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The Brand Marketing Mix

Balancing Impact versus Risk

By **John Mack**

A few months ago, I was invited to make a presentation to a pharmaceutical brand marketing team on the latest trends in pharmaceutical marketing as it relates to marketing mix. The team was preparing for a presentation of their 2007 marketing plan to the company's board. Several vendors and other experts were also invited to give presentations.

Why did the team call me? It turns out that the group VP was a fan of Pharma Marketing Blog! No surprise! After all, an anonymous Ogilvy blogger once wrote: "[Pharma Marketing Blog] is a great blog ... A good analysis of what is working and what isn't. A good resource to get ideas for improving your marketing."

Still, I wasn't sure what exactly they wanted that I could uniquely offer them. When I made further inquiries, the following was one question they wanted me to answer:

"In your opinion, what are some of the tactics (i.e.. PodCasts) that will be viable now and in the future; what should we avoid?"

The *raison-d'être* of Pharma Marketing Blog is to provide insights—if not answers—to that very question!

As for the other question they had—"What are the marketing mix trends 1 to 5 years out?"—I could answer that one with a little help from the many experts who are part of the online [Pharma Marketing Network](#).

This article is a summary of the presentation I made, which was based on a review of surveys and interviews. Hopefully, it will give you a better idea of the impact versus risk of various physician and consumer marketing channels and the effect on marketing budget allocation. Since I am looking five years out, there is a focus on newly emerging Internet-based channels.

What's in the Mix?

Before discussing the trends and issues that may affect the pharmaceutical marketing mix in the

future, we should start what's in the mix today. One recipe is whimsically depicted in Figure 1.

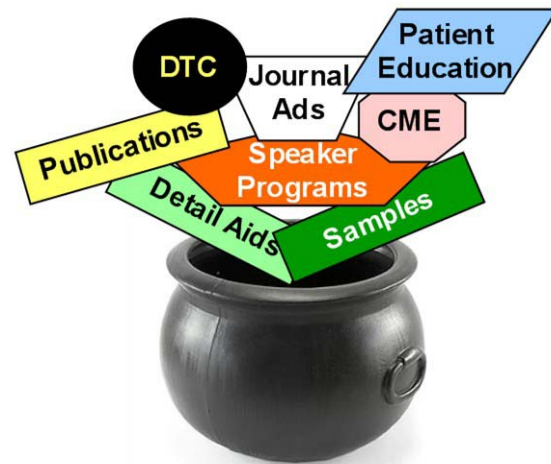


Figure 1: One Recipe for Pharmaceutical Marketing

That's obviously a very high-level breakdown, which provides a lot of granularity regarding physician promotion but not much granularity for consumer-focused promotion. Also, recent OIG guidelines have taken CME and other physician education programs out of the marketing budgets of pharmaceutical companies.

A much more detailed list of promotional channels was developed for the online [Marketing Mix Survey](#) I used to pick experts' brains about the future.

In fact, two separate lists were used: one for physician marketing and one for consumer marketing. However, since there is a good deal of overlap—in that several channels may be used for both physicians and consumers—the following breakdown may be more relevant for discussion purposes.

General Promotional Mix Ingredients (used to reach both physicians and consumers)

- 3rd Party Web Site Sponsorship
- Call Center

- Direct Mail
- E-mail
- Other Technology Platforms (CD/DVD, cell phones, text messaging, etc.)
- Podcasts
- Search Engines
- National TV
- Spot TV
- Telemarketing
- Web Banner Ads

Physician-specific Promotional Mix Ingredients

- eDetailing
- Point of Care Marketing (ePrescribing)
- Sales Representative
- Journal ads (print)
- Scientific Meetings/Exhibits

Consumer-specific Promotional Mix Ingredients

- Consumer Generated Content (Buzz & Blogs)
- Health Fairs
- Outdoor & Event Venues (billboards, sports)
- Pharmacy Programs
- Magazines and newspapers (print)
- Physician Office Programs

Factors That Determine the Mix

For any given product, pharmaceutical marketers may use the following factors to set the annual promotional budget and allocate funds to specific channels:

- Reach and frequency criteria
- Past experience
- Matching competitive budgets
- Recommendation of the agency or outside consultants
- Formal analysis of ROI or profit goals
- Gut Instinct

Obviously, reach and frequency are staples of any promotional campaign. These days, reach and frequency cannot be the only goal of pharmaceutical marketing. Perhaps your reach and frequency are fine, but you also need to improve credibility, which is a critical asset for success in the post-Vioxx era in which we live. “Engagement,” for example, is a factor that you need to add if you are interested in new media channels like Internet advertising, podcasts, and blogs.

In the financial sector, it is said that past experience does not guarantee future performance. In the pharmaceutical sector, however, future marketing plans are often based on previous

ones. The thinking is, if it ain’t broke, don’t fix it. Conditions, however, may change in such a way that what once worked no longer works so well. Competition, for example, often dictates a new strategy that could involve changing the promotional mix.

While the industry rightly depends upon outside experts for recommendations, it should be wary of some experts that recommend “cutting-edge” channels and technology like buzz, blogs and other consumer-generated content channels. These experts often have a vested interest in what they are recommending.

ROI, ROI, ROI. How many times have we heard that? More and more lately. It will be even more important in the future. However, ROI is often difficult to measure and everyone has their own techniques for measuring it. For more on this topic, see the article “Optimizing DTC Performance,” in this issue.

What About Risk?

Another factor to consider, especially when dealing with computer-enabled promotions (Web sites, e-mail, podcasts, eDetails, behavioral targeting, etc.) is a risk vs. benefit analysis. Going “outside the box” often involves risk.

My focus will be on balancing impact, which is determined by reach, credibility, and content richness, against risk, which I define as the potential to cause customer dissatisfaction or pushback, increased regulation, negative publicity, etc.

YOU CANNOT AVOID ALL RISK!

No pain, no gain! However, it is wise to know what the risks are and to balance the risks against the benefits, just as you would ask a patient taking your drugs to do.

Some Trends

But before I get to that, let’s look at some trends.

I will use a few sources of data to give you a high-level perspective on what experts believe the future trends in marketing mix will be. One of these sources is the *Pharma Marketing News 2006 Trend Study*, which was hosted online in January, 2006 (see [“Pharma Trends to Watch in 2006”](#)).

Highlights from this survey include:

- 58% of respondents saw cuts in overall DTC spending in 2006
- 56% saw a decrease in TV advertising (vs. 26% that saw increase)

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- 71 % saw an increase in disease awareness or non-branded advertising
- 65% saw an increase in DTC regulation

Is DTC Spending Up or Down?

Although the majority of survey respondents predicted cuts in DTC spending, only 13% felt this was “highly likely.” In fact, recent data released by TNS Media Intelligence show that total DTC spending is up about 6.6% this year compared to last year (see Pharma Marketing Blog post “[Print DTC, PhRMA Guidelines, and Balance](#)” and the article “Pharma Online Spending” in the issue for more DTC spending data from TNS).

The importance of competition from new brands cannot be over emphasized. If you eliminate the \$122,801,000 that Sepracor spent on Lunesta DTC in the January to April, 2006 period and the additional \$46,206,000 that Sanofi-Aventis spent on Ambien DTC to catch up, overall DTC spending would have decreased by 6% instead of increased! Therefore, what we have seen in early 2006 may not be a long-term trend and the survey results may still be accurate.

Has TV Spending Peaked?

TV advertising, predicted survey respondents, may decline across the board, but that is very dependent on new drugs entering the market and the category. Spending on TV ads for sleep aids and obesity drugs, for example, is likely to increase this year over last year. That was not enough, however, to prevent a 2.5% decline in TV spending in 2006 compared to 2005.

Current & Future Issues: Consumers

I listed the following as the most important consumer marketing issues that pharmaceutical marketers would be faced with in the next several years:

1. DTC moratorium
2. Less TV, more print ads?
3. More education, less promotion?
4. PhRMA DTC Guidelines
5. Communicating risk: new rules?

The most significant issue facing DTC is a government mandated moratorium on DTC immediately following product launch. Senators Frisk and Grassley—among others—and the AMA, among other influential critics, have weighed in on this issue. To that list now add the Institute of Medicine (IOM), which called for a 2-year moratorium on DTC for new drugs in its report “The Future of Drug Safety: Promoting and

Protecting the Health of the Public” (see “[IOM Report Calls for DTC Moratorium](#)”).

A DTC moratorium may have no immediate effect on marketing of drugs already on the market, but depending on how it may ultimately be implemented, a moratorium could open the door for more discussion on the outright ban of all DTC advertising.

Spurred on by PhRMA DTC guidelines, there’s undoubtedly been more spending on disease-awareness and other unbranded ads. Some estimates indicate spending in this category is up by 50% in 2006 compared to 2005. The Internet may be used more to provide this education (see the article “e-Inertia Plagues the Pharma Industry,” in this issue for examples).

Communicating risk in print and broadcast ads will be a battleground in the next few years. Some experts contend that there is a shift from TV to print due to PhRMA Guidelines on communicating risk. The thinking is that it is easier to improve accuracy and balance in print ads than in TV ads. Most readers responding to a survey on [Pharma Marketing Blog](#) do not think that is the reason for the shift.

Government regulation is always an issue when elections loom and elections are always looming! FDA is besieged and trending toward more caution. All this needs to be considered when balancing risk vs. impact of channels in your mix

Future Mix: Consumers

Each year, Optas, a relationship marketing company owned by Dendrite International, surveys DTC marketers. The Optas DTC Industry Check Up probes the concerns of industry participants, identifies areas of opportunity, and specifies trends in spending and marketing mix. The 2006 survey on the state of DTC marketing was conducted online in December 2005. The sample size of 118 respondents was comprised of a representative mix from a cross-section of manufacturers, agencies, and other vendors. The results of the survey as regards marketing mix forecasts are shown in Figure 2 (next page).

DTC marketing mix trends revealed by the Optas survey are obvious:

- 1) Broadcast (TV and radio) channels are out of favor
- 2) Internet (Web sites, email) and “point of sale” (Doctor office Programs, Pharmacy programs) channels are in favor

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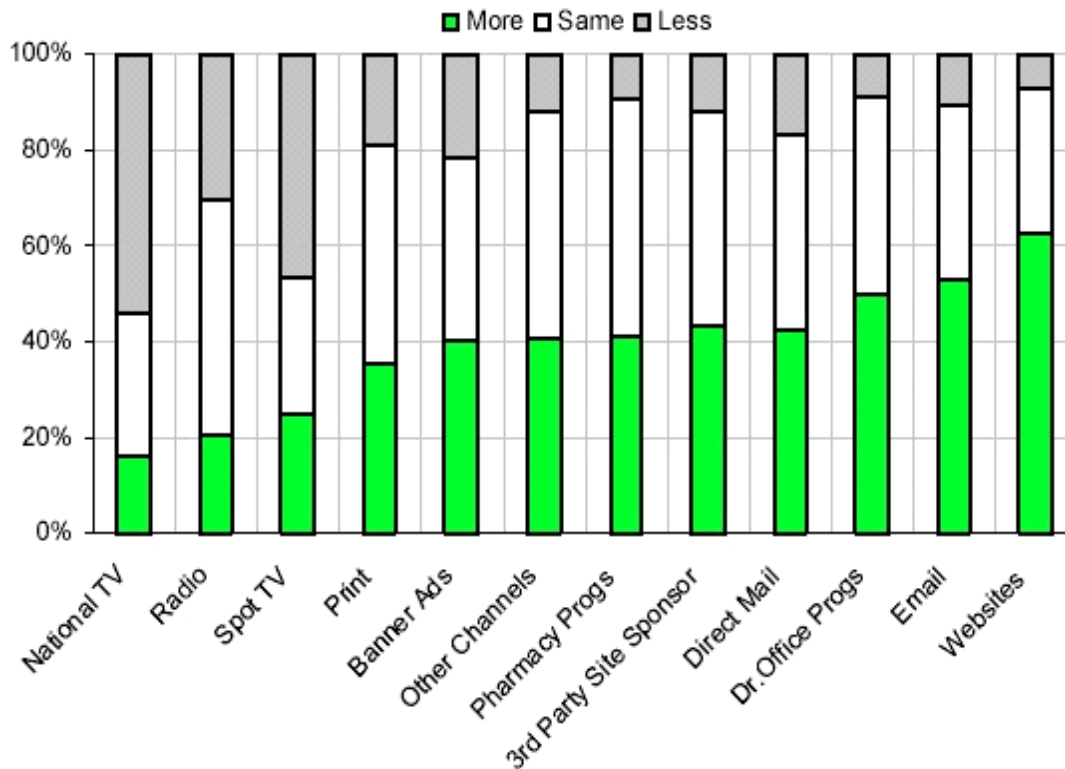


Figure 2: Optas DTC Industry Check Up 2006. Respondents were asked “where WILL you spend less/more” (as opposed to where SHOULD marketers spend less/more).

Current & Future Issues: Physicians

As I see it, the following are the most important physician marketing issues that pharmaceutical marketers will face in the next several years:

1. **Sales Reps:** Criticism of tactics, force cutbacks, decreased effectiveness
2. **Technology:** ePromotion vs. eLearning
3. **CME:** No longer part of the marketing mix

Sales rep tactics are in the limelight:

- states are passing laws limiting the influence of sales reps (eg, New Hampshire)
- movies will be critical (Michael Moore’s “Sicko” and Jamie Reidy’s “Hard Sell”)
- detailing by reps is becoming less and less effective
- physicians are pushing back and often denying access to reps
- costs are increasing and budgetary pressures to reduce costs are following

All this makes the sales rep “channel” more “risky,” which may lead to a decrease in rep activity in the next five years, although detailing by reps will

surely remain a big part of the mix. It makes sense, however, to think of alternatives that can take up some of the slack or offset the risk.

Technology will have a big effect on physician detailing and education activities in the next five years. The primary influencer will be the use of the Internet to deliver details, either with or without sales rep interaction. However, the trend will be away from the electronic detail aid to more learning resources for the physician, such as Key Opinion Leader educational programs. Mobile technology (eg, podcasts via iPods), especially, will be an effective way of reaching the busy physician.

Speaking of learning, the CME landscape is also changing. It’s a higher risk activity as grants for CME are coming under scrutiny by legislators, OIG, and physician groups. The shift of CME from marketing budgets to medical affairs budgets means that CME has less of a role to play in determining the marketing mix. 2005 marked the second consecutive year of decreased growth in commercial support of CME by the pharmaceutical industry, according to the 2005 annual report of the Accreditation Council for Continuing Medical

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Education (ACCME), which collects funding data from accredited CME providers. (see "[Pharma Support for CME Slows](#)").

"Some pharmaceutical companies have already made changes in how they provide unrestricted educational grants to third party organizations. These policy shifts will (and are) transform how industry engages in CME activities and disease awareness campaigns."
 – 2006 PMN Trend Survey

Future Mix: Physicians

One source of information about what the future physician marketing mix will be is the 2002 Cap Gemini/Insead Survey, the results of which are summarized in Figure 3, below.

The trends from this survey can be summarized as follows:

Less future importance:

- Sales reps
- Conferences
- Print Media

Greater future importance:

- Websites
- Call centers
- eDetailing

Technology's Influence

The overarching takeaway from practically every survey and study I have seen regarding the future pharmaceutical marketing mix is the increased role of technology. Technology is having an increasing impact on all kinds of communications—including marketing communications—with consumers and physicians. This evolution will continue to move toward smaller, more portable, and more

interconnected "plug and play" devices.

Technology can bring substantial savings in marketing expenses. One indisputable fact: ROI for traditional consumer and physician marketing is getting worse, whereas ROI for technology-enabled marketing is getting better!

Yet, despite the increased impact and cost savings associated with technology, conventional wisdom tells us that the pharmaceutical industry lags in the use of technology for marketing. There are good reasons for this, of which I am sure you are well aware. It's a matter of balancing benefit against risk, managing the risk, and getting the implementation right!

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"Traditional communication tools all deal really with "interruptive" communications, which are financially costly and increasingly less effective...but I suspect that they are probably less effective due to the customer changing their behavior because of the Internet and mobile phones—which has altered how customers interact, giving them more control and choice and "engagement".

"We have a combination of the customer having more control, and the communication channels are exploding and fragmenting. It is not that interruptive marketing does not work, it's more that with an over proliferation of interruptive communications combined with a fragmenting media environment, only the very best interruptive marketing can work when combined with good strategy and execution."

-- Dr. Andrée Bates, Managing Director, Campbell Belman

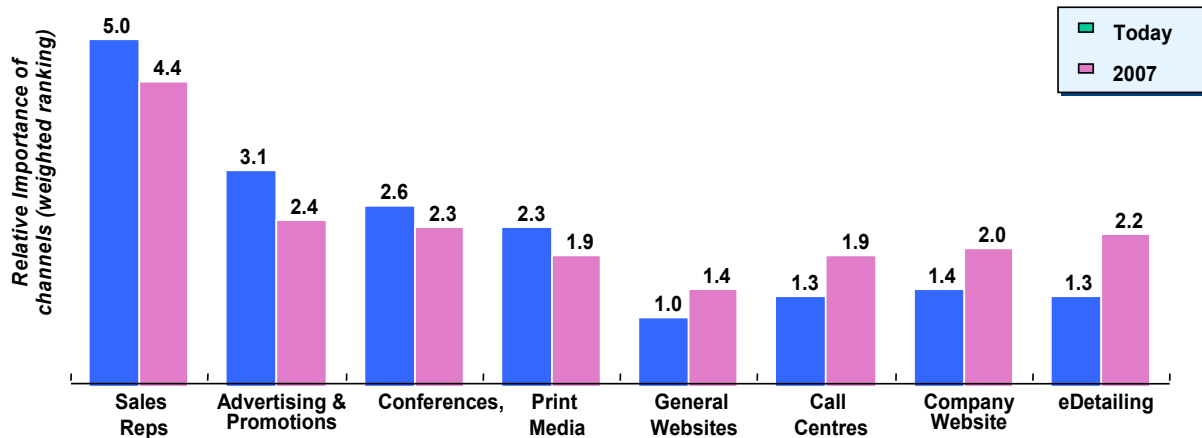


Figure 3: Relative Importance of Channels for Physician Marketing. Source: Cap Gemini/Insead Survey 2002.

Marketing in the Post-Vioxx Era

In the future, pharma marketers must pay more attention to “risk” when evaluating their marketing channels. More highly visible channels like TV have not only a high impact on potential patients, but also on potential industry critics and especially lawmakers.

The risk of increased critical scrutiny of techniques and pushback from consumers and physicians is higher for drugs with serious side effects. In the past, DTC ads—and especially TV ads—for such drugs were deployed sparingly by the industry. Recently, however, there has been an attitude shift where even some high risk and difficult-to-administer biotech cancer drugs are being advertised on TV (see [“Biotech DTC: Business Not As Usual”](#)).

“[One big unknown is] whether or not industry leaders have ‘heard’ (i.e. internalized) legitimate criticism and will make marketing course corrections...” – PMN 2006 Trend Survey

“Regardless of whether you agree with the ... argument that [DTC] contributes to higher prices, right now it is resonating with the American public. For that reason coupled with the antilobbyist sentiment in Washington due to Abrahamoff and delay, I believe that legislation severely regulating or prohibiting DTC could pass right now as well as collective bargaining legislation for individual states to negotiate for drugs or legislation regulating how pharmas set their wholesale pricing structure. There are several restrictive legislative options which would substantially change pharma that can pass in this atmosphere and resonate with the public. Pharma will continue to be the new tobacco until they begin utilizing their strengths to connect directly with the public. There also must be more transparency.” – PMN 2006 Trend Survey

Risk vs. Impact

An Impact/Risk chart like the one shown for consumer marketing channels in Figure 4, is a useful exercise to help you think about balancing the benefits and risks when allocating resources to

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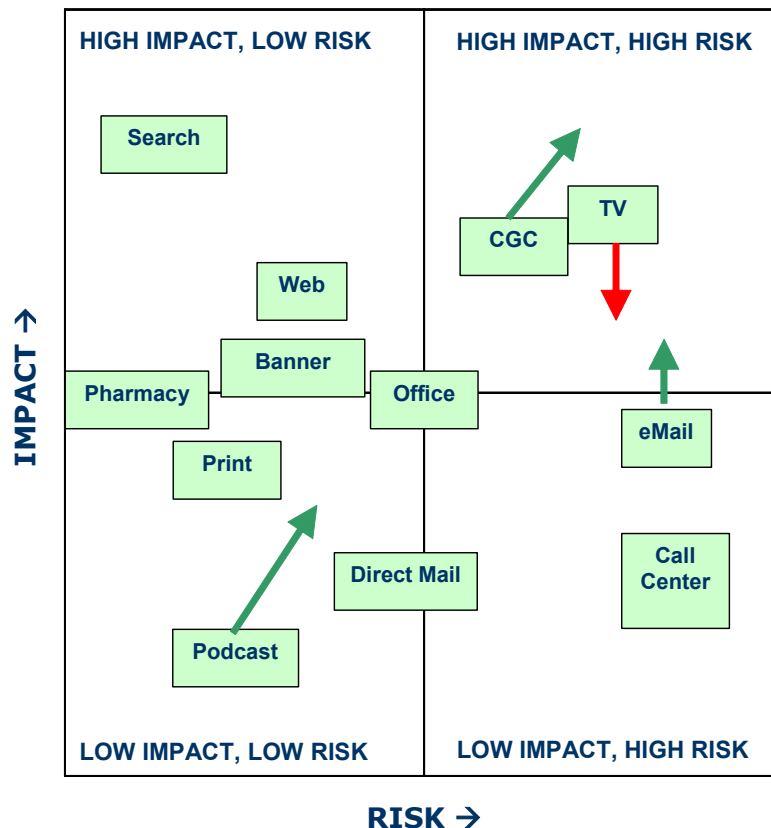


Figure 4: Consumer Marketing Channel Impact/Risk Analysis. This chart is a synthesis representing the consensus of a dozen or so experts who responded to the Marketing Mix Survey.

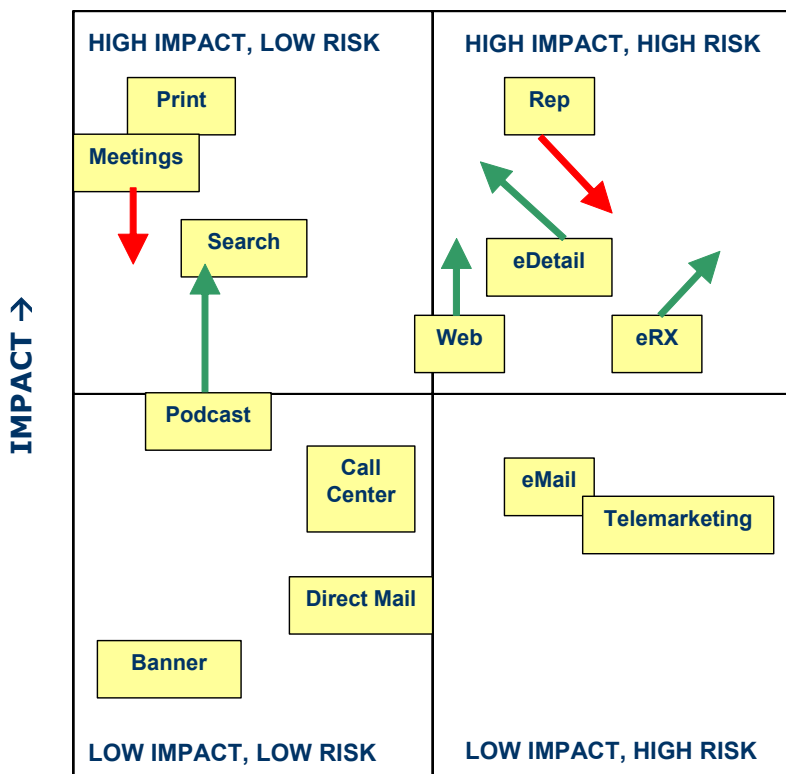


Figure 5: Physician Marketing Channel Impact/Risk Analysis.

various marketing channels. Your marketing team should construct its own Impact vs. Risk chart, which I am sure will look different than this one. No matter, the exercise itself will help you determine where to spend your money without excess exposure to risk.

Over time, some channels will shift locations. The arrows in the chart represent my opinion as to the direction and magnitude of this shift for several channels. Risk may increase because more emphasis is being placed on a channel without a concomitant increase in care how the channel is being used (ie, bad implementation). The more that podcasts and Consumer-Generated Content (CGC) channels are used, the more likely that a “bad apple” situation will arise causing a pushback. The increasing use of e-mail, on the other hand, may not incur much more risk because marketers have lots of experience with e-mail already.

TV advertising is more appropriate for some therapeutic categories than others and may be used for non-branded vs. branded ads depending on the category as well. In other words, your

analysis of impact vs. risk may differ for each drug in your portfolio.

A similar Risk vs. Impact chart can be constructed for physician marketing channels (see Figure 5). Especially note the synergy between sales reps and eDetailing. While reps will never be replaced, it is obvious that they will reach fewer and fewer physicians. In the “fight” to gain voice, risk will increase as newer envelope-pushing tactics are employed. Hence the downward shift to lower impact and higher risk territory. eDetailing, on the other hand, will take up some of the slack and risk will decrease because pharma companies already have good experience in delivering eDetails and implementation can be flawless.

Podcasts

Podcasts for physicians involve less risk than podcasts for consumers. Podcasts are more suitable for a physician audience, where reaching a small, targeted segment can have a huge impact—eg, product-supporting, educational programs such as satellite symposia and KOL presentations downloaded to physicians’ iPods during medical meetings. Reaching a small, targeted segment of the consumer audience with podcasts, however, has a much lower impact potential. As the Impact vs. Risk chart for consumers shows, the impact of podcasts, while low today, will become increasingly greater in the future. It all depends on your timeframe.

Conclusion

The use of technology in future marketing channels will provide more convenience, personalization and control (as in being able to access and control what you want to get) and engagement. All this will increase the impact that these channels have on the target audience. With those benefits also come greater risk associated with technology—the risk of privacy invasion, Big Brother fears, unfavorable PR, and new government regulations.

Is the benefit worth the risk? Only your own analysis based on your unique product situation and your company’s degree of risk tolerance can answer that question.

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