

Briefing Note

Pharmaceutical Promotion At Its Productivity Frontier



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Blue Spoon is a leading strategy design consultancy serving the global pharmaceutical, health products, and information technology industries. The firm is pioneering 'system-level competition', an approach to market strategy that enables an evolutionary leap in solutions for growth and competitive advantage. Blue Spoon was the first to design a new operating model for drug marketing, and introduced the concept of 'marketing ecosystems' as a platform for brand management.

our brain on your business



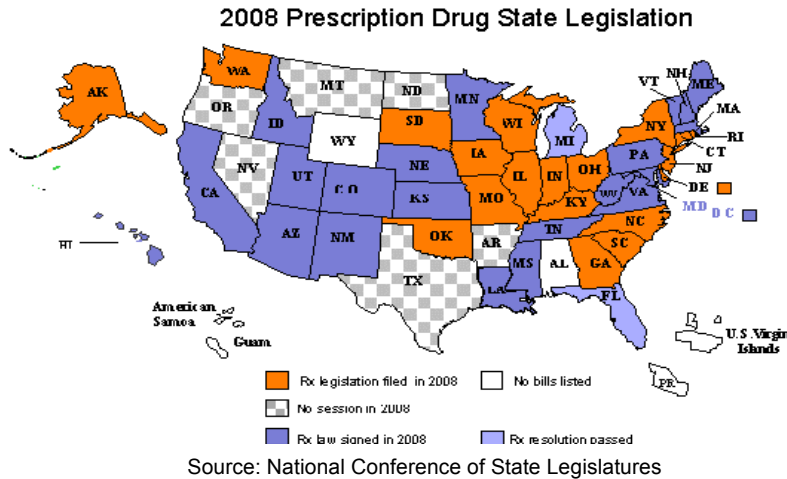
Degrading Trends

How do you market your products when the operating environment bans your marketing?

Lost in forecasts and speculation about product innovation from Pfizer/Wyeth, Merck/Schering-Plough, and Roche/Genentech is dialogue about how these new drugs would be sold when the whole system of pharmaceutical marketing is disintegrating.

During 2008, according to the National Conference of State Legislatures, at least 20 states proposed new legislation requiring marketing disclosures by drug manufacturers, restricting direct-to-consumer advertising of prescription drugs, or prohibiting prescription information from being sold for commercial purposes. A 'special commentary' in the March 31, 2009 *Journal of the American Medical Association* encourages professional medical associations to work toward a "complete ban" on pharmaceutical industry funding of sponsorships, branding, and continuing medical education (CME); the American Psychiatric Association has already begun to phase out these activities.¹ In medical journal circles, influential editors are calling for the exorcism of industry financed editorial assistance.² Major medical centers and schools are revising conflict-of-interest policies with industry, creating significant new restrictions not just on simple gifts (like notepads and pens), but spanning facility access, consulting arrangements, interactions with staff, samples, and other educational events. Legislation has been introduced into the U.S. Senate for a new 'academic detailing' program designed to counter promotional claims from pharmaceutical marketers.³

In the United States, more than 65,000 product liability lawsuits have been filed against drug companies since 2000.⁴ Much of the information from these lawsuits is made publicly available, flowing freely throughout the world and completely revealing the promotional workings of the industry.^{5,6} On September 2, 2009, Pfizer was hit with a record \$2.3 billion in fines by the U.S. Justice Department for illegal drug promotion, the largest criminal fine ever imposed in the United States. More, and bigger, fines are likely.⁷ And issues around pharmaceutical sales force and market access are now so widely known they are cliché. Despite spending somewhere between \$30-\$60 billion a year on promotion in the United States,⁸ sales of prescription drugs in the U.S. rose just 1.3 percent in 2008, slowing for the second straight year and continuing a downward trend in developed markets throughout the world. Pharmaceutical "promotion", and its value as a business driver, has reached its productivity frontier.



The New York Times Trial Puts Spotlight on Merck

By NATASHA SINGER^a

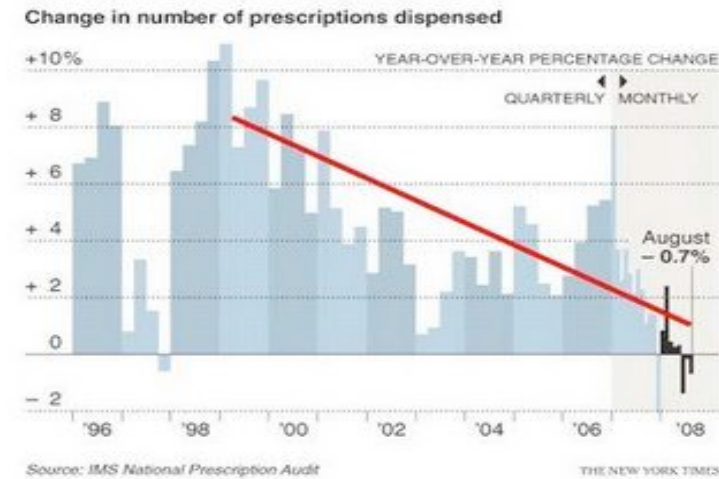
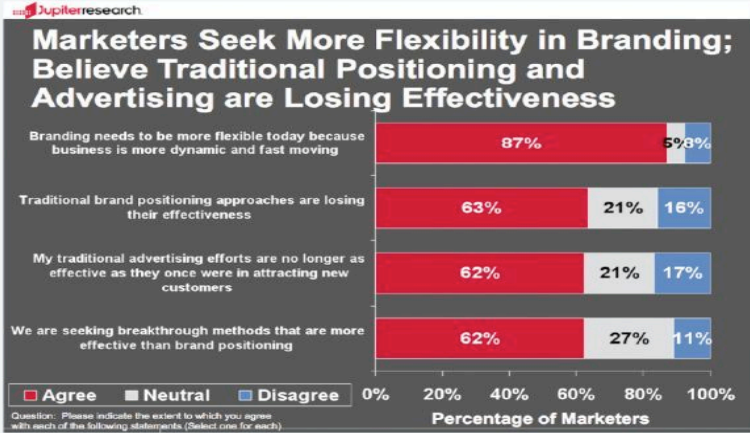
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Australians have been riveted over the last month by a class-action lawsuit that is pulling back the curtain on strategies that the American drug giant Merck used in its international marketing of the painkiller Vioxx.

The revelations in court testimony and defense evidence include accusations that Merck's Australian affiliate circulated a marketing publication in the guise of an independent medical journal for doctors and countered safety concerns by giving its sales representatives a training manual called the "Vioxx Objection Handling Module."

Australian newspapers have been covering the court proceedings in daily installments like a soap opera — with headlines like "Drug Representatives for Merck & Co. Given 'Cheatsheets'" and cliffhangers like "the trial continues."

^ano relation to John Singer



The marketing services industry – nameplates like Interpublic Group and WPP, who derive a major share of revenue from creating pharmaceutical advertising, branding and CME programs – may not be of much help for fresh thinking. They, too, are confronting multiple shifting paradigms and a disintegrating, commoditized business model.⁹ (WPP and Omnicom Group have each announced large-scale layoffs this year; in the third quarter of 2009, organic revenue at Interpublic Group dropped by nearly 18 percent.) Data to mine for insights and more precise targeting of promotional claims will also be harder to use: In 2006, New Hampshire became the first state to prohibit the sale or redistribution of prescription sales information, and at least 12 states have similar proposals based on laws signed in Maine and Vermont.¹⁰ So data vendors like IMS Health and SDI, whose core business is selling market research and promotional mix optimization around this prescription data, are themselves challenged with a dim outlook for their services.^{11, 12}

The architecture for pharmaceutical marketing is being dismantled by the marketplace. Prospects for market power and premium pricing – objectives for commercial model innovation, something most pharmaceutical companies, marketing services, and data suppliers are struggling with – will happen when the current environment is approached with different kinds of ideas, and a center of gravity focused on improving outcomes. New market space will come from architectural innovation: bold forms of connection - making that link the building blocks to health in ways that have never been linked before. Think risk factor alignment through market alignment: Merck and Clorox linked for a new standard of care in respiratory health, or Pfizer and General Mills in a collaborative business model to change outcomes from cardiovascular disease, or Roche and Dole Foods designing a new system of health for diabetes worldwide.

There are few precedents for collaboration of this scale. But the shock from a world in transition should prompt an evolution in thinking and understanding, not minor tweaking at the edges. New capabilities are needed to succeed systemically. New concepts of operation will have to be prototyped and tested. New management skills to integrate thinking and decision-making will have to be established. The total context is radically different than what anyone has experienced before. It calls for a different starting point. For the pharmaceutical industry, this is not an “image problem” to solve with public relations, but a structural problem to transcend with a new vision for business strategy.

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Endnotes

¹D.J. Rothman and W.J. McDonald et. al., “Professional Medical Associations and Their Relationships with Industry: A Proposal for Controlling Conflict of Interest”, *Journal of the American Medical Association* 301, no. 13 (2009): 1367-1372.

²The *PLoS Medicine* Editors (2009) Ghostwriting: The Dirty Little Secret of Medical Publishing That Just Got Bigger. *PLoS Med* 6(9): e1000156. doi:10.1371/journal.pmed.100015. See also: N. Singer and D. Wilson, “Medical Editors Push for Crackdown on Ghostwriting,” *New York Times*, Friday, Sept. 17, 2009.

³S.3396 - Independent Drug Education and Outreach Act of 2008.

⁴Thompson West legal research and publishing.

⁵The script drug companies follow for market development is widely reported on. For the most recent, see: N. Singer, “Sure Drug Makers Have a Treatment. But Is It a Disorder?” *New York Times*, Saturday, Dec. 12, 2009.

⁶“The documents that have surfaced in the Wyeth [Prempro] cases offer a rare glimpse inside the file cabinets and hard drives of a major drug company. And the cases demonstrate the importance of litigation in detailing exactly how drug makers operate their businesses..” see: N. Singer and D. Wilson, “Menopause, as Brought to You by the Drug Companies.” *New York Times*, Sunday, Dec. 13, 2009.

⁷G. Harris, “Pfizer Pays \$2.3 Billion to Settle Marketing Case,” *New York Times*, Wednesday, Sept. 2, 2009.

⁸M. Gagnon and J. Lexchin, “The cost of pushing pills: A new estimate of pharmaceutical promotion expenditures in the United States,” *PLoS Med* 5, no. 1, 2008.

⁹Executives from across the media and marketing services industries announced on September 10, 2009 the formation of a consortium called the Coalition for Innovative Media Measurement. Its formation was driven by the “urgent need” to find new thinking in cross-platform measurement and content delivery. See also: T. Arango and B. Carter, “An Unsteady Future for Broadcast,” *New York Times*, Friday, Nov. 20, 2009.

¹⁰On June 30, 2009, the Supreme Court refused to review the decision of the First Circuit Court of Appeals to uphold New Hampshire’s prescribing data-mining law, *IMS vs. Ayotte*. The law, which prevents pharmacies from using or selling prescriber-identifiable data without a physician’s consent, took effect July 1, 2009.

¹¹Following its earnings release for the second quarter of 2009, in which profit fell by almost 20 percent, IMS Health lowered its full year outlook and announced another round of layoffs. On October 20, 2009, IMS announced it was exploring “strategic alternatives”, including the sale of the company.

¹²On December 11, 2009, two Senators filed an amendment to the health reform legislation moving through Congress that would essentially ban drug companies from mining prescriber-identifiable data for marketing purposes. By filing the amendment, according to the Associated Press, sponsors Sens. Kohl (D-WI) and Durbin (D-IL) have raised the national profile of this marketing tactic.