

Marketing Insights

By AK Insights Ltd.

Special Issue

What's Important To You

Welcome to our first Special Issue!

We've dedicated our special issues to providing you with information related to data-base management and direct marketing but that is of *unique interest to your industry*.

We certainly hope that you'll find it relevant or interesting at the least.

Sincerely,
The Team at AK Insights

Diagnosing What Ails Pharmaceutical Sales

Source: 1to1 Magazine Jul/Aug 2004

The industry needs to think less about sales force size and more about the widening group of customers and influencers.

The formula for selling pharmaceuticals used to be relatively simple: Get in front of the physician, detail the benefits of your drug, provide plenty of samples, then let the prescriptions begin. Those days are gone. For good. Although the major pharmaceutical companies continue to throw more money at what was once a tried-and-true approach, increasing both the size and compensation of their sales forces, the return on their investment has diminished. Why? Principally because physicians don't have near the influence on pharmaceutical product usage as they used to have.

Over the past two decades, a growing number of forces have emerged that now affect which drugs get prescribed:

- The advent of managed care in the U.S., stricter preferred product lists in the E.U., and budget pressures everywhere have caused the economics of drug reimbursement to play an increasingly important role.
- Hospitals and other healthcare delivery networks have created more restrictive prescription guidelines for their physicians, driven by drug efficacy and the desire to contain costs.
- Group purchasing organizations have sprung up to negotiate better pricing with pharmaceutical companies.
- Pharmacists have greater authority and, in some states, legal responsibility to substitute generics for branded products.
- Patients are playing a more active role in prescription decisions as they assume more responsibility for informing themselves about the best treatments—even before

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AK Insights Ltd.

*Data, Knowledge,
Insights!*

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**Is Your Business
Equipped To Outsmart
The Competition?**



**"If you have
foresight, you
are blessed, but
if you have
insight, you are
a thousand
times blessed."**

- Old Chinese Proverb

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they enter a physician's office. They bear a greater burden of the cost for drugs and are exposed to an increasing number of elective drugs, such as those for erectile dysfunction or allergies.

In spite of these realities, the pharmaceutical industry continues to focus the majority of its marketing dollars (70 percent, according to Forrester Research) on the physician. Ironically, instead of stimulating sales, the intensified focus on physicians has had negative repercussions. *Medical Marketing and Media* estimates that 43 percent of sales visits fail to get past the receptionist. When persistent reps do succeed in getting face time, these meetings frequently take place in the hallway and last a scant two minutes.

The way in which physicians now limit or restrict access to sales representatives is a clear indication that they no longer value these visits. Instead, they get most of their drug information from other sources. A recent study by Accenture shows that peer-reviewed clinical journals are now the top influencer of prescription decisions by U.S. physicians, followed by industry associations and meetings.

Still, the pharmaceutical industry has failed to respond to the changing dynamics of how drugs are prescribed, choosing instead to continue bombarding physicians. To drive the usage of products, pharmaceutical companies need to influence not just physicians, but patients,

hospitals, pharmacists, managed care companies and other groups that impact the prescription process today.

How to adapt to the changing dynamics

1. Reallocate marketing resources based on degree of influence: While the relative influence of different customer groups varies tremendously from product to product, it's usually intuitively obvious. For example: Physicians will prescribe an effective cancer treatment regardless of the reimbursement situation. By the same token, when the number of patients is in the tens of thousands, payers won't discourage use of even very expensive treatments.

Not so with a chronic ailment such as gastro-esophageal reflux disease. Since it affects millions of people, payers will go to great lengths to influence prescription patterns. Patients also have a choice between similar branded and generic products. In this case, physicians are likely to be influenced by the patient's preferences as well as reimbursement issues. In situations where it isn't readily apparent, market research can be useful in determining how to prioritize influencers.

2. Improve customer experiences: The pharmaceutical industry is perceived as investing too much in patent litigation, lobbying and advertising, relative to research and development and other activities that directly benefit the sufferers of diseases, particularly rare ones. This "bad

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What's The Secret Behind Viagra's Reward Program?

Source: Inside 1to1, June 2004

In the movie "Something's Gotta Give", music executive Harry Langer is rushed to the emergency room after having a heart attack. While first denying that he uses Viagra, he quickly rips the IV out when the doctor says that the nitro glycerin drip in his arm can be lethal when mixed with the drug.

The scene, though funny, drives home the point of Pfizer's new **Value Card for Viagra** program: direct- to-consumer communication. There is important information in how to take Viagra correctly, says Janice Lipsky, Viagra's (USA) marketing director. That kind of information can be reinforced through relationship marketing.

Under terms of the rewards program launched in 2004, members whose Viagra purchases are not covered by insurance get every seventh prescription free, representing 45 percent of all Viagra prescriptions. So far, 4,000 of Viagra's 23 million users have signed up for the program.

Pharmacies will track the purchases and provide the rebates at the point of sale. More than 33,000 pharmacies are

currently enrolled, including Rite Aid, Duane Reade, Eckerd, Stop & Shop, Wal-Mart and Target.

Who's the customer?

Pfizer plans to use the program as a communication tool to understand and meet members' needs better. We really want to find out what their interests are attitudinally and what kind of information they need to be successful in their treatment, she adds, such as, how to bring up this topic with their doctor or discuss it with a female partner.

The new program is not a strategic shift away from physicians, Lipsky says. We're going to enroll patients through the physician's offices, as well. Pfizer hopes the program will provide an incentive for men to speak to their doctor about their health problem and about Viagra. "We see the physicians having a key role in this program."

Lipsky sees opportunities for cross-promotions and plans to survey members to gauge their interest in other medical-

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guy" image isn't conducive to selling products. However, this perception could be dispelled if pharmaceutical companies would find some common ground with payers, physicians, pharmacists, patients, and even caretakers. By better understanding customer value, needs, and preferences, on a group and individual level, it should be easy to align interests between pharmaceutical companies and their customers. After all, we are all interested in effective, efficient and convenient healthcare.

3. Find the most leveraged pathways: In the web of customer influences, pathways to the most influential customer groups are not always direct and obvious. For instance, rather than using a sales force to reach physicians, a company may find that consumers may be a more effective conduit. With good data tracking and

analytics, pharmaceutical companies will be able to find the sales and marketing investments that provide the biggest bang for the buck.

The pharmaceutical industry has always been driven by innovation. Developing breakthrough products and discovering cures for life-altering diseases is what it's all about. However, in an environment where research and development costs are increasing, effective patent lives are shorter and pricing pressures abound, product innovation is harder to achieve. Now that prescription decisions are being influenced by a wide array of groups, pharmaceutical companies have an opportunity to innovate not only through R&D, but also through their sales and marketing practices. ❖

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condition information and third-party offers. Members will be asked to opt-in to receive e-mail.

Pfizer plans to evaluate in six months and will look at customer satisfaction and retention. We don't have lots of benchmarks yet, Lipsky says, but we will be able to measure how long someone stays in a program.

Industry Opportunities

Direct marketing is an established business in the pharmaceutical industry. But pharmaceutical companies like Pfizer are now shifting resources away from mass-media

campaigns to more focused consumer programs using direct marketing channels.

Many major pharmaceutical brands use rebate and discounting programs to entice consumers to try their products, sign up for newsletters or provide personal information to the manufacturer. To date, these programs are primarily discount- or loyalty-focused, and only scratch the surface of developing true customer relationship capabilities. But as pharmaceutical companies learn more about their patients, it opens the doors to developing one-to-one relationships with individual consumers. ❖

AK INSIGHTS' SERVICES

Cost-effective, innovative, additional routes to your customers.

AK Insights provides full service expertise in the areas of Database Management, Direct Marketing and Small/Micro Business Marketing.

DATA MANAGEMENT

Data gathering (e.g. member data, general surveys, retail surveys, audits, etc.), data entry and ongoing database management.

DIRECT MARKETING

Postal & email marketing; Loyalty/ membership programs; Newsletters; Mini web-sites; Database surveys, etc.

SMALL/MICRO BUSINESS MARKETING

Development and implementation of marketing plans & strategies that focus on non-traditional marketing methods (a.k.a. "mini-media") and are affordable, creative, unique and effective.



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