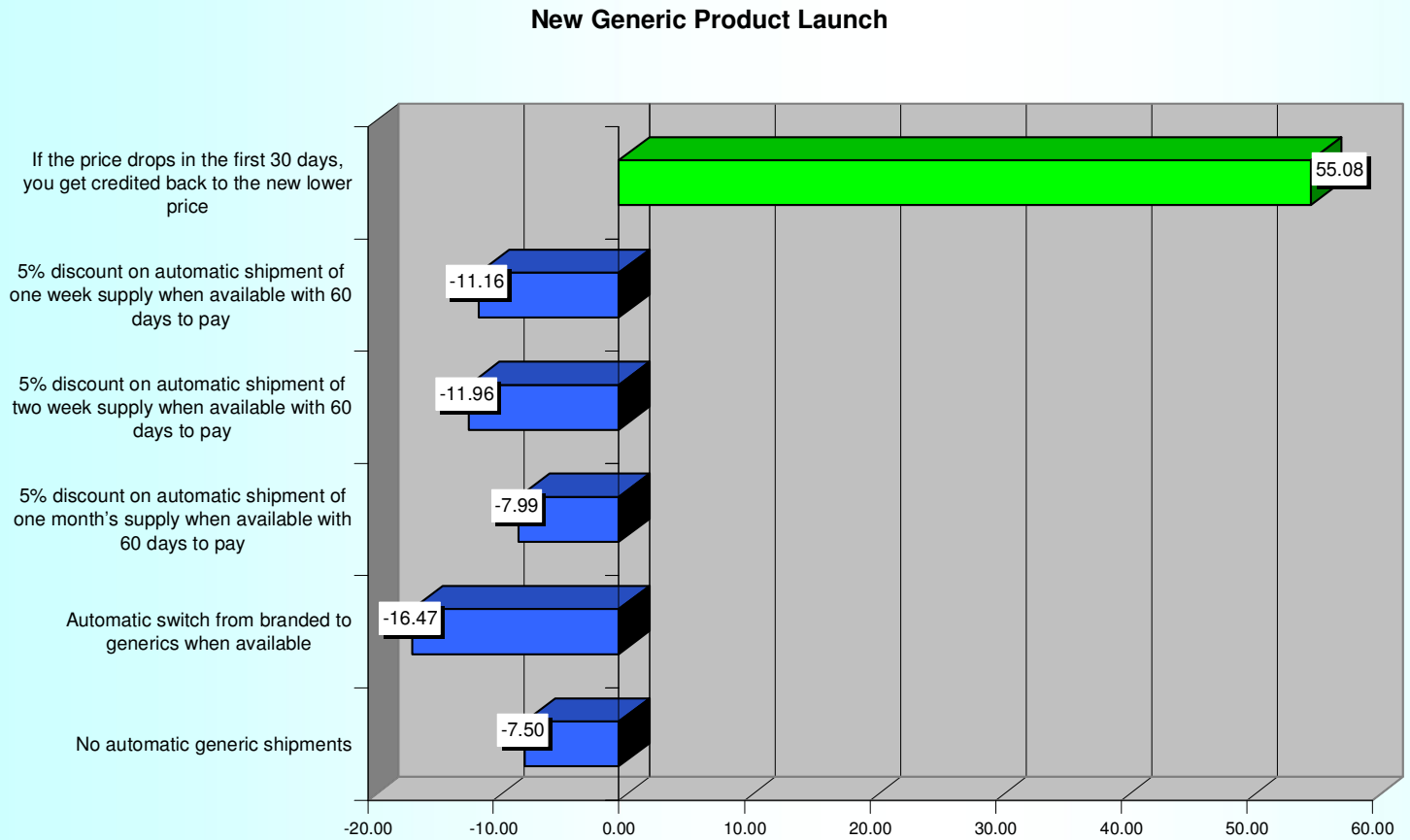
Classification of Segment

Opportunists (utility score of 58.22) had a much stronger preference for “Pay under the same terms as branded pharmaceuticals” than did either Loyalist (55.94) or Shoppers (43.45). Both Loyalist & Opportunists utility scores were significantly higher than Shoppers.



New Generic Product Launch

There was a clear differentiation between “If the price drops in the first 30 days, you get credited back to the new lower price’s” preference over all the other options (levels) presented to the respondents (utility score of 55.08).

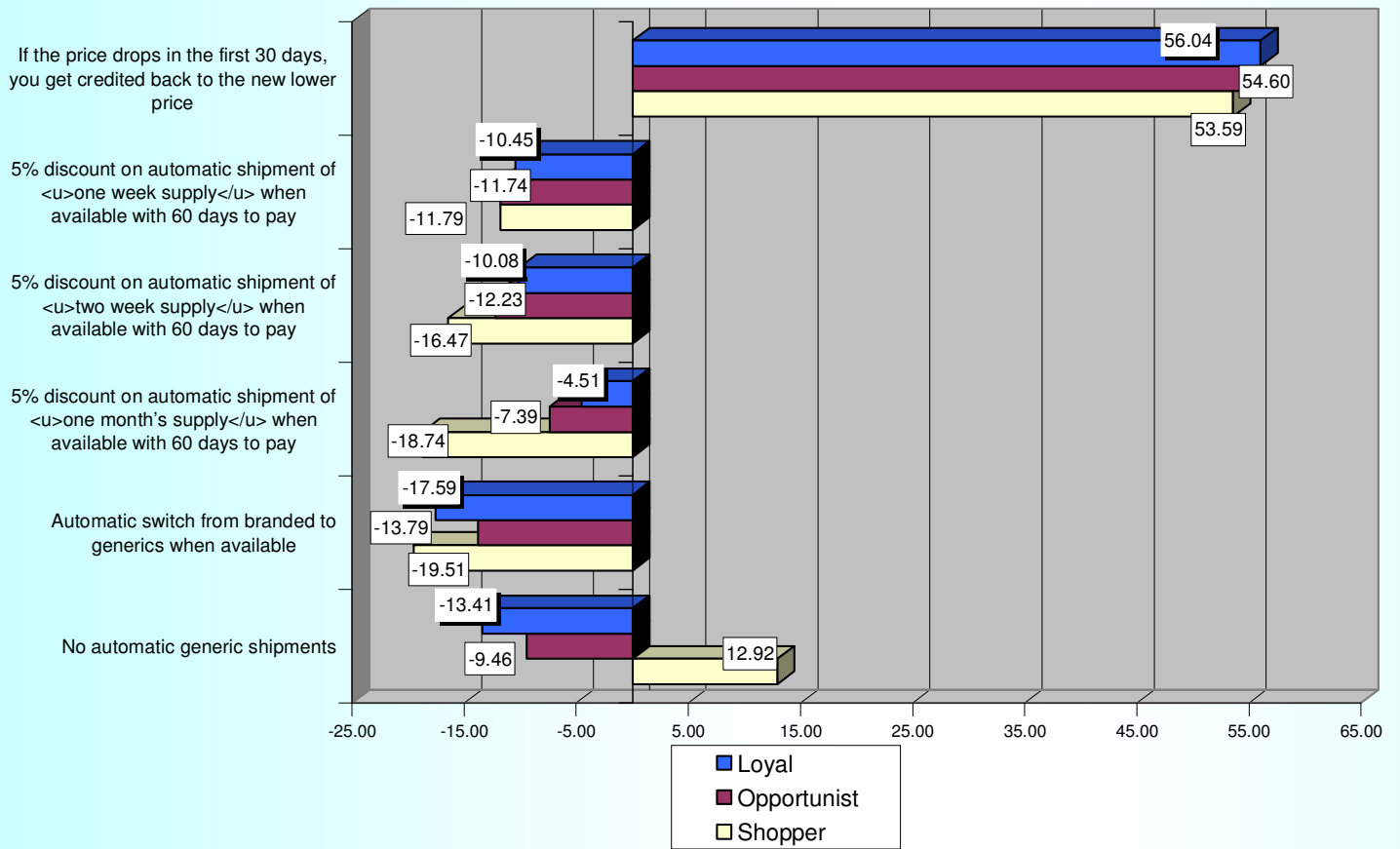


Classification of Segment

All segments had about the same preference for “If the price drops in the first 30 days, you get credited back to the new lower price” (ranged from 53.59 to 56.04).

Shoppers also had an interest in “No automatic generic shipments” compared to the other segments (12.92).

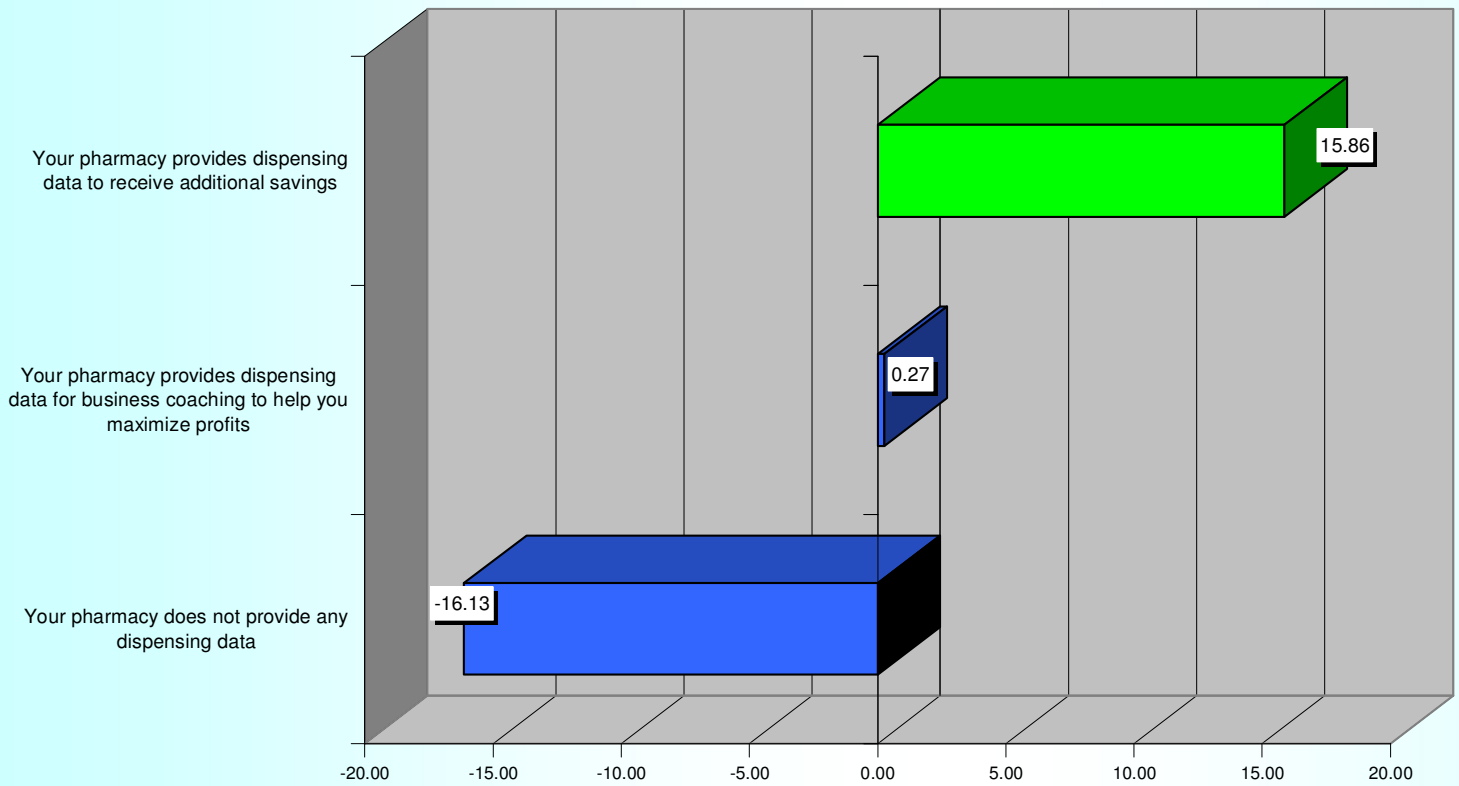
New Generic Product Launch



Dispensing Data Items

While there was negligible interest in “Your pharmacy provides dispensing data to receive additional savings,” the clear favorite was “Your pharmacy provides dispensing data to receive additional savings (15.96).”

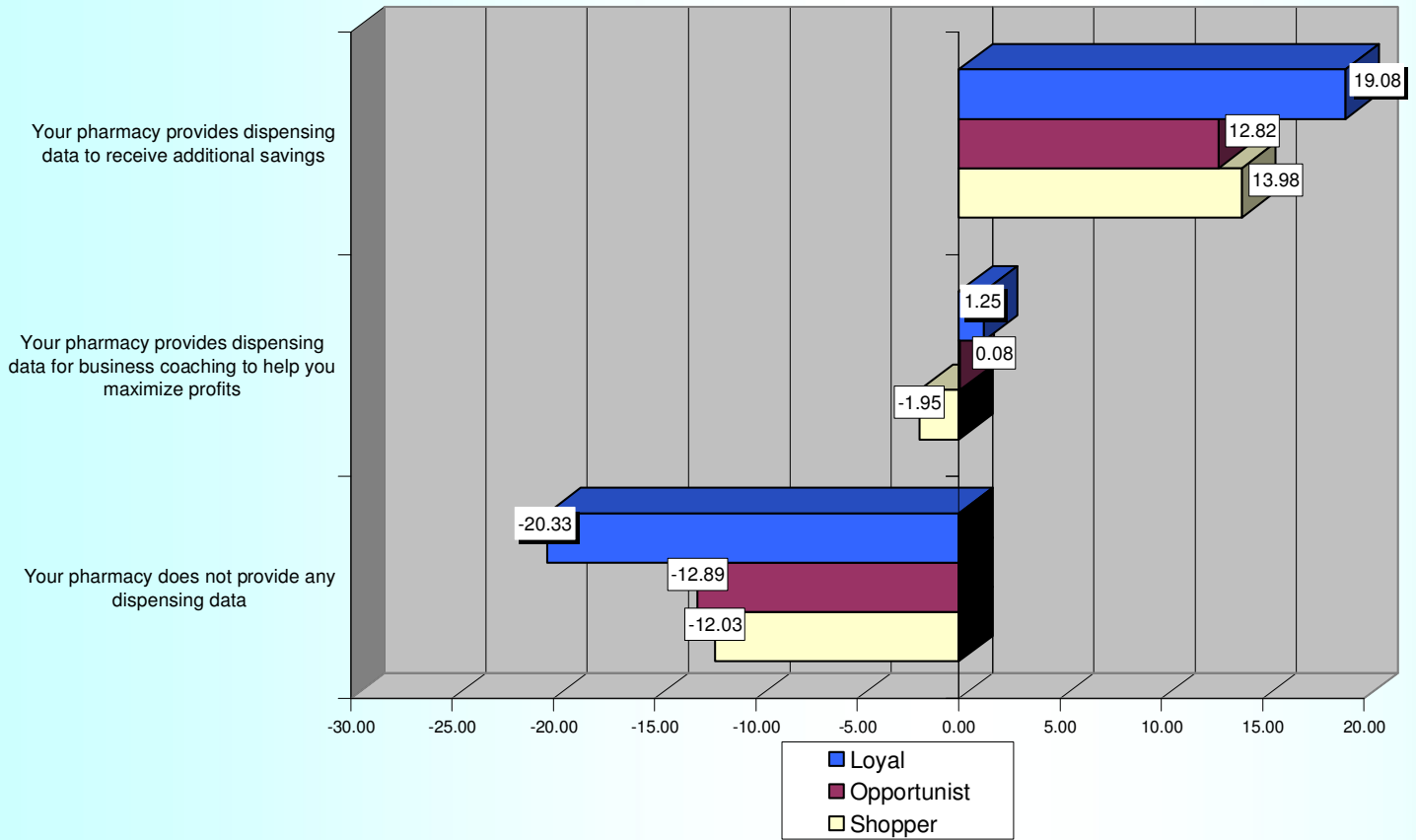
Dispensing Data



Classification of Segment

Loyalist had a high utility score (19.08) for “Your pharmacy provides dispensing data to receive additional savings” but not significantly different from that received by either Opportunists (12.82) or Shoppers (13.98).

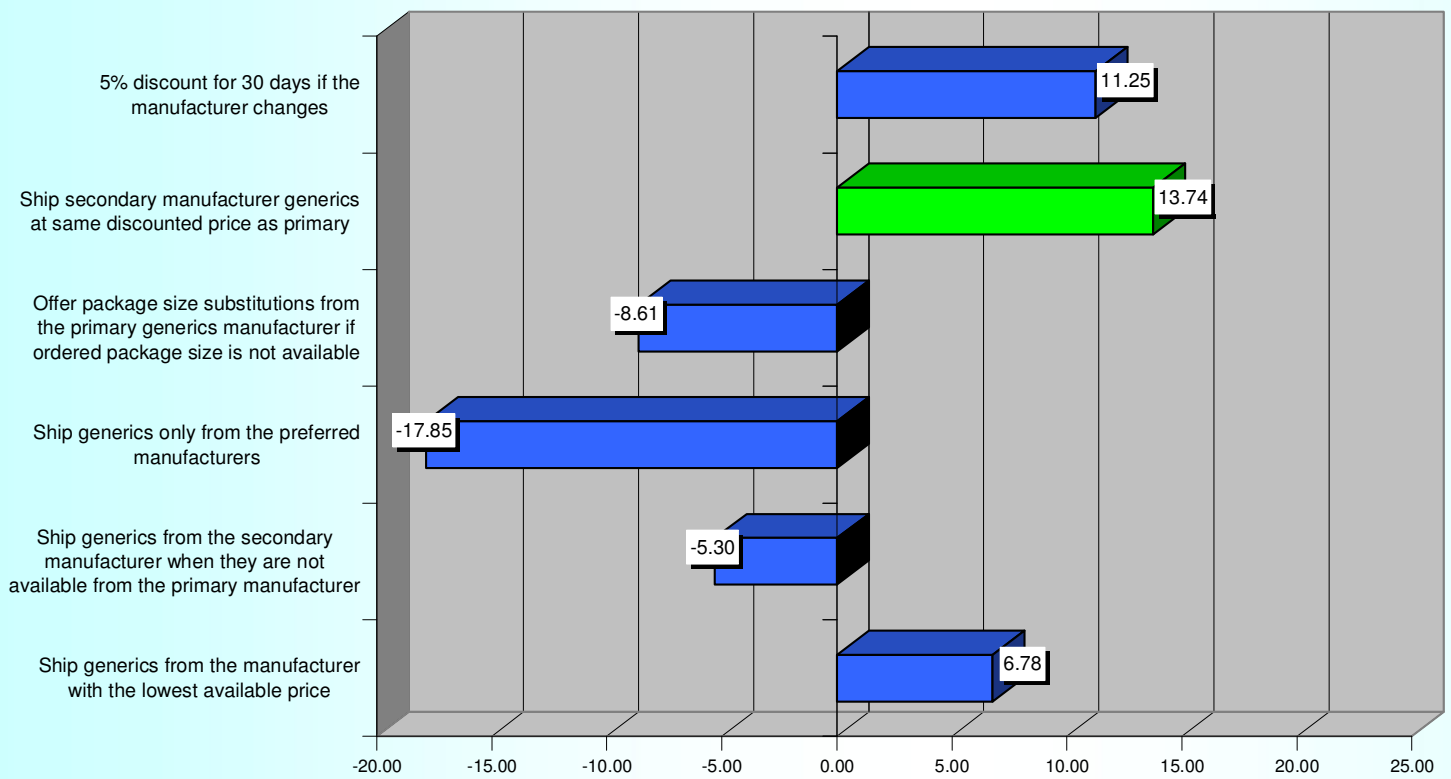
Dispensing Data



Generic Formulary Alternatives

There could be a close choice between “5% discount for 30 days if the manufacturer changes (utility score of 11.25)” and “Ship secondary manufacturer generics at same discounted price as primary (13.74),” based on the average utility score, the latter should be considered first when product design takes place.

Generic Formulary Alternatives



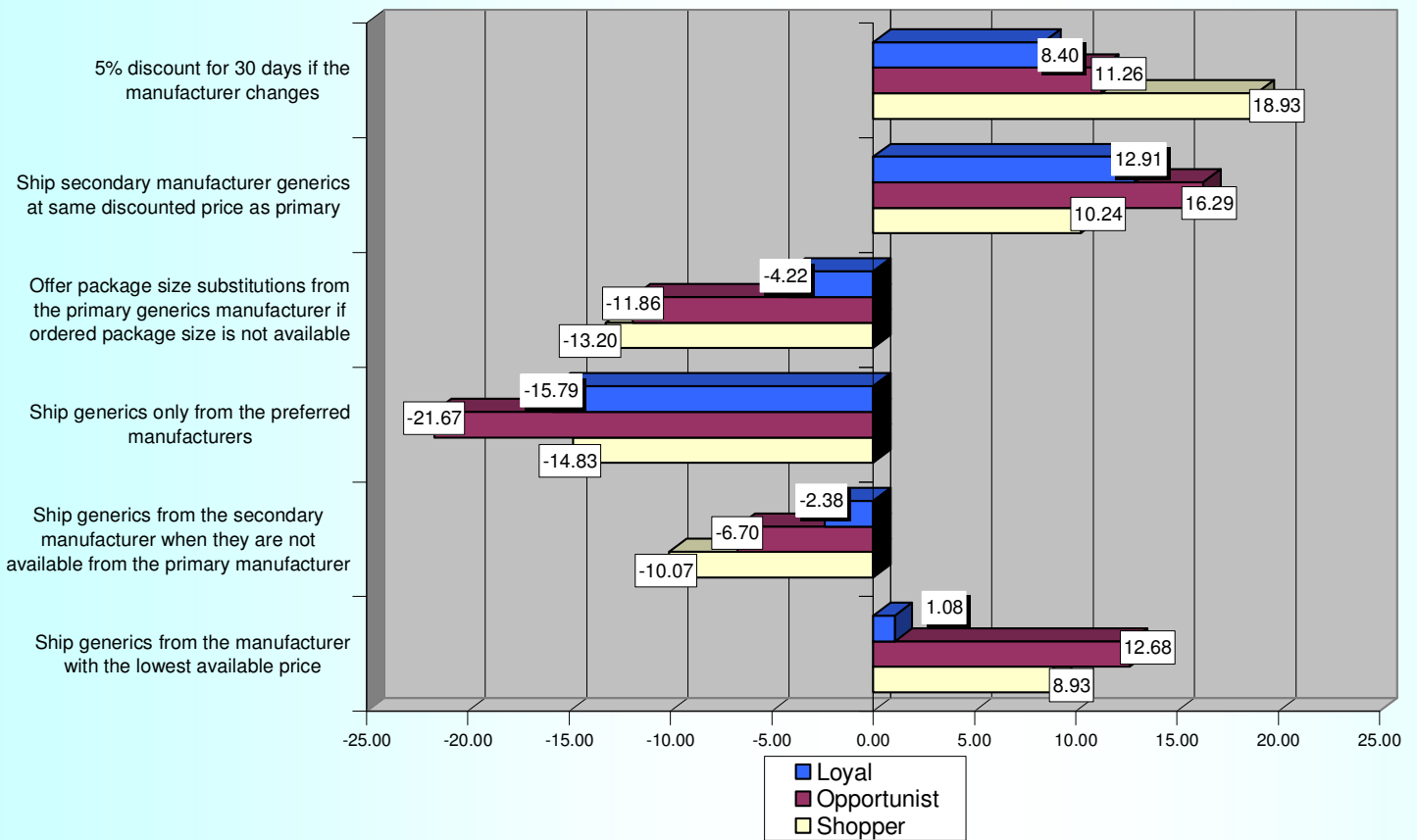
Classification of Segment

Shoppers showed a higher utility for “5% discount for 30 days if the manufacturer changes (18.93),” though not statistically different from the scores for Loyalists or Opportunists.

Opportunists preferred “Ship secondary manufacturer generics at same discounted price as primary (16.29) but again, not statistically different from the scores for Loyalist or Shoppers.

Opportunists also had a high utility for “Ship generics from the manufacturer with the lowest available price (12.68);” it was not statistically different from the other two segments.

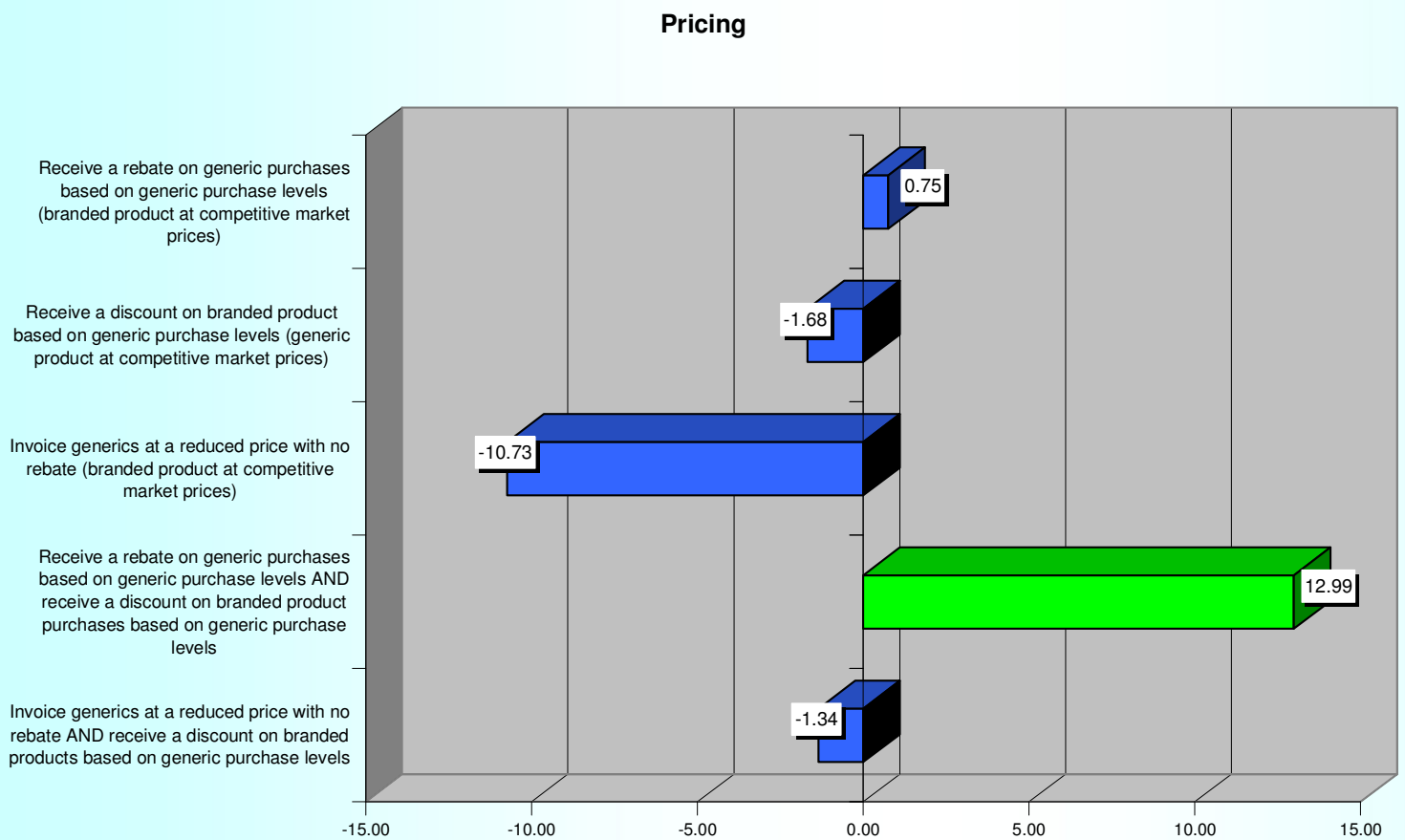
Generic Formulary Alternatives



Pricing

“Receive a rebate on generic purchases based on generic purchase levels AND receive a discount on branded product purchases based on generic purchase levels” was the option with the highest utility score (12.99).

“Invoice generics at a reduced price with no rebate (branded product at competitive market prices)” was clearly not preferred compared to the other choices presented to the respondents in this study.



Classification of Segment

“Receive a rebate on generic purchases based on generic purchase levels AND receive a discount on branded product purchases based on generic purchase levels” was significantly more preferred by Loyalist (18.74) than either of the other two segments.

Shoppers did show a near similar preference (similar utility scores) for both “Invoice generics at a reduced price with no rebate (branded product at competitive market prices) (4.88)” and “Receive a rebate on generic purchases based on generic purchase levels AND receive a discount on branded product purchases based on generic purchase levels (6.93).”

While not their preferred option (level), there was an interesting *utility spike* from Opportunists for “Invoice generics at a reduced price with no rebate AND receive a discount on branded products based on generic purchase levels (3.55).”

Pricing

