Marketing analysis of Upjohn's Rogaine

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by

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CASE SUMMARY

The purpose of this study is to investigate the current marketing strategy that the Upjohn Pharmaceutical Company uses to sell its hair treatment product Rogaine. The researcher also wants to discover why Rogaine is not receiving acceptance by the consumer. The researcher then looks at alternative marketing strategies which incorporate different philosophies that will perhaps increase the sales of Rogaine. The first marketing strategy alternative advises Upjohn to use pricing strategies, sales promotions and advertising that is more specific. The strategy also suggests mentioning the product name on television advertisements, along with the risks and side effects.

A second marketing strategy alternative is to start a joint venture with a men's personal products company that has marketing knowledge and strong channels of distribution in the men's personal products industry. A well known company with a full line of related personal products for men could be more successful at marketing Rogaine than Upjohn.

A third alternative would be the abandonment of Rogaine. The market may be too limited to support the product in the long run, also, the price may be too high. Upjohn seems to be closely involved and has no experience marketing a personal product for men, nor does it have access to channels of distribution to the men's personal product industry. Consumers may refuse to comply with the twice daily application required, and the results are too
poor to encourage the life long use the product requires.
Introduction

The Upjohn Pharmaceutical Company of Kalamazoo, Michigan, a 103 year old major manufacturer of pharmaceutical products, is known to be an innovator in its field. It recently introduced a new drug in the United States under the brand name Rogaine. Rogaine is a topical solution of the drug minoxidil used for the treatment of hypertension. This solution, when applied to the crown of select men's heads two times a day, has been shown either to stop or retard the progression of male pattern baldness. Rogaine comes in a bottle containing a one month supply, with a choice of rub-on or spray applicators. The applicators are designed so that the user gets the correct dosage, one milliliter per application. Appendix A displays an example of a one months supply of Rogaine. The user applies it not only to balding spots, but also to adjacent areas that might go bald.

The discovery of Rogaine was entirely by accident. Rogaine contains two percent of the drug minoxidil. Minoxidil is taken in tablet form for the treatment of hypertension. Hypertension is defined as an elevated blood pressure. The side effects of taking minoxidil are hair growth on some parts of the body, often on the forehead or on the upper cheeks. As a result of these findings, when the drug is put in a topical solution and applied to the heads of select men with hair loss on the crowns of their heads,
hair growth occurs. Appendix B demonstrates one of the daily applications of Rogaine. The Upjohn Company finds that Rogaine either stops or retards hair loss on men who have male pattern baldness. Rogaine is the only treatment for hair loss that is approved by the Food and Drug Administration (FDA). Sales in the United States for Rogaine are lower than The Upjohn Company anticipated. It expected $1 billion in sales in the first year. In 1988, the market returned $48 million in actual first year sales (Benoit, 1989). The Upjohn Company claims the sales were based on customers' incomplete understanding of the product, not on unrealistic expectations of what Rogaine could do.

The Upjohn Company does not market Rogaine as a personal product for men. The Upjohn Company considers Rogaine a prescription pharmaceutical that is sold like an ethical drug through physicians who prescribe it for patients. The Upjohn Company's sales people are to sell to doctors via personal calls. The advertising simply urges men concerned about baldness to consult their doctors. Upjohn chairman Theodore Cooper, President Lawrence C. Hoff, and their marketing people think Rogaine should be sold by advising men who are concerned about hair loss that medical help is available (Sloan, 1988). This technique is coupled with traditional marketing to physicians and pharmacists (Freeman, 1989).
Background of the Upjohn Pharmaceutical Company

The Upjohn Pharmaceutical Company manufactures pharmaceutical and agriculture products and provides health care services in both the United States and in foreign markets. The firm has research, manufacturing, sales and distribution facilities in more than 200 locations worldwide. In mid-1989 the firm employed approximately 20,600 persons, and had approximately 16,000 stockholders (Upjohn, 1988). About 30 percent of the firm's outstanding stock was closely held. The owners of the closely held shares were primarily members of the Upjohn family.

Dr. William Upjohn patented a process for making pills in 1885. The resulting pills dissolved rapidly once inside the human body. The process represented a significant forward step in medicine because the dosage accuracy was enhanced. In the following year, he and his brother founded the Upjohn Pill and Granule Company in Kalamazoo, Michigan.

Medications, such as quinine pills and laxatives, contributed to the company's early success. In 1913, the firm established its own research laboratory. From there Upjohn launched itself into the modern pharmaceutical market.

The Upjohn Company has traditionally sought and has been generally successful in attaining high product quality. Some of the company's products, however, had encountered problems with both the medical communities and governmental regulatory bodies in the United States and some foreign
countries. The firm's problems in the areas of product quality and consumer liability, however, have been relatively minor in comparison to those experienced by some competitors (Eaton, 1989).

The company's major product groups are (one) steroids and other anti-inflammatory agents, (two) antibiotics, and (three) central nervous system agents. In terms of total company sales, steroid products account for 23 percent, antibiotic products account for 17 percent, and central nervous system agents account for 14 percent (Upjohn, 1988). A total of 54 percent of the firm's total sales are accounted for by the three groups (Eaton, 1989).

The company's leading brand name drugs include Lincoln, Cleocin, Medrol, Unicap, Orinase, Tolinase, Motrin, Halcion, Xanax, and Rogaine. Not all brands are sold in all markets in which The Upjohn Company participates (Upjohn, 1988). Upjohn has given considerable marketing attention to Rogaine.

The Upjohn Company's management continues a traditional emphasis on product quality, research, and a pursuit of both prescription and non-prescription medications. Upjohn's mission is to advance health through science and medicine. The company's motto is "Today's research - tomorrow's health." (Upjohn, 1988). The company's research and development expenditures for the year of 1987 accounted for 14.1 percent of the $2.7 billion of sales experienced in that year (Eaton, 1989). It was the second highest investment in research and development in the industry
Upjohn concentrates its research and development in the area of hair treatment. The Company's long term goal is to be the first to market a drug that has a noticeable effect on baldness. Rogaine is the first and only FDA approved treatment for male pattern baldness.

Total sales increased at The Upjohn Company each year during the 1984-1989 period, from $1.828 billion in 1984 to $2.987 billion in 1989 (Eaton, 1989). When sales were adjusted for inflation, as measured by the gross national product (GNP) deflator, sales growth still occurred but at a slower rate. This sluggish growth is in spite of the fact that the company spent $60 million in 1989 on advertising of Rogaine (Eaton, 1989).

Current Situation

Rogaine opened up a whole new market for Upjohn and the field of therapeutic research which was known as cosmeceuticals. Rogaine is a pharmaceutical product for a cosmetic application. In addition, the product presents unusual marketing challenges because it is a prescription drug approved for a non-pathological condition, hair loss. Upjohn's management placed emphasis on Rogaine in the 1970's. The discovery of minoxidil began during the mid-1960's, when Upjohn researchers studied antacid compounds and discovered that one, called minoxidil, reduced the heart rate of laboratory animals. In 1968 the company registered minoxidil with the FDA as an experimental new anti-hypertension drug for humans, and won approval for the treatment of hypertension in 1979 (Levine, 1988).
Meanwhile, Upjohn researchers had noticed that quite a few participants in the minoxidil tests for cardiac use had shown hair growth, usually on the forehead or upper cheek. When one bald patient developed new hair on the top of his head in 1973, Upjohn began to believe it had finally produced a cure for male pattern baldness (Smith, 1986). Clinical testing began in 1977, and by 1982 a two percent minoxidil solution was prepared. Two factors determined the complexity and scope of clinical trials with minoxidil. First, no drug had ever been tested on hair growth before. Second, it was a potent drug that was to be used for long periods of time for the treatment of baldness, a non-pathological condition. A large number of patients had to be enrolled in the trials. Minoxidil was tested on more than 4,000 men in clinical trials and related studies (Upjohn, 1988). The primary efficacy trials covered 2,326 men at 27 sites around the United States (McGinn, 1987). Dose range finding studies determined that a two percent solution offered the best safety and efficacy profile. Results showed that minoxidil did in fact stop or retard the progression of male pattern baldness. Those results are supported by a significant number of participants which reinforced Upjohn's 1985 application for approval to the FDA (Rhein, 1987).

Through the long development, and especially after efficacy tests were submitted to the FDA in 1982, Rogaine captured the enthusiastic attention of the press. Wall Street reacted by bidding up Upjohn's shares from $22 to $54
during the first nine months of 1987, three times the market's overall rate of increase (Lazo, 1988). When Rogaine was approved by the FDA in August of 1988, Upjohn paused nearly two months to train its sales force about the product. Then in October of 1988, it began marketing to the medical community with advertising in medical journals and sales calls of pharmaceutical sales representatives. The original timetable did not call for consumer advertising to begin until January or February of 1989. Internal pressures prompted Upjohn to run the first advertising in late November of 1989. Upjohn felt it could not begin marketing Rogaine to consumers until it felt the awareness level was adequate in the medical community (Benoit, 1989).

When the consumer advertising began, Upjohn chose a soft sell approach. The television advertisement showed a balding man walking along a beach with his dog, wondering what he should do about his thinning hair. The advertisement urged him to consult his physician for advice, but never mentioned Rogaine. Federal law prohibits Upjohn from mentioning the brand name Rogaine on the television advertisements because it is an ethical drug and the advertisements did not mention the risks and side effects of the product. Upjohn wanted to get the patients into the doctor's office and let the physicians do the rest. People who are not actually sick needed a powerful inducement to
visit their doctor. As a result, in the first quarter of 1989 Rogaine was selling at the rate of only $4 million a month in the United States (Eaton, 1989).

After disappointing sales results, the company revised the soft sell television advertising campaign. It tried a more suggestive approach featuring a balding man standing agape before his bathroom mirror contemplating what hair treatment he could use to help slow the balding process. The message at the end of the advertisement suggested that if you were interested in learning more about reducing hair loss call the toll free number shown. A trained hair consultant would send further information and would give names of physicians in the area that were familiar with the hair treatment that was available through the Upjohn Company. The toll free number was used to help reduce the embarrassment men felt about inquiring about help for their hair loss (Freeman, 1989b).

Actual sales results were still poor which prompted Upjohn to change its advertising campaign again. Advertising in newspapers and magazines appeared in August 1989 and urged people to ask their doctor to prescribe Rogaine. For the first time the risks and side effects were listed, as well as the Rogaine brand name. Upjohn started to sell Rogaine as a consumer product. Regaine was the brand name used when Upjohn began selling the product in other countries such as Canada in 1986. Upjohn felt the Regaine name implied a promise of total efficacy. The philosophy the company has regarding customer satisfaction combined with
the strict laws in the United States caused it to change the name to Rogaine in the United States (Freeman, 1989c).

Identification of the Marketing Problem

There are many reasons for Rogaine's sluggish sales. First, both the price and dosage are more than what the consumer will tolerate. The price is about $50 for a one month supply. The dosage requires lifelong commitment to its use. Once the use of Rogaine is stopped, any hair that has grown back will fall out.

Second, Upjohn's $60 million television advertising campaign, featuring a balding man walking along a beach with the "see your doctor" phrase, may be too low key and vague. Upjohn chose to take this approach because federal law requires that if a drug name is mentioned in an advertisement, side effects from the drug must be mentioned. Upjohn fears that mentioning side effects of Rogaine would discourage potential customers from trying it. The problem with the advertisements could be that the viewer does not know if the available treatment is a hair weave, a transplant, or a drug. Some consumers are not aware of the product nor its attributes. Awareness is measured through two levels, unaided and aided. Unaided product awareness involves consumers recalling specific product names without any assistance. Aided awareness is the awareness generated by asking individuals which product they are familiar with after reading or reviewing with them a list of competing products (Hiebing and Cooper, 1990). Unaided awareness is
not possible because Rogaine is a new product in the new industry of cosmeceuticals. Aided awareness is not possible because Rogaine has no competitors.

Third, a man has to go to the doctor and admit that he is not comfortable with his hair loss. The cost of an office visit to a physician for cosmetic hair loss is not covered by insurance. This cost combined with the uncomfortable nature of the visit may cause potential customers to hesitate trying Rogaine.

Fourth, Upjohn, the pharmaceutical company that presents the product, may be just another corporate name to the consumer. It does not have a reputation of being affiliated with men's personal products. It has experience marketing pharmaceutical products directly to the health care market. It does not have experience marketing personal products for men to the consumer market. Upjohn may have the impression that it has finally found a cure for male pattern baldness even though the results of Rogaine and the market for potential users may be limited. Upjohn continues to invest heavily in the marketing of Rogaine.

Fifth, the bad reputation of hair treatments may contribute to the sluggish sales of Rogaine. Hair potions have been around for centuries claiming to restore a full head of hair in just one treatment. This may cause consumers to be hesitant to purchase Rogaine.

Finally, and most importantly, long term research lasting ten years or more has not been conducted to determine if there is a market that will support the life
long usage Rogaine requires. The reason why research lasting ten years or more is needed is because results from the product take time. Even though Rogaine was discovered in 1973 and attained FDA approval in 1988, it has not been in the market long enough to provide long term results. The risks and side effects also take time to attain and to evaluate.

Analysis of the Market for Hair Treatments

Nationally According to the American Demographics Institute, the 52,000,000 baby boomers of the United States continue to age and their income levels continue to rise. (Butenhoff, 1988). What this means to Upjohn is that the target audience for Rogaine will continue to grow. According to Ronald Nordman, a research analyst with Paine Webber, Incorporated, the target audience for Rogaine is the middle aged man between the ages of 25 and 44. The annual income of this target audience is $35,000 or more. The members of the Upjohn target market are better educated, active people in good health and, perhaps most importantly, are people with a considerable amount of net disposable income.

A total of 50 million Americans, 30 million men and 20 million women, or nearly two out of every three individuals develop some form of baldness. (Castleman, 1986). With the exception of legitimate hair transplants, the FDA passed a law in the summer of 1988 that banned any treatment or
nonprescription product in the United States that claimed to restore, thicken or grow hair on balding heads (Folkenberg, 1988). Rogaine is the only hair treatment with the FDA approval either to stop or to retard the progression of male pattern baldness. The challenge that faces Upjohn is to market Rogaine properly to this ever growing market.

**Local Market** The local market was explored in order to investigate the possibilities of Upjohn marketing Rogaine in Milwaukee County. The researcher surveyed dermatologists and family practitioners via mail surveys. The general public of men who showed baldness was surveyed via street interviews in Milwaukee County. Appendix C and D are examples of the questionnaires that were used in the market research. The response to the Milwaukee County survey was low thus the results are not conclusive.

A questionnaire is a series of predetermined questions that can be either self-administered, administered by mail, or asked by interviewers. The researcher chose to survey the population of dermatologists and general practitioners in Milwaukee County by mail. The general public of men in Milwaukee County who showed hair loss was surveyed by the researcher in a sidewalk interview. Some surveys are uniquely suited to mail, whereas others are more appropriately conducted by interview.
Mail surveys and interviews each have unique advantages and limitations. The advantages and disadvantages of each are discussed in the following paragraphs. The choice of which method to use in a particular situation should be made by considering the overall nature of the survey.

The first factor to be considered when conducting a survey is how much money, time, and personnel do you have at your disposal. Almost always, in-person interviewing is more expensive than either telephone interviewing or the use of mail surveys. This is especially true in cases where the sample size is large and/or spread out over a wide geographic area. The need to pay for travel time associated with in-person interviewing is the main reason for cost disparity (Sudman and Bradburn, 1982). Since the market to be surveyed was Milwaukee County, and the population of dermatologists and general practitioners was small, the researcher choose to survey the physicians via mail. The mail survey of the physicians worked well because it was difficult to determine when the physicians had free time to be interviewed. The mail survey can be completed at the convenience of the respondent in an environment of their choosing. Mail surveys also allow people the time to search through records to find information needed to answer the questions (Berdie and Anderson, 1986).
The stimulus presented by a mail questionnaire is the same from respondent to respondent. The interviewer is removed as a possible bias. However, if the questionnaire format of a mail survey is poorly constructed, it will be interpreted differently by different respondents, leading to biased responses (Sudman and Bradburn, 1982).

Mailed self-complete survey formats are easy to execute to physicians because they are accustomed to being surveyed by drug and medical equipment companies. Unless the physicians have received so many mail surveys that they resent them, the use of mail works well with physicians. Although some physicians who receive many mail questionnaires have come to loathe them, researchers have found this is usually because they have received many poorly designed mail questionnaires (Sudman and Bradburn 1982).

The key to conducting a good survey is to use a technique that people understand, which usually means with which they are familiar. The technique must be used in a manner that makes it easy for people to respond (Berdie and Anderson, 1986). The researcher used a combination of open and closed ended questions. The opened ended questions allowed the physicians to express their opinions. Closed ended questions allowed quick responses so the survey did not take much time to complete. The questions the researcher asked were short, attention getting, and used simple language. The researcher included a stamped, self
addressed envelope with the survey so that it would be easy for the physician to send it back. Some types of question formats are uniquely suited to mail surveys, whereas other types only work well with interviews (Berdie and Anderson, 1986). Rating scales that require people to rate items are more versatile in mail surveys than they are in interviews (Berdie and Anderson, 1986). It is quite easy to ask people in a mail survey whether they are "very satisfied," "satisfied," "neither satisfied nor dissatisfied," "dissatisfied," or "very dissatisfied" with a series of issues about which you might ask. This use of the five response options works well with mail surveys because the respondent can see the options and, therefore, keep them mentally present (Berdie and Anderson, 1986). The researcher used a scale from one (disapprove) to ten (approve) in the mail survey to the physicians. In an interview, however, after a few questions, respondents are likely to remember only "satisfied," and "dissatisfied." Although they may feel quite strongly about a given response, they are not likely to respond appropriately. Therefore, mail questionnaires work best if it is necessary to use many response options (Berdie and Anderson, 1986).

Some people are offended by the lack of personal contact. To them, mail questionnaires exemplify impersonality. A thorough familiarity with the types of
people you wish to survey will indicate whether mail questionnaires will be problematic in this regard.

There is an uncertainty about who completed a returned mail questionnaire. At times, the questionnaire recipient may forward the questionnaire to a person believed to be more qualified. Sometimes the issue of who completes the questionnaire may be of prime importance. In such cases, in-person interviews are usually preferable to mail surveys.

Unless a respondent is highly motivated to respond, the quality of a telephone interview starts to deteriorate quickly (Berdie and Anderson, 1986). Surveys requiring an abundant number of questions should be conducted either by mail or by in-person interview. A respondent can complete a mail questionnaire more quickly than an in-person interview that contains the same number of questions (Berdie and Anderson, 1986). This is because people read faster than they can listen.

Given the cost savings of mail surveys over in-person interviews, and given the fact that respondents can answer a lot of mail survey questionnaires in a short period of time, mail surveys are an excellent technique to use when many questions need to be asked. This does not mean that the mail survey should be overly long. Seemingly more important than length is question content. People do not like to be asked irrelevant, uninteresting questions. Rather than trying to keep questionnaire items short at all costs,
questionnaire items should be interesting to the respondent, relevant to the purpose of the study, and limited to absolutely essential items (Berdie and Anderson, 1986).

The study topic affects which data collection technique should be used. Topic areas that are sensitive to respondents are especially important to consider. Baldness is a sensitive issue. An in-person interview is appropriate because personal contact allows the interviewer to be more considerate and empathic. In-person interviews also allowed the researcher to observe the extent of baldness a man had to determine if he would be a candidate for Rogaine.

The researcher conducted a sidewalk survey of the general public of men in Milwaukee County who showed hair loss. The response to the survey was low thus the results are not conclusive. The sidewalk survey was done because nearly two out of every three men develop some form of baldness, and the researcher was the only one available to conduct the survey (Castleman, 1986). Thus, the probability of meeting men on the sidewalk who show baldness was high.

Interviewer bias plays a part in a personal interview. Interviewer variability refers to the different voice inflections, pronunciations, mannerisms, and gestures that are used by the interviewer during the interview (Berdie and Anderson, 1986). This variability can affect the responses given to survey questions, especially if the
respondent is more concerned with pleasing the interviewer than with giving accurate responses. Interviewer variability is an especially serious problem in large surveys that require many interviews. Even with careful training and monitoring, it is hard to insure consistent presentation of survey questions in these large surveys.

Interviews work more effectively than mail surveys when recall and recognition questions are linked together. This type of questioning does not work well in a mail survey because people may review the specific factors before they answer. Their review may influence their answer to the question. Interviews are not susceptible to this problem because the interviewer controls the order in which the questions are presented to the respondents (Berdie and Anderson, 1986).

Some questions may require people to look at physical objects as part of the survey. The object to be examined can sometimes be sent along with a mail survey. It is usually less cumbersome and more effective to conduct these types of studies by in-person interviews.

Mail Survey

The researcher conducted a mail survey of physicians that consisted of a total population of 37 dermatologists and 95 general practitioners in Milwaukee County. This population is according to the 1985 U.S. Department of Commerce Bureau of the Census and the Metropolitan Milwaukee
Economic Fact Book which is put out by the Wisconsin Department of Administration. The researcher mailed questionnaires to all of the 132 physicians and received back 35 of the questionnaires, a 27 percent response. Given the fact that the response to the survey was low the results are not conclusive.

All of the physicians that responded to the survey were aware of Rogaine. The researcher used a scale from one to ten, one rating extreme dissatisfaction and ten rating extreme satisfaction with the results of Rogaine. The doctors that responded to the survey were asked to rate the effectiveness of Rogaine verses other alternatives. Fifteen of the respondents (eleven percent of total surveyed, 43 percent of respondents) had a negative overall impression of Rogaine. Nineteen of the respondents (58 percent) had a positive overall impression of Rogaine. Appendix E graphically illustrates the impression the physicians that responded to the survey had about Rogaine. The trend that Appendix E illustrates is that more physicians have a tendency to disapprove of Rogaine. If this tendency continues physicians may not write as many prescriptions for Rogaine and the product may not sell well. Upjohn may either need to concentrate efforts on selling Rogaine that is currently available to physicians or greatly improve the product so physicians will feel that it is safe to write prescriptions for Rogaine for a larger group of people.
All of the physicians that responded to the survey had recommended Rogaine to some patients because: patients were requesting it; it was the only hair treatment that was FDA approved to slow male pattern baldness; there were no other pharmaceutical treatments like it, and the physicians and patients were pleased with the results. The reasons why the physicians did not recommend Rogaine included: it was too expensive; the results were unpredictable; the product had too long a dosage time; the results were negligible; the patient was too old; there was not enough long term follow up, and it showed no permanent hair gain.

The physicians that responded to the survey reported more of an increase in patient requests for Rogaine than a decrease as a result of the patient seeing advertising on Rogaine. Seventy percent of the respondents indicated an increase in patient interest. Thirty percent indicated a decrease in patient interest. Appendix F graphically illustrates that more men in Milwaukee County are coming to physicians as a result of seeing advertising on Rogaine. The advertising is catching the attention of men who are concerned about reducing baldness. As previously discussed in Appendix E physicians disapprove of Rogaine and are not writing as many prescriptions as possible. The survey indicated that there were 1,999 patients of the doctors that responded to the survey in Milwaukee County who were current users of Rogaine.
All of the physicians that responded to the survey indicated that the risks of using Rogaine for a continuous long term period were low. The results of the usage were also limited. Sixty-nine percent of the respondents rated the results as poor. Price, compliance with twice daily requirement applications by the patient, and results were the main areas which concerned the physicians in the Milwaukee County survey.

**Sidewalk Survey**

The researcher approached 200 men who showed hair loss in a sidewalk survey in Milwaukee County to further analyze the local market of Rogaine. The researcher received responses that completed the survey from 81 of the 200 men contacted (41 percent response). Eleven men (six percent) started to respond to the survey but did not complete it. They were considered to be part of the total respondents. The aggregate of respondents was 92 (46 percent response). Non-respondents (53 percent) were counted as part of the total population. The response to the survey was low thus the results are not conclusive. The average age of those contacted was 32. Appendix G illustrates the relation between the men that responded to the survey who would use Rogaine and age. Of those who were between the ages of 20 and 29 (12 in group) 67 percent indicated that they would use Rogaine. Thirty-three percent of those in this age bracket indicated they would not use Rogaine. Of those who
were between the ages of 30 and 40 (64 in group) 73 percent indicated that they would use Rogaine. Twenty-seven percent of those in this age bracket indicated they would not use Rogaine. Of those who were over the age of 40 (five in group) 80 percent indicated that they would use Rogaine. Twenty percent of those in this age bracket indicated they would not use Rogaine. The trend Appendix G shows is that the target market for Rogaine is men between the ages of 30 and 40. Forty-four percent of the respondents were married. Appendix H illustrates the relation between the men that responded to the survey that use Rogaine and marital status. Fifty-eight percent of the respondents who would use Rogaine were single. Seventy-nine percent of the respondents who would use Rogaine were married. This illustrates that marital status influences those who would use Rogaine. Marketing efforts should be directed towards the married man. Of the respondents, 66 percent indicated that they had considered treatment for hair loss and 72 percent indicated they were interested in stopping their loss of hair. Eighty-eight percent indicated they saw the television advertisement. Sixty-one percent of the respondents were familiar with Rogaine through television advertisements. The respondents felt the advertisements were vague, eye catching, and cute. All of the respondents felt the advertisements should be more specific. A majority of the respondents also felt that the advertisements should be
affiliated with a company that sells personal products for men and mentions the product name and what the product can do. Seventeen percent of the respondents indicated they knew someone who was using Rogaine besides themselves and they learned of Rogaine through referral. The same respondents indicated that the treatment was slow, expensive, and it was hard to comply with the twice daily application. Overall, the respondents suggested that Rogaine should show more results and be priced lower. According to the respondents, more promotions would give them reason to continue treatment.

Alternative Procedures to Reduce Baldness

Alternative procedures to reduce or cover baldness include wearing a wig or toupee, anteroplasticy, galeoplasty, and hair weaving. There are a number of temporary and permanent methods for disguising or replacing lost hair. A temporary means of disguising hair loss is the wig or toupee. Many kinds of hairpieces are available, and some of them are attached to the scalp by adhesives. The effectiveness of hairpieces depend largely on the skills of those who design them and how they are worn.

There are three permanent means of replacing hair loss. The first is known as anteroplasty. In anteroplasty, plugs of hair are surgically implanted in balding areas.

Galeoplasty is a second method of replacing hair loss. Balding skin is surgically removed from the top of the head. Then, hair covered skin from the back of the head and from the sides is stretched upward (Freifeld, 1986).
A third method, hair weaving, is also available. This process involves tightly stretching the balding person's own hair across the head. Real or synthetic hair is attached to and anchored by the patient's own hair. Most dermatologists do not recommend this practice, however. Hair weaving makes thorough cleaning of the scalp and hair difficult (Freifeld, 1986).

There are disadvantages to each alternative procedure to reduce or cover baldness. The disadvantages of wigs or toupees are that they do not look natural and have the possibility of blowing off one's head. Another disadvantage of wigs and toupees is that they cannot be worn while swimming.

Anteroplasty involves a series of operations. The procedure is not covered by medical insurance, it costs as much as $15,000, and it requires a year or two to complete (Price, 1989). Despite the time and expense, an estimated 250,000 American men each year elect to have the surgery.

Hair transplanted from the back or side of the head could continue to grow as it would at its original site. Hair transplant surgery requires a series of visits for treatment. The doctor begins by injecting a local anesthetic into the areas where the surgery will take place. Then a circular punch is used to remove tiny pieces of scalp, each containing about eight to 15 hair follicles (Price, 1989). The hair follicles are placed in spots on the bald scalp that are cut with a similar instrument. The
donor sites are closed with stitches, while the area that receives the transplant is bandaged for a day.

The grafts are to be spaced far enough apart to insure adequate nourishment from surrounding blood vessels. That is the reason why transplants are done in stages. The first stage of a transplant includes 30 grafts. There must be at least a three week wait for the next transplant to occur (Price, 1989).

Galeoplasty decreases the area of the bald scalp that the transplants have to fill. A strip of skin is cut out of the bald area and the edges of the scalp are sewn together, which moves the hair on the sides of the head closer to the top. A scalp reduction procedure often costs $1,500 to $2,000 (Folkenberg, 1988).

The side effects from the surgery are relatively minor. Overnight pain and temporary swelling might appear after a day. A sensation of numbness that could last for weeks or months until nerve endings regrow is expected with galeoplasty. Extraction of the scalp plugs leaves faint scars. If the procedure is done correctly, the scars will be hidden by the remaining hair. More serious but rarer side effects include post operative bleeding, which may require additional stitches, and infection which is treated with antibiotics (Folkenberg, 1988).

There could also be a psychological burden from galeoplasty. If the bald area is large the healing and hair growing process may be visible. There is considerable
debate among dermatologists about whether hair transplants offer enough cosmetic improvement to be worth the time, cost, risk, and discomfort.

A major problem with hair transplants is finding a surgeon who could produce good cosmetic results. There are many different surgical techniques for hair transplants. The risk of finding a surgeon with poor skills and controversial techniques is great (Freidfeld, 1986).

**Description of Potential Solutions**

The Upjohn Company faces slow sales of Rogaine. The current marketing strategy of Rogaine may have to change in order to increase awareness of the product and ultimately, sales.

There are at least three alternatives for the company to consider:

1. **Use pricing strategies, sales incentives, and better advertising.** The advertising could be more specific and possibly mention the product name on television advertisements along with the risks and side effects.

2. **Starting a joint venture with a company with more consumer marketing knowledge than Upjohn.** Upjohn needs a company with a name consumers know for having a full lineup of related personal products for men. The company should have strong channels of distribution for personal products for men. This could help Upjohn market Rogaine better.

3. **Abandonment of Rogaine altogether because there may not be a strong market to support the product in the long term.** Some current users may refuse to comply with twice
daily application requirements. The price is too high and results too poor to encourage lifelong use. Upjohn may be too involved with the product. The company has no experience marketing a personal product for men nor does it have access to channels of distribution to the men's personal product industry.

Alternative One - Pricing Strategies, Sales Promotions, and Advertising

The determination of pricing strategies for Rogaine is of major importance to marketing managers at Upjohn. Usually the company that first introduces a product has the freedom to set the price it desires. The pricing decision is often a function of the company's ability to produce the product, product availability, and the amount of anticipated competition. Through pricing, management attempts to recover the costs of the separate elements in the marketing mix. The marketing mix includes the product itself, associated advertising, personal selling expenses, and various services provided to consumers through the channels of distribution. The final part of the marketing mix is the generation of profit for the firm (Hiebing and Cooper, 1990).

Pricing Strategies

Pricing strategy is seen in perspective as one of several interdependent elements in the marketing mix. The role of price as a determinant of demand at the expense of such non-price variables as promotion and distribution is emphasized by economic theorists. The economic concept of
pricing generally emphasizes the level of price charged, overlooking such important marketing considerations as how prices are paid by consumers.

An organization's pricing objectives are normally derived from its overall marketing strategy and may change over time in response to changing conditions, both in the marketplace and in the firm's own resources. A common trade off is between short run profits versus sales and market share targets which may enhance profits in the long run.

Pricing strategies must take into account not only the response of the ultimate consumer but also the needs and characteristics of intermediaries in the channels of distribution. Sufficient margins must be offered at each level of distribution to make it financially attractive for the distributor to carry the product (Pappas and Hirschey, 1985).

Pricing strategies may reflect a communications objective. Many firms cultivate a value for money image and are anxious to ensure that each item in the line reflects that image, even if some are only marginally profitable as a result. Some firms offer one or more loss leaders on a temporary basis to attract attention to the entire product line. At the other end of the spectrum are situations in which the marketer seeks to enhance the quality image of the product by deliberately charging a relatively high price. The price of Rogaine reflects the quality image Upjohn wants to project.
Prices and pricing strategies a firm implements are influenced by a number of factors. These include the cost structure of the firm, and the price elasticity of both primary and selective demand. The competitive structure of the industry in which the firm is competing influences the prices and pricing strategies a firm implements. Finally, the product characteristics, the availability of supply relative to demand, and legal considerations contribute to the firm's pricing strategies (Pappas and Hirschey, 1985).

One area that may be causing customers to hesitate using Rogaine is the price. The company could gain several advantages by lowering the price. Some of the advantages of lowering the price of Rogaine may be that more people would be willing to try it, and those who are currently patients would continue treatment. A lower price may strengthen brand loyalty. Thus, sales may increase which in turn, would allow Upjohn to further invest in product development and refinement. Upjohn may be able to penetrate the market deeply and stimulate long term growth and brand loyalty enabling it to secure a dominant position in the market preempting competition and ensuring long run profitability.

Several aspects of an organization's cost structure need to be considered. The level of variable costs per unit and the extent to which these are likely to form a high proportion of selling price influences an organization's cost structure. The level of fixed costs, the potential for
economies of scale, and a firm's cost relative to those of its competitors need to be considered in an organization's cost structure.

When an organization is operating with high fixed costs and relatively low variable cost per unit, the incremental cost of accommodating new customers is comparatively little in relation to the price charged. Earnings may rise sharply if sales increase. Capital intensive organizations are termed volume sensitive. Upjohn is a capital intensive organization which desires to sell high volumes of Rogaine at a high price to recover the costs of research and development, marketing, distribution, and to capitalize on the uniqueness Rogaine offers.

The reverse may also be true. Fixed costs may be comparatively low and variable costs per unit fairly high. Competition tends to force the price down, unit contribution is often low and even substantial increases in sales volume may not improve earnings by a large dollar amount. An increase in price may have a significant impact on dollar earnings. In such instances, profitability is said to be price sensitive.

A key factor influencing pricing decisions is the sensitivity of demand for the product in question to changes in the selling price. If demand rises (falls) sharply when the price is lowered (increased), then demand is said to be highly elastic because it is responsive to changes in price. If demand is little affected by price changes, it is said to be inelastic (Pappas and Hirschey, 1985). An example of
inelastic demand is the demand for electricity. If the price of electricity goes up (down) the demand is little affected since people need electricity regardless of the price. Conservative measures will be taken when the price of electricity increases however, the demand will remain relatively constant with price changes. The demand for Rogaine is elastic. This determination of elasticity for the demand of Rogaine is based on the results of the survey conducted by the researcher in Milwaukee County. More potential patients may try and may continue to use Rogaine if the price was lower. In all of the responses from the survey that was conducted in Milwaukee County by the researcher, both the physicians and the general public indicated that the price of Rogaine was too high.

The price sensitivity of demand for a particular product category reflects the importance of the product for consumers. The income level of present consumers, the existence of substitute products, and the extent to which potential exists for increasing consumption influence the price sensitivity of demand for a product. The price sensitivity of demand is also reflected by whether or not the product in question is merely a small component in a much larger entity (Pappas and Hirschey, 1985). The price sensitivity of demand for Rogaine is high. The product is highly important to current and potential customers because it is the only effective product of its kind that is FDA approved for the treatment of male pattern baldness. No substitutes exist, therefore Upjohn demands a high price.
The high price and the life time usage Rogaine requires limits the product to those with high levels of income. Thus, the wealthy are able to continue the future consumption of Rogaine provided they are appropriate candidates and are pleased with the results of.

The price elasticity for a particular product category is not necessarily constant but varies between different price levels and also over time. A marketing manager may also find that, although some price changes have little immediate effect on demand, clear trends become apparent later (Pappas and Hirschey, 1985). This is particularly true with Rogaine since the product requires life long use. If the price went down, perhaps more men would use Rogaine.

The number of firms in an industry have a direct effect on pricing policy. When many competitors are selling an undifferentiated product, individual marketers have little discretionary power to influence the prices at which they sell. In the absence of government regulation or the presence of a cartel, price is set by free market conditions and the marketers have little option but to accept it.

At the other extreme are those marketers who have no direct competition for a needed product. In theory, monopolists have complete discretionary power to establish their own selling price. However, in practice, government regulatory bodies often set the rate structure which the company has to accept. Even when no regulations exist, many monopolists choose not to set a price that would maximize profit, either for ethical reasons or for fear of attracting
new regulatory controls or new competitors. Rogaine is a highly differentiated product, it is the only hair treatment with FDA approval. The FDA regulation which banned any non prescription treatment claiming to grow hair eliminated any immediate competition in the United States. The time and testing it takes to attain FDA approval eliminates the rest of the current competition in the United States.

In oligopolistic situations, where there are relatively few competitors, it is common to find one or two of the principal firms as price leaders (Pappas and Hirschey, 1985). Other firms are often content to follow this lead, settling for a stable market in return for an acceptable margin of profit. Although the industry leaders have some discretionary influence over the selling price in such situations, they risk losing this role if their own price strays too far from those dictated by underlying supply and demand forces in the industry.

As well as evaluating the nature and extent of existing competition, a marketing manager must also be aware of potential entrants to the industry before establishing a pricing policy. If barriers to entry are high due to the need for substantial capital investments and/or access to scarce resources or expertise, then the prospect of new entrants may be remote. The barriers to enter the market and compete directly with Rogaine are high due to the testing and research needed for FDA approval and the attainment of a patent that protects Rogaine. However, the high price and high earnings within an industry may attract
new competitors who are prepared to make the necessary investment for entry. Several United States firms have recognized Rogaine's success for treating male pattern baldness and are developing similar products that will compete with Rogaine in the future. Many firms in oligopolistic industries adopt a low price, preferring low earnings now to the prospect of additional competitors in the future. If the price of Rogaine is lowered significantly it may attract more customers to try it.

Many firms attempt to escape from the constraints that industry structure imposes on pricing policy by differentiating other elements of the marketing mix. Analysis of competitive offerings, distribution channels, and consumer needs provide insights into the extent to which such differentiation is both realistic and feasible. Pricing policies are said to be discriminatory when a firm sells the same product at a different price to different buyers who are competing with one another. It is not discriminatory for a marketer to sell to a wholesaler and to a retailer at a different price, since the two are not in direct competition. The law only allows price discrimination in certain circumstances, such as meeting the price of a competitor in good faith or when the price differential is cost justified (Kempin and Wiesen, 1983).

In establishing the price of a new product, the characteristics of the product itself play a central role. If it is merely a "me-too" item not strongly differentiated from competitive offerings, then the level of existing
prices may provide the crucial determinant. Greater price discretion may be available to the marketer of a distinctively different product which has no close substitutes and is unlikely to be imitated in the short term. Rogaine is an example where Upjohn has greater price discretion.

Other inputs to the pricing decision include an analysis of the market, prospective consumer segments, existing or potential competitors, and the needs of the trade. Management must estimate the potential volume of demand in each major segment and the speed with which this demand would develop. These may be sensitive to changes in both the price and the level of marketing effort. A new product may be tested at a different price in matched cities in order to obtain a better feel for the sensitivity of demand to these variables. An evaluation of competitive activity, if any, would provide details of the competitor's price range and the terms they offer the trade. It may also help the marketer evaluate the possibility of price retaliation by firms marketing products likely to be displaced by the newcomer (Greyser, 1972).

By reviewing all these pricing factors and undertaking a sensitivity analysis of the economic implications of alternative strategies, a marketing manager may be able to select and implement the correct pricing policy. One type of pricing policy is skimming the market with a high initial price. The other type of pricing policy is penetrating the
price. The other type of pricing policy is penetrating the market with a low price to stimulate market growth (Pappas and Hirschey, 1985).

Skimming is usually limited to distinctively different products (Kolter, 1988). It involves setting a high initial price which skims the "cream of demand" at the outset, yielding a high profit during the period before competition enters the market and the price starts to fall. A high initial price is sometimes employed as a means of restricting demand at the outset when supplies of the product are limited. Market penetration is the opposite approach. It involves use of low price to stimulate market growth and enable the firm to gain a dominant position, hopefully preempting competition and ensuring long run profitability.

As the product matures and competitive activity increases, periodic evaluation is necessary to ensure that the pricing policy is realistic in the light of market conditions and the objectives of the firm. Upjohn is clearly skimming the market with a high price since Rogaine is truly a distinctive product with no immediate competition. The price may be based on the effectiveness of Rogaine, especially the long term test results of effectiveness, the market of potential users, and the long term use the product requires. Skimming is a short term philosophy based on exploiting the market before competition enters. The high barriers of entry are based on the FDA banning any treatment that claims to grow hair and the
testing required to attain FDA approval. Market penetration will focus on the key issue of the life long use Rogaine requires. Low price may encourage patients to continue treatment and stimulate long term market growth and profitability.

Even though Rogaine's current price average of $45 per month is attracting business ($48 million in sales in 1988) the price is not encouraging long term use (Eaton, 1989). Reviewing the prices that were charged for competing cosmetic hair treatment products prior to the FDA banning of such products, the average market price was $30 per month. These products did not give the results Rogaine did, yet yielded $1 billion in sales in 1988 (Rhein, 1988). If the price range of Rogaine fell between 25 percent and 35 percent the product would sell for $33.75 and $29.25 per month respectively and may be more affordable for life long use.

The initial and follow up visits to the physician must also be considered in the cost of Rogaine treatment. The visits to the physician could add $25 to $35 to the cost of the trial usage of Rogaine. In addition to the cost of the visits the time and inconvenience of the visits could be perceived as costs by the potential customer.

Although there are advantages of having a product at a low price there are also disadvantages of offering a product at a low price. Some of the disadvantages of offering a product at a low price include jeopardizing the product quality image Upjohn has. A product offered at a low price
might give customers the impression that Upjohn is a budget priced operation and quality is being sacrificed. Finally, depending on the extent of the price reduction, short term profits may be sacrificed if the price is lowered.

**Sales Promotions**

Rather than lower the price of Rogaine, Upjohn could implement a sales promotion marketing strategy. Sales promotions are another marketing strategy Upjohn could use to attract more business to Rogaine which would help overcome the resistance patients have to the high price. Sales promotions that would be applicable to Rogaine include coupons, cash refunds, patronage rewards, and tie in promotions. These promotions combined with advertising would further prompt potential patients to try Rogaine and would encourage current users to continue treatment.

Sales promotions provide added incentive, encouraging the target market to purchase the product. The results of sales promotions are either increased short-term sales and/or an association with another product. An example of this is product sponsorship of special events.

Sales promotion is the only marketing mix tool for which the marketer develops specific sales objectives. A sales objective is the dollar amount that is to be attained in a specified period of time. A sales promotion is both exclusively short term in nature and affects customer behavior. Customer behavior is affected through tangible
incentives, resulting in incremental sales generation and/or an incremental association with the product (Hiebing and Cooper, 1990).

A closed promotion, coupons for example, may give consumers an added incentive to purchase. They are required to do something in order to take advantage of the offer. Coupons are certificates entitling the bearer to a stated savings on the purchase of the product. Coupons are heavily used in consumer products such as soap and paper products. Two thirds of American consumers use coupons in their regular shopping (Freeman, 1989). Since Rogaine is a prescribed personal hair care treatment, it could be considered a consumer product. Coupons would allow users to immediately experience the savings at the time of purchase. Coupons could be included in the information pack that Upjohn sends to prospects who called the toll free number requesting further information on Rogaine. Coupons could also be included in magazine and newspaper advertisements.

Cash refunds or rebates are like coupons except that the price reduction occurs after the purchase rather than before. Cash refunds make the consumer take action to get the money back. The interaction between the consumer and the company in cash refunds helps focus the attention of the consumer on the product.

Patronage rewards are values in cash that recognize one's extended use of the product. Since Rogaine requires life long use, Upjohn could recognize and congratulate those
who continue to use the product through financial rewards. This could help promote future use of Rogaine.

Tie in promotions couple two or more related products together through the use of coupons and refunds. Rogaine could be tied in with men's shampoo or other hair care products for men. Rogaine could team up with a highly recognized men's hair care product which would increase its exposure to new users and enforce the advertising campaign.

Promotions can be delivered by three basic methods. The first vehicle of delivery of coupons is through the media. Direct mail to the target market, magazines that the target market reads, and newspapers are the most common media delivery methods for packaged goods.

A second means of delivery of coupons is on or in the package itself. Coupons on or in the package will encourage future purchases and make it easy for the consumer to attain the coupon. Coupons on or in the package could also encourage the consumer to purchase other products offered by the company.

Sales people through in person selling contact with pharmacists are the third channel of delivery of coupons. Sales people can leave coupons with the pharmacist who in turn forwards them to the consumer (Hiebing and Cooper, 1990). Through the personal sales contact with the pharmacist the sales person can immediately follow up on which product is selling quickly and replenish coupons for the pharmacist.
Expenses must be projected for each promotion. Included should be all costs associated with communicating and delivering the promotion to the target market. This includes media costs associated with delivering the promotion. The cost of the offer must also be estimated. For example, if ten dollar coupons are to be used, the redemption number along with the handling costs must be calculated to determine the cost of the coupon incentive. The value of the coupon and the number of coupons distributed are variables that need to be calculated in the cost of a coupon promotion. Also included in the calculation are the estimated redemption rate, the number of coupons redeemed, and the dollar value of the coupon. The advertising and media costs which include the printing and the mailing of the coupons if direct mail is being used are the final components used in calculating the cost of the coupon promotion (Kolter, 1988).

Before a promotion is implemented a payback analysis must be done. The calculation of the gross margin to net sales isolates the promotion and takes into account any incremental variable costs associated with the promotion. In using this method, incremental costs of the promotion which include communication of the promotion and incentive costs are subtracted from incremental sales generated from the promotion (Hiebing and Cooper, 1990).

The promotion must stand on its own. The only way to determine its potential success or failure is to weigh the projected incremental sales against the expected incremental
expenses of the promotion (Hiebing and Cooper, 1990). If the promotion contributed a meaningful positive dollar figure to fixed overhead and meets the promotional sales goals, then the promotion should be executed. Fixed overhead are expenses that occur no matter what happens. An example of fixed overhead is rent. If the payback analysis shows that there is a negative contribution to fixed overhead, then another promotion should be considered or the current promotion must be reworked with less incentive or a different product mix (Hiebing and Cooper, 1990). If the firm is trying to gain trial usage or purchase of the product and has set no budget parameters specifying what the promotion must contribute to profits, then the firm may believe the promotion will translate into future profits.

In order to do an accurate payback calculation for an open promotion of Rogaine, more data is needed. This needed data is not available to the researcher. Thus, the researcher is not able to illustrate a payback calculation in an appendix. Included in the needed data is the type of promotion selected, the geographic location where the promotion is to be conducted, and the estimated sales from the promotion. The gross margin dollars that the firms chooses to sell the product at, and the media and advertising costs that the firm is currently spending without the promotion and anticipates to spend with the promotion is data that is also needed. Finally, Rogaine's contribution to fixed overhead is needed to accurately calculate the payback of an open promotion.
The next step is choosing the correct promotion. The marketer must make sure the promotions that are chosen complement each other and work together through the year. The best method to determine if the promotions properly interface with each other is to list the promotion in calendar form according to when they will be executed. This will allow the marketer to make judgement on whether the promotions selected complement each other based on scheduled run dates and the types of promotions selected (Hiebing and Cooper, 1990).

The final step is to develop a long term promotion program. One method of incorporating promotions into a long term plan is through a trial-to-loyalty promotion program. This is a method by which a marketer can take the consumer through successive steps from trial purchase to repeat buying by using a disciplined promotional program. With each step the consumer is asked to perform a stronger behavior and is given less reinforcement to purchase the product, until finally, purchase is at full price and the consumer is a brand loyal, long term customer.

The trial-to-loyalty promotion occurs by using primary reinforcers to stimulate initial trial purchase and secondary reinforcers to encourage repeat purchase. The primary reinforcers provide strong promotional incentives while the secondary reinforcers have weaker incentive properties. In order for the marketer to attract new customers there is usually a need for greater incentives to initiate trial purchase or use. However, once the customer
has tried the product, each successive purchase should be more and more due to the product's attributes rather than the incentive, until finally the customer purchases at full price because of the product's attributes.

Thus, there is need to educate the consumer during the initial stages on why the product is superior or is consistent with the image the consumer wants to portray. Education is achieved within the promotion communication. The three stages of trial-to-loyalty promotion include: trial stage, brand conscious stage, and loyalty stage.

In order for the trial stage to be implemented for Rogaine the customer must first visit a physician since it is a prescription drug. After an examination the physician should know if the customer is a potential candidate to use the drug. If so, the physician could give the customer a sample of Rogaine to try along with a half price coupon for the next purchase. In doing this, trial usage is encouraged with no commitment from the consumer with the exception of visiting the physician. Repeat purchase is encouraged; however, there is a large inducement so the consumer does not have to commit fully to purchase but is essentially subsidized by the company.

The second step is the brand conscious stage. This is achieved by utilizing the secondary reinforcer of proof of purchase premiums or refunds. The consumer is asked to purchase the product at full price prior to receiving a reinforcer in the form of a refund or premium. The consumer
purchases the product at full price for its inherent value with the promise of a future reward.

The use of sweepstakes to communicate the product's attributes and benefits is another step to build brand consciousness. An example of a sweepstakes would be having customers answer questions about the product that can be found on the product's package. This makes each customer pick up the package, think about the product's name, and answer questions about the product's benefits. Correctly answering the questions would qualify the customer for a drawing to determine the winner.

The final step is the loyalty stage. The customer is fully convinced by the product. Future purchases by the customer are at full price.

Upjohn could use sales promotions to increase sales of Rogaine. The advantages of using promotions include increasing consumer's awareness of the product, and complementing advertising. Sales promotions will make the consumer more active in the purchasing process. Rogaine could attain an image of a consumer product rather than an intimidating pharmaceutical product through the use of sales promotions.

Although sales promotions are attractive to increase sales they do have disadvantages. The disadvantages of using promotions would be the increased cost of marketing, and coordinating marketing efforts. The use of sales promotions may entail giving up complete marketing control, and sharing profit margin with an outside source. This could
be exemplified when a firm utilizes an advertising agency. The advertising agency is employed by the firm that is marketing a product. Therefore, the complete marketing control is being given up.

A final disadvantage of sales promotions is that the company must have full confidence in the effectiveness of the product. The company must believe that customers will continue to purchase the product at full price in the future. Otherwise the company is taking a great financial risk by using refunds, free samples, and coupons.

Upjohn currently uses cash refunds and coupons as part of its sales promotion campaign. A ten dollar cash refund is given when a customer visits a physician for hair consultation. The customer brings the certificate to the office visit with the physician. The physician signs it and the customer sends the certificate to Upjohn. If the physician prescribes Rogaine the customer receives (four) five dollar coupons that can be used towards the first (four) months of treatment. Potential customers learn of this sales promotion campaign only when they call Upjohn via the toll free number listed on television and print advertisements. In order for Upjohn to fully utilize the use of sales promotion the advertisements should mention to the potential customer that promotions are available.

Advertising

Along with the usage of sales promotions the advertising that Upjohn uses for Rogaine is a soft sell television and print campaign that urges consumers to "see
your doctor if you are concerned about hair loss". In order to sell the product, advertising must first attract the attention of customers. The soft sell, suggestive approach may be vague to some viewers who do not know if Upjohn is advertising a procedure like hair transplants or a hair treatment. The advertisements conclude with the Upjohn corporate logo. Upjohn refers prospective patients to physicians for two reasons. First, Rogaine is a prescription pharmaceutical that could only be attained through a physician. Second, going through doctors was a good way to overcome the credibility hurdle that was erected by past false advertisements of baldness treatments. The target market must have a positive attitude toward what the company is selling. The television advertisements, which reach most prospective users, do not mention the brand name Rogaine. The reason for this is because United States federal regulations require data on side effects and other information to be mentioned in the advertisements since Rogaine is a prescribed pharmaceutical product. However, the print advertisements do mention the brand name Rogaine along with the side effects. They may not reach as many viewers as the television advertisements.

The usage of sales promotions must be mentioned along with clear advertisements in Upjohn's advertising campaign. Viewers of the advertisements could have a better understanding of the message Upjohn is communicating if the brand name Rogaine and specific testimonial results are used. The viewers will know what results can be expected
from the product rather than only know the name of the manufacturer and a toll free number to call.

Precise, attention getting advertisements have several advantages. They communicate exactly what the product is, what it does, what the name of the product is, and how the customer may benefit from its use. The results to the company may be increased sales. Even if the brand name is not mentioned, harder sell advertisements could help make the concept of the product clear and concise.

There are disadvantages to mentioning the brand name Rogaine on television advertisements. Since the law requires the mention of side effects prospective patients may choose not to use the product. Finally, the listing of the side effects might make the advertisements too complicated, long, and more expensive.

**Alternative Two - Start a Joint Venture** The Upjohn Pharmaceutical Company is highly respected and recognized in the pharmaceutical industry. When Rogaine was first introduced Upjohn marketed the product like the rest of its pharmaceutical line. The company chose a soft sell advertising campaign and concentrated on the medical side through sales representatives informing physicians of the product. Rogaine is a unique product in that it is a pharmaceutical that needs to be marketed like a personal product for men. Upjohn has confronted a marketing dilemma. It does not have marketing experience or channels of distribution for personal products for men nor is its name recognized within the industry for personal products for
men. A possible solution to this marketing dilemma could be to start a joint venture with a company that is established and recognized in the personal products for men industry.

In joint ventures, two or more companies create a business in which they share joint ownership and control. Either company may buy an interest in an existing operation. Two or more parties may also form a new business venture.

An example of a company that has personal products for men which Upjohn could form a joint venture with would be Gillette. Gillette is a highly recognized, established company that sells personal products for men. It mass merchandises its products in department stores and drug stores. Gillette extensively advertises on television and in the print media.

Gillette could develop products that would complement the use of Rogaine such as special shampoos and conditioners that promote a healthy scalp for balding men. This would take advantage of the fashion image, name, marketing and advertising techniques Gillette offers. The mass merchandising and distribution channels of Gillette are better able to exploit the hair treatment market from the consumer side rather than through the medical side. The joint venture could use the Upjohn name and the FDA approval of Rogaine to increase the legitimacy and results the product offered. Both Gillette and Upjohn would benefit in that the complementing products would attract attention to and expand Gillette's product line. The joint venture would allow Gillette to demonstrate its marketing techniques,
techniques that Upjohn presently lacks. Upjohn could then concentrate its research and development efforts on pharmaceuticals and on the improvement of Rogaine.

The disadvantages of a joint venture include sharing the revenue and control with another company. There may be disagreements on marketing and investment policy philosophies. Since Rogaine is a prescription drug it can only be sold through pharmacies. Thus, the selling of Rogaine in a fashionable department store is not possible.

To conclude, a joint venture offers many advantages to Upjohn and to Gillette. Gillette offers access to channels of distribution otherwise not available to Upjohn. Gillette has a name synonymous with personal products for men. This name could help Upjohn attain recognition in the personal products for men market. Gillette could benefit by having its product line expanded.

**Alternative Three - Abandon Rogaine** Upjohn had spent $60 million in 1989 on the advertising campaign of Rogaine yet the product returned only $48 million in sales in 1988. Based on this $12 million loss, Rogaine is losing money for Upjohn. The abandonment of Rogaine would allow Upjohn to cut its losses and concentrate on an area it knew best, the research and development of high quality, effective pharmaceuticals.

Upjohn does not have experience marketing personal hair products for men. Upjohn's experience lies in informing the physicians and health care professionals of its pharmaceutical products.
Although the response to the Milwaukee County survey was low and the results are not conclusive, it appears the Milwaukee market for Rogaine is rather limited. Those who are young, rich, and healthy are good candidates for Rogaine treatment. The ideal candidate for Rogaine also has a specific type of male pattern baldness, along with a high level of patience for the slow, limited results Rogaine gives. Finally, the ideal candidate will comply with the requirement of applying Rogaine twice a day for the rest of his life.

The present chairman of Upjohn appears to be closely involved with Rogaine. He believes that Upjohn has finally found the ultimate treatment for male pattern baldness. The company is optimistic about Rogaine becoming a leading product in the pharmaceutical industry.

Abandoning Rogaine is an option available to Upjohn. There are several advantages to this option. Abandoning Rogaine will save money and time which could be put in more profitable areas of the company. The product may hamper growth opportunities and consume the time of the marketing, research and development, sales, and customer relations staff.

There are disadvantages associated with the abandonment of Rogaine. These disadvantages include the loss of money and time that was spent researching and marketing Rogaine. If Upjohn abandons Rogaine another company with more effective marketing methods could gain from the foundation Upjohn established. Those who tried Rogaine and were
discouraged by the high cost and limited results may develop negative feelings toward the company and may choose not to buy Upjohn products in the future. Researchers may not turn to Upjohn to help market and develop innovative products in new industries.

Recommendation

The researcher recommends the implementation of alternative one which includes strategic pricing strategies, more precise advertising and the use of sales promotions. This may be the best long term solution to the marketing problem Upjohn has with Rogaine. These three marketing strategies give the firm diverse avenues to catch the attention of and retain customers.

The demand for Rogaine may rise if the price is lowered. This price elasticity of demand is affecting the sale of Rogaine greatly. Based on the survey conducted by the researcher in the Milwaukee County market, both the physicians and the general public indicated that the price of Rogaine was too high. The response to the two surveys in Milwaukee was low thus the results are not conclusive. A lower price may help Upjohn penetrate the market. Through a lower price customers may become loyal users of Rogaine enabling it to secure a dominant position in the market preempting competition and ensuring long run profitability.

Sales promotions may help overcome the resistance patients have to the price. Patronage rewards could recognize and congratulate customers for continuing to use
Rogaine. As a result of the customer participation sales promotions require, brand consciousness of Rogaine may occur.

Sales promotions complement advertising helping the consumer to be more aware of the product. Sales promotions also make the consumer more active in the purchasing process. This increased activity of the consumer could help Rogaine attain an image of a personal product for men rather than an intimidating pharmaceutical product. Promotions that complement advertising along with an increased consumer awareness and activity could help Upjohn increase the sales of Rogaine.

Finally, harder sell advertising that communicates the specifics of the product may help Upjohn increase sales of Rogaine. The customer must understand more about the product Upjohn is trying to sell. The researcher suggests that the implementation of alternative one may help Upjohn increase the sales of Rogaine.
BIBLIOGRAPHY


Appendix A

One Months Supply of Rogaine

Source: The Upjohn Company
Appendix B

Example of Daily Application of Rogaine

Source: The Upjohn Company
Rogaine Topical Solution is applied to the scalp twice a day. Physicians stress that treatment must be maintained faithfully over a minimum four month period before results may be seen.
Appendix C

Physician Questionnaire

Used for Mail Survey Conducted by
the Researcher
Are you aware of the Upjohn Company's hair treatment drug Rogaine?

YES _____   NO _____

What is your overall impression on a one (disapprove) to ten (approve) scale of the drug as far as its effectiveness versus other alternatives such as hair weaving and scalp reduction?

1 2 3 4 5 6 7 8 9 10

Have you recommended Rogaine?
If so, why?
If not, why not?
If you have recommended Rogaine, was it beneficial?

YES _____   NO _____

Why was it not beneficial?

Have more patients been coming to you as a result of seeing advertising on Rogaine?

What is the average age of the patient on Rogaine?

How do you feel about the risks versus the results of Rogaine?

What do you think of the continuous long term use of Rogaine?

What do you think of the price of Rogaine?

In your opinion, what would be a fair price for Rogaine?

How would you rate the results of Rogaine on a one (disapprove) to ten (approve) scale?

1 2 3 4 5 6 7 8 9 10

How many patients do you have that you prescribed Rogaine to?
Appendix D

Questionnaire to Potential Customers

Used for Personal Interviews

by the Researcher
How old are you?
Are you married?
Have you ever considered treatment for hair loss?
Are you familiar with the hair treatment the Upjohn Company has namely Rogaine?
Have you seen any advertising for the drug Rogaine?
If so, where did you see the advertising?
What did you think of the advertising?
What changes in the advertising do you think should be done?
Do you know anyone who is using Rogaine?
If so, what do you think of the results?
Have the people you know that are using Rogaine suggest that you try treatment?
What do you think of daily, long term use of a product that will help reduce the balding effect?
What would you be willing to spend on a hair treatment that would reduce or even stop the balding effect?

$45 $50 $60 $65 $70 $80 per month
If you are currently a user of Rogaine, what recommendations do you have that would make you more satisfied with the treatment process from the initial doctor visit, the cost, the promotions, the daily use of the product.
Appendix E

The Impression the Physicians That Responded to the Survey Had About Rogaine
Disapprove

4 6

X AXIS

Approve

~:

4.00, Mean: 4.25, Median: 5.50, Variance: 1.94

Standard Deviation: 1.39

Y axis = number of physicians who responded to the survey.

X axis = physicians overall impression of Rogaine on a one (disapprove) to ten (approve) scale.
Appendix F

The Increase in Men That Were Coming to Physicians as a Result of Seeing Advertising for Rogaine
Total population of physicians surveyed: 132
35 Responses (27 percent response)
97 Non responses (73 percent non response)

70 percent of the physicians that responded to the survey indicated increase in patient interest.

30 percent of the physicians that responded to the indicated a decrease in patient interest.

Legend: Y axis = number of physicians that responded to survey.
X axis = response to the question asked to physicians that responded to the survey: Are more patients coming to you as a result of seeing advertising on Rogaine.
Appendix G

Relation Between the Men That Responded to The Survey Who Would Use Rogaine and Age
Average age (mean): 32, Median age: 34, Mode age: 31 & 34 (Bimodal)
Variance: 5.47, Standard Deviation: 2.33

Total population of 200 men surveyed. 81 respondents completed survey (41 percent response). 11 men started survey but ended (six percent response). 108 non respondents (53 percent non response rate).

Legend: Y axis = percentage of men that responded to the survey who would use Rogaine.

X axis = age brackets of men that responded to the survey.
Appendix H

Relation Between the Men That Responded to the Survey That Would Use Rogaine and Marital Status
44 percent of overall respondents were married.
56 percent of overall respondents were single.

58 percent of respondents who would use Rogaine were single.
79 percent of respondents who would use Rogaine were single.

Legend:  
\textbf{Y axis} = \text{Percentage of men who responded to the survey that would use Rogaine.}  
\textbf{X axis} = \text{Marital status of men who responded to the survey.}