

Understanding Generic Products in the Turf & Ornamental Industry

When compared to branded pesticides the common knowledge is that off-patent (“generic”) products in the Turf and Ornamental industry cost less and also tend to come with less support; however, the role of off-patent pesticides is not that simple. The T&O industry is now being served by an increasing number of both branded and off-patent products. This reality is market-driven and the purchase factors are similar to any other market where branded products must compete with off-patent products.

Deciding if off-patent T&O pesticides should play a role in your company requires getting beyond the common misconceptions to understand the facts about and trade-offs between branded pesticides and their off-patent counterparts. Knowing the facts about branded and off-patent products is the key to making smart business decisions.

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THE EFFICACY MYTH

A common belief is that generic T&O products do not perform as well as branded products. The reality, however, is that in order to receive Environmental Protection Agency (EPA) registration, a post-patent product must have the same technical merit as the current manufacturer branded product. The active ingredient must be the same technical material, which might be produced by the branded manufacturer or another manufacturer.

The same is true of solvents and inert ingredients. All generic products must pass rigorous EPA review and approval. If the formula changes from the originally branded product, those changes must get approval before it is registered. If anything in the formulation differs, the changes must have gained the approval of the EPA for the off-patent product to be registered.

Because off-patent products sometimes are different formulations from the branded product, reading the labels carefully is important to make a direct comparison. Changes in the formulation are rarely made to impact the final cost because the active ingredient used and level of product support are the main cost drivers, not the solvents used or packaging.

Labels will also show the specific technical material content, where the active ingredient was manufactured, where the product was formulated, label use differences and product support (contact) information.

It is important to note that the formulation of some off-patent products have been changed or combined with other pesticides to improve the original branded product.

THE “NO SUPPORT” MYTH

Viewing branded and off-patent pesticides as an either/or situation in terms of technical support is not viable because of market considerations. If the comparison were as simple as lower price with no product support vs. a higher price with product support, comparisons and buying decisions would be simple. However, the reality is that lawn care companies now have a range of options that include buying branded products from the manufacturers, buying off-patent products from manufacturers of branded products, such as BASF, or buying off-patent products from formulators.

While the differences between branded and off-patent products might not be significant from a technical perspective, the product source is significant. Most lawn care companies buy from distributors who serve as their front-line support level. And the distributor, in turn, depends upon the manufacturer or formulator for support.

What this means is that a major consideration in any buying decision is the source of the product and the level of support, whether branded or off-patent. While it is true that the primary manufacturer of a branded product will always be able to provide the deepest level of support for the product, it is also true that brand manufacturers cannot afford to market an off-patent product to their distribution and end-users with a weak level of support that would damage the company's reputation.

Since the level of support for any given off-patent product may vary

Off-patent products are yet another option to help turf and ornamental companies succeed.

depending upon the distributor and manufacturer, this is an important consideration when making a purchase decision that involves a trade-off in terms of cost or support. Cost is easy to compare, but determining the level of support takes research. While it is true that all manufacturers back their products, the degree of support can vary significantly. Some off-patent companies offer better support than others. A company marketing one or more off-patent products might be supporting some research at the university level, but not investing in proprietary work on things like insect behavior to identify the ideal application timing for maximum control. Off-patent companies do not tend to go the extra mile to support their products.

When considering a branded product vs. off-patent product the decision is to determine whether you are better off buying a branded product from the manufacturer, an off-patent product from a brand company, or an off-patent product from a formulator.

THE “TAKE OVER” THE MARKET MYTH

One explanation for the increase in off-patent products is U.S. patent law. When a manufacturer discovers a new compound with potential – a process that requires many years of basic research and screening of thousands of potential compounds – the first step toward marketing it is to gain a patent. Once a patent has been received, the clock begins to tick – the manufacturer only has 17 years of exclusivity to the patented chemistry.

With many of the major chemicals registered in the 1980s now beyond the 17-year patent protection, an increasing number of chemistries are now available to those who wish to market them as off-patent products. However, the decision to market an off-patent chemical is not simple for two important reasons. First, the original manufacturer can make it difficult to compete by lowering the price for the branded product. Or, the manufacturer might have been successful in developing an improved formulation that is now under patent protection and makes the original chemistry inferior.

The second obstacle to marketing an off-patent product is cost. A company that wishes to market an off-patent product must gain EPA registration, which involves compensation to the original manufacturer for its research to gain the original registration, new registration costs for federal and state registration with possible new research requirements, costs to manufacture, package and distribute the off-patent product, and expenses

to market and support it.

Faced with these market realities and costs, the decision to market an off-patent cannot be made simply because of the opportunity to offer product “X” at a lower cost than the original brand manufacturer. In reality, the decision must be customer based. For example, BASF's decision to market select branded products has sometimes been made because of the opportunity to use its research capabilities to improve product performance. In other cases, branded products have been added to the line because customers have a need and have asked for it. In any case, BASF has carefully researched the branded product and the market before making a commitment to introduce and support an off-patent product.

The reality today is that the market wants post-patent products or they would not be successful. Most weed, insect and disease problems today can be countered with several different options and distributors must be able to compete with a full range of options to support their professional lawn care company clients.

THE “IT DOESN'T MATTER” MYTH

While off-patent products offer price advantages, market experience shows that they are only able to capture between 10 and 30 percent of the market. The explanation for this is that lawn care professionals seek three things when selecting a pesticide – effectiveness, long-term economy and technical support. Similar to consumer brand purchase decisions, trust, value and confidence are important factors when a lawn care professional makes a purchase decision. While product cost is a consideration, it is not the driving factor in the overall service cost.

Many lawn care companies continue to prefer branded products to gain a higher level of support. It is valuable to be able to access technical support, for example, within a matter of hours instead of days, or to be able to go online to find not only the label and MSDS, but also other valuable technical information. Brand product manufacturers also visibly support the industry through training, regulatory support, university research and regional and national association events.

To many lawn care professionals buying a brand product extends beyond the product selected.

HEALTHY FOR THE MARKET

Development of off-patent products has increased competition among manufacturers, formulators and distributors, and this is ultimately good for lawn care companies and their customers. Between industry-leading branded chemicals and proven post-patent products, there has never been a better time for lawn care companies to choose from among the many available chemical solutions. The choice, however, is not being made lightly because company reputations and business survival are on the line. For many companies the opportunity is to find the right combination of branded and post-patent products.

Off-patent products have established themselves because buyers are savvy. Off-patent products are yet another option to help companies compete and succeed. For example, large lawn care companies are often able to negotiate a better purchase price than smaller companies can, and off-patent products offer smaller companies an opportunity to level the playing field.

BASF operates from a customer solution-based philosophy, and for that reason offers both branded and off-patent products. Offering off-patent products on a selective basis allows the company to more fully meet the needs of its distributors and lawn care customers. In an increasingly competitive market this makes good business sense. BASF is continually researching strategic post-patent product opportunities to meet lawn care professionals' challenges for low-cost and effective products with necessary technical support.

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