

A Missed Opportunity For Johnson & Johnson Inc

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The debacle on child-specific remedies marketed by Johnson & Johnson Inc continues in the United States.

Lack of organizational coordination and oversight of important good manufacturing practices are causing corporate pain to this giant player in consumer health.

Recalls over for now, but manufacturing issues are pending

The recalls of child-specific drugs, that included analgesics and allergy remedies during the 2008-2010 period, placed a significant dent in the sales of Johnson & Johnson Inc while tainting its supremacy in the United States.

Now the company has taken the steps to fix manufacturing problems that began over two years ago, by investing in new equipment, updating production facilities, and training manufacturing and control quality staff.

But this process is lengthy.

According to the latest corporate news, the manufacturing facility affected by the bulk of the recalls will be ready to start producing again child-specific products by March/April 2011. This is not good news considering that Johnson & Johnson will miss a strong presence during the upcoming cold and cough season, a major generator of child-specific drug sales.

Implications in the global market

According to Euromonitor International's research, Children's Tylenol sales represented 23% of global retail value sales in child-specific acetaminophen, valued at US\$695 million in 2009.

The company's latest second quarter report states that global sales in the OTC/Nutritionals division dropped 13% over the previous year to US\$1.4 billion due to the voluntary recalls in the United States and other countries such as Canada, United Arab Emirates, Dominican Republic, and Fiji.

Sales in the United States alone fell 28% to US\$492 million when compared to 2009 figures. This result is a significant loss for the company and for investors.

The misfortunes of Johnson & Johnson Inc represented a bright opportunity for Perrigo Co, which filled in the gap left by child-specific Tylenol, with affordable private label options at major pharmacies and retailers. According to company sources, Perrigo Co gained 10% in volume sales during the third quarter 2010 thanks to the Tylenol recall.

A visit to a pharmacy tells the fall of a giant

Recent visits to leading parapharmacy chains, Walgreen and CVS in the United States, confirm a troublesome scenario for Johnson & Johnson Inc. Self-serve shelves look bare in the child-specific area of the stores.

This empty space, usually reserved for Children's Tylenol, is now surrounded by private label claiming "compare to Tylenol" in their packaging.

Pharmacists are advising consumers to purchase private label in substitution of Tylenol.

Also, some consumers are purchasing ibuprofen to treat fevers and pain in their children. Advil (Pfizer Inc) highlights the word "fever" in colour red to communicate to consumers the fever-reducing (antipyretic) properties of ibuprofen.

A consultation with the paediatrician influences a purchase decision

Autumn and winter usually keep parents busy treating fevers and minor pains of their children. As children strengthen their immune system, their propensity to colds generates feverish episodes that could put parents on edge.

Acetaminophen is the most used antipyretic or fever reducer for children, and parents have relied on the Tylenol brand for decades.

The constant voluntary recalls of Children's Tylenol, the most recent on July 2010, has pushed paediatricians to suggest parents to substitute Tylenol with private label and other competing brands.

Parents trust paediatricians and many of them will follow their recommendations. They have trusted the Tylenol brand for so long, but the anticipated loss of presence in the store shelves for months, will damage the brand's loyalty and positioning.

Competition grabs the golden opportunity

As Johnson & Johnson Inc concentrates in fixing its woes, competitors are taking the advantage of filling the empty space left by Tylenol to present new child-specific acetaminophen options.

Novartis with brand Triaminic and Prestige Brands with Little Fevers are moving into the new unclaimed territory of branded acetaminophen options.

Both companies seem to be very enthusiastic about this opportunity, given that Children's Tylenol accounted for 76% of retail value sales of child-specific acetaminophen in the United States in 2009 according to Euromonitor International.

Novartis gave away 250,000 (4 fl. oz) bottles of Triaminic Fever Reducer and Pain Reliever in the form of rebates during the first week of August 2010, to start building brand awareness. All rebate forms were claimed in just a matter of a few days.

The company currently offers a US\$1.00 discount coupon in Triaminic's website to encourage consumers to purchase the brand. In the United States, Triaminic reported a retail value share of 3% in child-specific consumer health in 2009 compared to 12% each of Tylenol and private label in the same year.

As Novartis was finishing distributing the free samples of Triaminic, Prestige Brands announced on 10 August 2010 the launch of Little Fevers Infant Drops, a brand extension of Little Remedies, to become a player in the child-specific acetaminophen category.

According to the company's 2010 Annual Report, Little Remedies, the umbrella brand for child-specific drugs, reported increased sales thanks to the introduction of new products in the cold, cough and allergy category.

The future of Children's Tylenol

As manufacturing events and recalls swept away the leading position of Johnson & Johnson Inc, there was the expectation that the company would react immediately to somehow gain back the trust of consumers.

On the contrary, the company has taken a conformist approach, where it suggests people to purchase other brands or private label according to their website, or invites them to download a US\$1.00 discount coupon for future purchases of Tylenol products.

No other efforts are apparent. The company has not yet engaged consumers via social media to communicate the latest news on the company or brand, so as to start building consumer confidence again.

Competitor Novartis, instead, is using Twitter to communicate and promote their new Triaminic child-specific acetaminophen.

The recent problems of Tylenol and the seemingly weak response of Johnson & Johnson Inc will become an excellent case study on what to do, or not, in a brand management crisis.

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