Pharma Marketing News

www.pharmamarketingnews.com

Summer 2008
Vol. 7, No. 6
•
Published by
VirSci Corp.
www.virsci.com

Feature Article

Why Pharmaceutical Marketers Ignore ROI

You Want ROI? You're Not Ready for ROI!

By John Mack

PMN76-01

Submit comments to editor online at:

http://www.forums.pharma-mkting.com/showthread.php?t=6075

This article is part of the June/July 2008 issue of *Pharma Marketing News*.

For other articles in this issue, see:
http://www.news.pharma-mkting.com/PMNissueJun08archive.htm

Published by:
VirSci Corporation
PO Box 760
Newtown, PA 18940
infovirsci@virsci.com

Pharmaceutical marketers are being asked to more thoroughly prove the effectiveness of their programs by quantifying exactly which messages impact prescribing the most, what the return on each sales and marketing program is, and what optimal combination of programs (and budgets) will deliver maximum prescribing (market share) results. Thus, we often hear speakers affirm the importance of "Return on Investment" (ROI) in their presentations at conferences relating to sales force effectiveness and marketing. However, there is often scant evidence that ROI has been effectively measured.

Recently, I spoke at and chaired VIBpharma's "Measuring Marketing ROI in Pharma" conference held at the Meridien hotel in London, UK. My presentation was entitled "Why Pharmaceutical Marketers Ignore ROI." It was originally titled "You want marketing ROI? You are not ready to measure ROI!" after a podcast of the same name in which I interviewed Dr. Andree Bates, Managing Director of Eularis (see box). In preparation for this presentation I also received feedback and opinions from several other experts who agreed that all marketers—and pharma marketers in particular—have a problem with traditional ROI analysis.

This article will review my presentation, comments made by one or two other presenters at the London Measuring ROI conference, and what I have learned about pharma marketing ROI from personal communications with experts like Dr. Bates.

Why Marketing Performance is Important to Measure

As *BusinessWeek* recently reported, "companies in every segment of American business [are] obsessed with honing the science of measuring marketing performance." According to Phil Kotler of Northwestern's Kellogg School, 90% of Chief Marketing Officers (CMOs) surveyed consider marketing performance measurement a significant priority. A 2004 survey by the Association of National Advertisers similarly found that measuring marketing effectiveness was the second most important priority of its members, falling just behind building and maintaining their brands.

Key benefits of measuring pharmaceutical marketing performance include:

- Better understanding of key business drivers, top line sales and bottom line profits generated
- Ammunition against budget cuts for your programs
- Measuring one program against another to determine your brand's optimal marketing mix
- Makes evaluating your vendor partners easy
- Gets you promoted!

ROI, however, is not often top of mind for pharmaceutical brand managers when they determine their marketing budgets according to Ken Sobel, Senior vice President at TNSfyi, a product forecasting and healthcare/pharmaceutical modeling division of TNS Healthcare. Sobel cited the following determining factors in order of priority for brand managers when setting annual direct-to-consumer budgets (see "Optimizing DTC Performance," PMN Reprint #59-02):

1. Reach and frequency criteria
2. Matching competitive budgets
3. Recommendations of the agency
4. Formal analysis or ROI
5. Gut/other

Continues…

Pharma Marketing Talk™

Interviews with Innovators

You Want Marketing ROI? You're Not Ready to Measure ROI!

Guest: **Dr. Andree K. Bates**, President, Eularis

Dr. Bates is a leading expert in pharmaceutical marketing analytics. Her career has encom-passed academic, clinical and pharmaceutical positions around the globe, and she has gain-ed worldwide recognition within the healthcare industry for ROI and marketing effectiveness measures.

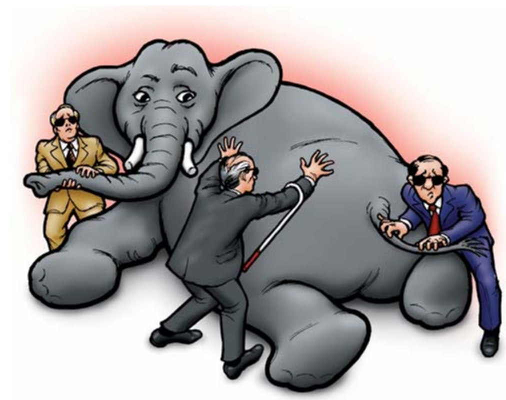
Some questions/topics covered:

1. What is ROI anyway?
2. What are you measuring?
3. Why is good ROI a paradox?
4. So, you got a good ROI, now what?
5. Forget R-O-I! What do you really want?

Listen here:
http://www.talk.pharma-mkting.com/show029.htm

If You Can't Define It, You Can't Measure It!

Despite the benefits, pharmaceutical marketers have many problems measuring ROI. The first problem marketers seem to have with ROI is to understand what they are measuring. Traditionally, ROI = Sales/Investment. Bert Buiten, Head of Marketing at Astellas Pharma (Netherlands) pointed out in his presentation, "Brand identity, loyalty and ROI," that it is sometimes difficult to know what expenses to include in the investment side of the equation. For example, should medical call center expenses be included? Such centers play an important role in answering questions from physicians and can influence decision making.



Also, since there are many stakeholders (eg, payers) other than the physician involved in the prescribing and delivery decision-making process, you also need to consider expenses other than those associated with sales representatives and marketing to physicians.

Although some experts estimate that pharmaceutical marketers are 10-20 years behind Consumer Package Goods (CPG) marketers in measuring ROI, pharmaceutical marketers aren't the only ones who have difficulty defining ROI. Forty-five percent (45%) of respondents to the 2007 ANA/MMA Marketing Accountability Study said they lacked ROI definitions and only 11% said they were satisfied or very satisfied with their ability to determine marketing ROI. Most of these respondents were from industries outside the pharmaceutical sector.

Effective measurement is still an issue for marketers as evidenced by the dichotomy between what companies are measuring and what they feel is most important to measure. For example, 70 percent of respondents to the ANA/MMA survey said "return on objective" was an important measure, yet only 36 percent were using that as a tool for measurement.

"A company's ability to make effective marketing decisions requires relevant and targeted metrics and measurements," said Bob Liodice, President and CEO of the ANA.

What Are Marketers Measuring?

According to the ANA/MMA survey, here's what marketers are measuring:

- Changes in brand awareness (81%)
- Changes in market share (79%)
- Changes in consumer attitude toward the brand (73%)
- Changes in purchase intent (59%)
- Return on objective (36%)
- Lifetime customer value (23%)
- Changes in the financial value of brand equity (20%)

Pharma Must Measure Success with Patients

The pharmaceutical industry is unique in that it is regulated and it's profits often criticized by the public, physicians, and other stakeholders who increasingly require the industry to focus more on the public good as a success factor rather than profits. In Europe, where governments pay for drugs, pharma profits are often limited by law.

ROI often implies "greed" or a lack of focus on improving health outcomes, whereas many pharma marketers measure ROI in terms of intangibles such as increased physician-patient dialogue.

"ROI is defined in many different ways," says Bates. "In the very early days (early 90s) things like cost per thousand, minutes of details delivered, response rates, etc. were called 'ROI.' I don't think of those things as ROI. Those metrics are really activity tracking and not telling us about bottom line return." These metrics were often cited by speakers at the European ROI conference as measures of ROI.

"Many of our pharmaceutical clients talk about 'measures of success' (MOS) rather than ROI," said Mike Kalfus, president of consulting company M2 Worldwide in his presentation "Measuring success and ROI in a changing global life science marketplace."

"That's an important distinction," notes Kalfus, "because in Europe, pharma companies cannot

Continues…

(DTC) ROI is Alive and Well!

Reprinted from DTC-in-Prespective Blog, April 25th, 2008

We had two speakers last week at the DTC National who gave us significant new data on ROI. I am happy to report they both concluded based on numerous brands studied, that ROI is still in the range of $1.60-2.00 per dollar invested. Of course there were failures, 16% producing negative ROI, as there were also 4% of ROI's above $4.00. The bulk of brands fell in the positive range with averages at $2.04. ROI was about the same for television and print according to one study. Non mass media also did well, near $3.00 return per dollar spent.

Most of our speakers were from new media such as the Internet or other non-mass vehicles. They all made the case for using more new media, even with an older Rx user target. Most of the media gurus were speaking in general terms as they did not have specific DTC expertise. In Q&A and panels, the issue of why pharma is lagging in Internet spending came up several times. There seemed to be a consensus that it is still easier to execute and present mass media plans to management, and given the good ROI, it is understandable.

What the ROI studies show is that drug marketers are not wasting their money on mass media as is sometimes passionately but incorrectly stated by many bloggers and new media authors. That being said, it is clear that drug marketers can better use the Internet and other targeted media such as point of care. If they put in the effort to explore these media they can improve ROI significantly. This will take more time looking at media alternatives and having agencies that are willing to dig deeper when constructing plans. Clearly the consensus among all media experts was that a good big brand media plan requires both mass and non-mass to get both awareness and depth of information so critical to proper Rx use.

One of our media speakers made an excellent point that the best investment that can be made to enhance ROI is creating better ads. This should be a lesson to all marketers who spend so much time on pre-research to get the perfect strategy that they end up rushing their final executions. The consumer only sees that 60 second execution and one page print ad, not your brilliant strategy. In a recent DTC National, marketing legend Kevin Clancy presented a study that concluded that copy that tested in the top range produced sales results twice as high as copy that tested only average.

My conclusion is that we are not seeing the death of mass media as it relates to DTC. What we have over the next few years is the opportunity for optimizing both media mix and copy effectiveness. In the era of a pharma recession this should be a priority. The gurus will eventually be right in their view of mass media. Consumers one day will have all media when they want it, with traditional commercials reduced or eliminated. That will not happen to the primary drug company target audience of 50+ anytime in the next 5 year planning horizon. On the other hand, just relying on a traditional mix is also taking the easy way out given the vast array of new media alternatives.

One of our delegates from CBS made an excellent point that the networks are not blindly watching their audience disappear. They are integrating the Internet into viewing options recognizing the time shifting. They know there will be erosion in viewing the traditional prime time shows. Expect them to be active buyers of alternative media companies.

Based on everything presented there is no reason to expect major cuts in DTC. It still works to profitably generate incremental sales. The cuts in detail forces reflect the diminishing or negative returns from an over expansion of sales forces in the 1990's. There is no such evidence for DTC over use. While there is much angst in drug companies over sales and profits, DTC is part of the solution to creating better profits.

make money via promotion to patients, but it can measure success in getting disease information to patients and motivating them to seek required medical care."

Regardless of what you call it, the fact is that in order to meet the needs of its customers, management, and shareholders, pharmaceutical companies must be financially responsible and understand key drivers of success.

Marketers Lack Financial Accountability

Though almost all surveyed companies (92%) have created some type of marketing accountability process, the ANA/MMA study found a lack of consistency in how those processes are managed and which departments are responsible.

"Marketing in many ways has gotten a pass from being held accountable," says Jim Speros, the chief marketing officer at Ernst & Young and former chairman of the Association of National Advertisers. "CEOs and CFOs of major corporations hold finance organizations accountable for driving results, yet marketing has not historically been held to the same standard. Now CEOs and CMOs are driving requests for more metrics and more accountability."

CMOs with direct financial responsibility to the CEO and board of directors are not very common in major US-based pharmaceutical companies. Even so, CMOs—and the more common pharma manager—have short tenures (see, for example, "The Short Life of the Chief Marketing Officer," *BusinessWeek*, November, 2007).

"It doesn't help that chief executives and chief marketers often have very different imperatives," according to *BusinessWeek*. "Building or even maintaining a brand is a long-term process that requires patience and incremental change. But CEOs operate at a time when investors fixate on quarterly or monthly results as never before."

The ultimate measure of accountability, of course, is whether or not you keep your job. Marketing professionals—especially senior VPs and CMOs—get paid BIG bucks! Peter Rost, infamous drug industry whistleblower and former Pfizer marketing VP, had a salary of about $600,000 before he was fired!

Should marketers or agencies be fired if they are doing a poor job? If they continue to do the same thing, not measure ROI and expect to get different results, then definitely they should lose their jobs.

Lack of Critics

Not only are pharmaceutical marketers not held financially accountable for results, they are not forced to face any critical analysis from experts in the field, especially not from publishers of trade publications, which focus instead on heaping awards upon ad agencies (see "The Problem with Advertising Agencies and What to Do About It").

Pharmaceutical trade publications like *MedAdNews*, *MM&M*, *DTC Perspectives*, *Product Management Today*, and *Pharmaceutical Executive Magazine*, are the industry's biggest cheerleaders. Trade publications play the "Emperor" but have no "clothes" when it comes to critical analysis of marketing ROI.

> *"We really don't know what any company's ROI is, because we never have a full picture of what is spent. All that spend for doctors is never broken out in an annual report. We can only guess."* -Christiane Truelove, *MedAdNews*

Is that a good thing or a bad thing? Does it have to be that way? Or do their advertisers buy "words" as well as "space" and prevent any criticism, even constructive criticism? All these publications accept advertising from pharmaceutical companies, ad agencies, and vendors that work for the industry.

These great publications are highly esteemed by industry insiders and are often read cover to cover. They have great reach within the industry and among the very top leadership of big pharma companies. It's a shame they tend to repeat conventional wisdom and stick to the industry's PR playbook.

Rich Myer over at The World of DTC Marketing Blog had this to say: "Ahhh yes. That time of year when the DTC Perspectives issue arrives with the 'Top 25 DTC Marketers' which surely has to be an oxymoron."

Trade publications, whose mission is to promote the drug industry, survive on advertising. Does that mean, however, that they must ONLY publish "rah rah" stories about the industry, praise and bestow honors on advertisers, and NOT offer any constructive criticism at all?

Bob Ehrlich of DTC Perspectives often has much to say on this topic and recently advised DTC marketers that "Whether you asked for it or not, there are numerous DTC ad critics out there who are anxious to give their opinion on the quality of your work. I am one of those reviewers."

Continues…

He then went on to give his "guidelines" for reviewing DTC (direct-to-consumer) marketing tactics and ads in an article called "DTC Critics."

"First," said Ehrlich "I do not pretend to know whether it has a positive ROI. I do not do research on your ad and have no special data bank to use when evaluating it. So if I do not like it, I may be dead wrong from an ROI perspective."

"Second, I know most, if not all of you, quantitatively test your ads. Therefore you have an ad that is at least average for DTC or you would not have run it. So it is likely that your ad, no matter what critics say, is not going to be a disaster.

"Third, a much as we would like to make advertising a science, it is not. Critics may hate or love your ad for the wrong reasons. Some may want to see edgy copy; others may like a clear presentation of facts. The real measure is did it sell more product and help grow your brand value. Only you know that."

In another article entitled "Waste in DTC Advertising", Ehrlich said: "Why is there a problem in setting objectives and measurement? It is largely because none of us really want to firmly set measurable objectives. We all like to believe that we are successful, and therefore, we like wiggle room in evaluating results. No agency will ever agree that they aired a bad commercial, yet we all can cite bad ads. No client wants to say that their DTC program failed, yet we know many have negative ROI. Human nature, therefore, is the biggest reason we have waste."

As I see it, DTC ads with negative ROI are another example of the waste in DTC advertising that Bob talked about. Many journalists and bloggers have famously criticized certain DTC ad campaigns for staying the course, despite obviously negative returns on investment (eg, "In the first quarter of this year [2007]," reports the Chicago Tribune, "Takeda spent more than $40 million on Rozerem ads, TNS Media Intelligence figures show, and the company reported $26 million in sales during the same period." See "Rozerem Ad Spending Exceeds Sales!").

Measuring DTC ROI and making sure it is POSITIVE is important not only from a business perspective, but also from a political perspective. Critics in Congress and elsewhere claim that DTC spending adds to the cost of drugs. That is one of the main arguments they have for limiting or banning DTC advertising. If the ads have negative ROI to boot, then that's money being wasted that has to be made up by keeping prices high or even increasing prices!

Marketing is Art, ROI is Science

Is marketing an art or a science? was a question I asked via Pharma Marketing Blog back in February, 2008. I received several comments (see pgs. 10-11).

Some commenters and experts argue that marketing is BOTH an art AND a science, as if marketers were the Da Vinci's of the modern world:

> *"The debate often pits those who preach ROI against those in the squishier 'creative' end of the business. The ROI camp says that numbers are the path to marketing's seat at the management table, while the artists counter that decisions based on scientific results alone fail to capture the nuances and dynamics of a market that, fundamentally, is made up of people. And by the way, if you really want to bone up on the debate, there are reams of articles and studies that squarely take-on this issue—some published in MarketingProfs, including this week's newsletter.*
>
> *"But here I'll take an admittedly more anecdotal view, which is to say that marketing, like some aspects of technology and flying a jet, is often both. I like what the guys at Orbis wrote in Marketing Magazine a few years ago:*
>
>> *'Just because marketers today want (and need) to express outcomes numerically doesn't' mean intuition, savvy, experience, and self-criticality are abandoned.'*
>
> *"In my view, the 'art vs. science' debate isn't really much of a match at all. It's less of a cage-match and more of a partnership, because marketing as a business is both—art and science."* -Ann Handley, Marketing Profs Daily Fix

"In this new web environment where publishing criticisms is easy, it takes a thicker skin to be a good marketer," says Ehrlich. "It also takes more courage to stretch the creative envelope because you know critics are ready to pounce. Some of those criticisms may get to your boss and cause you some grief trying to defend them... I do ask that you consider the possibility that some of the criticisms are valid and an open mind may help you improve your ROI."

Continues…

The Problem with Agencies and Awards

"When an advertising agency embarks on an ad campaign with a Pharmaceutical company, acclaim, accolades and even awards seem a sure sign of success," says Bates in a recent Eularis newsletter article. "Ads that are getting attention means a Pharma company is working with the best and sales will automatically fall into place. At least that's what we are led to believe. However, in reality it doesn't always happen that way. Sometimes, despite glowing reviews and positive feedback, sales and profits stagnate and the brand does not grow as the agency would have led you to believe it would...and you're left to explain why. This common problem doesn't have to happen."

> *"I'll take a performance-based bonus over an acrylic trophy any day!"* -Cheryl Borne, Director of Pharmaceutical Marketing, Skyscape, and member Pharma Marketing Roundtable

At the 2006 "DTC in the New Era" conference organized by DTC Perspectives, Inc., Dale Taylor, President & CEO of AbelsonTaylor, Inc., which is the agency responsible for Rozerem DTC ads, made several revealing comments about the ads even though he coyly said that he was "not going to talk about the Rozerem campaign."

He confirmed what most of us already suspected: the ads were created to be "different," "to create buzz," and to make sure there was "a lot of talk about" the ads. Note that he didn't say the goal was to generate a lot of talk about Rozerem—just about the ads.

Unfortunately, all the benefit goes to AbelsonTaylor, not to its client, which is Takeda Pharmaceuticals and definitely NOT to Rozerem, sales of which have lagged.

Meanwhile, Taylor gets to sit on the "Expert" Panel Discussion on Creative Innovations and his agency gets to win a POE award while his Takeda client must have been hanging his head in shame in the back recesses of the audience.

That's because, as mentioned above, Rozerem sales have not taken off and, in fact, are pretty darn flat. This was revealed by an amazing plot of new prescriptions for sleep aid drugs that was included in a presentation on AmbienCR made just before Dale's panel discussion on "innovation" (see Figure 1, pg. 8). The data show growth relative to the starting point more than a year prior to the awarding of the POE to AbelsonTaylor. Note that both AmbienCR and Lunesta both showed good growth, whereas Rozerem is a distant third and shows lackluster growth over this period.

Aside from winning awards as a measure of success, agencies like to use ROI surrogate measures of success, including:

- Response Rates
- Brand Favorability
- Share of Mind
- Aided and Unaided Recall

The problem is that these endpoints often do not correlate well with actual sales (NRx's or refills) and market share. For more on this, listen to the Pharma Marketing Talk podcast "Your DTC Ads Stink!"

Do Large Profit Margins Make ROI Analysis Unnecessary?

According to *Fortune Magazine*'s analysis of the global top 500 companies, the 12 pharmaceutical companies on the list had an average profit margin (% of revenues) of 19.0%. In contrast, the 60 or so banks on the list averaged a 12.1% profit margin, Food Consumer Product companies averaged 9.9%, petroleum refining companies averaged 7.1%, and so on.

"Large margins and easy money made marketing easy for pharma," said Joseph Schneider of Princeton Brand Econometrics in a personal communication.

Schneider asks: "If P&G (CPG side) knew exactly how frequently a consumer used the product vs. every other product (IMS tells pharma this), and how frequently they viewed your ads vs. competitor ads (IMS tells pharma this), and how often and how many samples you got (IMS and internal analyses can show you this), do you think that the P&G CPG group would make more money per dollar invested in their whole venture? I do."

Although pharmaceutical companies like are siloed into brands, and some brands may be under-performing, the overall profit margins are large enough to forgive negative ROI for other brands, especially if the campaign gets high recognition and acclaim from peers.

As pharmaceutical profit margins shrink, however, there will be more incentive to do proper ROI analysis and align marketing activities according to the best return on investment.

Continues…

Legacy Issues

What is a marketer's goal: legacy or sales today!? I asked this question not too long ago in a post to **Pharma Marketing Blog**. This was prompted by an episode of The Sopranos.

In the last episode of The Sopranos, Tony's depressed son, A.J., is seen listlessly watching a Rozerem commercial featuring Abe Lincoln and a beaver. Talk about "sleeping with the fishes!"

According to DTC expert Bob Ehrlich: "If the Rozerem ad does not deliver positive ROI, then at least it will live forever in Sopranos boxed DVD's and in syndication. That is more of a legacy than most marketers get."

Are we to conclude from this that experts suggest legacy, not sales is what up-and-coming pharmaceutical marketers should strive for? Yes, according to Erhlich, who went on to say "I am not sure if Abe Lincoln and the beaver have sold enough sleeping pills for Takeda to get a good ROI. Only Takeda has the actual performance data to decide whether this commercial is successful. The fact that they continue to run it says they believe it is good. Takeda has been criticized for creating this odd commercial. Bloggers have been poking fun at it and pointing out how poorly it has done. Yet, being selected to be part of a Sopranos episode is a creative honor that most marketers would welcome. I remember feeling proud that my brand, Junior Mints, was featured on Seinfeld when Kramer dropped one in the stomach cavity of a surgery patient. There is something great about being incorporated into pop culture."

Something's not right when marketers can achieve "something great" at the same time that their products struggle to move the needle on sales.

What's the ROI of Online Marketing?

It's almost a truism that online marketing is more cost effective—ie, has a higher ROI—than mass media marketing, such as TV advertising. In the realm of physician marketing, eDetailing is often cited as offering a greater ROI than traditional detailing by sales reps.

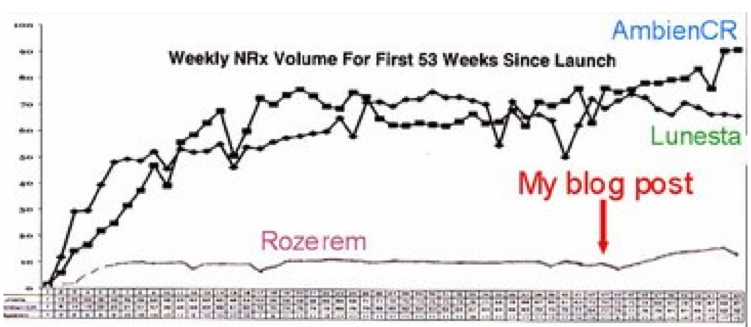


Figure 1: Sleep Aid Drug Sales

Despite this conventional wisdom, pharmaceutical companies continue to spend only a tiny fraction—about 3.1%—of their marketing budgets online (see, for example, "Marketing Mix of Leading Pharma Advertisers").

There have been many suggestions for why this is so ranging from too much reliance on mass marketing mentality that pharmaceutical marketers inherit from their predecessors to lack of clear guidance from regulatory agencies.

"The fundamental problem keeping large Pharma budgets on the sideline," according to Josh Wildstein of Seeking Alpha Blog, is "the failure to deliver meaningful ROI for Pharma in the majority of online health advertising campaigns."

Wildstein's insights on online pharma marketing ROI are worth quoting at length:

> *"From my perspective," says Wildstein. "the most important and compelling issue regarding the economics of online health advertising—and one that few of us are actually talking about—is the fact that, regardless of the number of monthly unique visitors, the ROI being delivered against most online health content is performing poorly, especially for Pharma.*
>
> *"Evidence of this problem surfaced recently from a closed-door session of 14 Pharma executive directors and vice presidents who, according to TGaS, the consultancy who led the session, 'are still in the dark about the bang they are getting for their online buck. No one has been able to draw the direct line from online marketing to prescriptions.'*
>
> *"Even worse, Pharma is often seeing negative ROI on their advertising programs. As a hedge against this potential failure, Pharma has started to demand occasionally that their online ad agencies take on risk themselves. The problem of negative ROI seems to stem, at least partially, from a second 'dirty little secret' in online health: the vast majority of the content and products found at most of the leading portals come from the same sources: that is to say they are licensed from Healthwise, Mayo Clinic, Harvard Health, Cleveland Clinic, et al.*
>
> *"Excellent sources to be sure, but the end result is that consumers often find the exact same information across numerous topics, whether they are searching WebMD, Everyday Health, Yahoo Health (YHOO), MSN Health (MSFT), Revolution Health, etc.*

Continues…

"And that leaves the market chasing its tail. Everyone in the market wants to be big enough to demonstrate scale, while their largest advertisers only really care about performance, regardless of size. Advertising agencies are struggling to offer new or creative solutions for Pharma, but their best solution continues to be their old solution—purchasing cheap CPMs in order to get enough poorly performing ad impressions to try and meet the overall campaign goal—usually some action that moves a consumer towards getting a prescription for Pharma's drug."

Marketing vs. Sales

According to Juan Gutierrez of Pandemic Blog, "Brand managers spend half their time trying to convince their bosses to increase their promotional budgets, showing how it will be a great boost for sales (great ROI), and then the other half explaining why the ROI was not as expected. Marketing itself does not sell. There are infinite variables that have great impact on sales other than advertising, packaging and promotions, so the success or failure of marketing should not be measured by the ROI." (see "Social Media Marketing: Should ROI be the Success Metric?").

This reminds me of an old joke:

Q: "How many marketers does it take to determine ROI?"

A: "None. That's a job for sales."

Pharma Marketing News

See the following pages for additional insights on the issues surrounding pharma marketing ROI, including comments from readers of Pharma Marketing Blog.

Publisher & Executive Editor

John Mack
VirSci Corporation
www.virsci.com
PO Box 760
Newtown, PA 18940
215-504-4164, 215-504-5739 FAX
mailto:johnmack@virsci.com

Experts Consulted

The following experts were consulted in the preparation of articles for this issue.

- **Andree Bates**, President, Eularis, abates@eularis.com, +44 (0)20 7403 5378
- **Bert Buiten**, Head of Marketing, Astellas Pharma (Netherlands), bert.buiten@nl.astellas.com, +31 (0)71 545 5856
- **Bob Ehrlich**, Chairman, DTC Perspectives, Inc., bob@dtcperspectives.com, 973-377-2106
- **Mike Kalfus**, President, M2 Worldwide, mike@m2ww.com, +1 212-239-7960
- **Joseph Schneider**, J.Schneider@pbeco.com, Princeton Brand Econometrics, +1 212-727-1444
- **Ken Sobel**, Senior vice President, TNSfyi, kenneth.sobel@tns-global.com, +1 203-762-1680, x105

Pharma Marketing News

Pharma Marketing News is an independent, free monthly electronic newsletter focused on issues of importance to pharmaceutical marketing executives. It is a service of the Pharma Marketing Network—The First Forum for Pharmaceutical Marketing Experts—which brings together pharmaceutical marketing professionals from manufacturers, communications companies, and marketing service providers for wide ranging discussions and education on a multitude of current topics.

Pharma Marketing Network & Pharma Marketing News provide executive-level content, professional networking & business development with permission-based emarketing opportunities.

Subscribe Online • **Download Media Kit** • **Request a Rate Card**

Comments on ROI from Pharma Marketing Blog

I asked readers of Pharma Marketing Blog in February, 2008 their opinions on why many pharmaceutical marketers ignore ROI and rely upon anecdotal evidence. I receive the following responses:

Derek Moeller of ContextMedia said...

I founded a condition-specific media company on the premise that much of pharma ad spending is spent with poor ROI. So I've had an interesting experience understanding how the industry perceives ROI. I see several factors that contribute to low returns:

1. Pharma marketing is very different from traditional consumer goods marketing. For most pharma products, the potential customer base is a tiny percentage of the overall population, which means that, in general, mass media does not work well. But for marketers who come from a traditional ad background, getting huge coverage with millions of viewers is a surefire way of getting sales because you can turn almost anyone into a Coca Cola drinker. But Boniva is not Coca Cola.

The desire of the industry to "create" perceived new diseases is a side-effect of this: traditional marketers are good at creating needs to stoke demand, but this has a host of ethical problems when the product is a medical product.

2. Getting good ROI for pharma brands is hard work. Mass media is easy to buy: a few purchases can soak up tens of millions of dollars. But, as per above, it doesn't work well for these brands. Unfortunately, doing the hard research to understand what media is available that reaches the patients you need, at a time they are willing to listen, in a format they can understand, is tough work, because these media only exist in the world of newer, fragmented audiences. And for some of these conditions, the most common way to achieve good targeting (the web) still suffers from low adoption and lack of confidence in the medium.

Patient relationship marketing is also more effective with pharma, because trust is such an important facet of medicine, and relationship marketing also is much better at reaching communities of people with conditions that a product treats. But it's much harder than signing on the line for a CNBC buy.

3. Incentives. If an agency is getting paid 15% of spend, it's bad business to spend more on research and analysis to find niche media.

4. Risk. It's safer to suggest buys from name-brand media than a niche strategy, and the pharma world can be staid sometimes. It's hard to get fired for buying mass media.

5. And lastly...content. Today's DTC ads seem obsessed about hugely expensive, short, meaningless soundbites packaged into slick commercials, with awkward FDA mandated language shunted in apologetically. What patients really want is trustworthy information. I can be persuaded by buy P&G's fancy new soap by a slick ad, but when it's about a product that could hurt me, slick graphics matter less than meaningful engagement. Finding the right media channels and putting together the right message to help patients understand their condition means more costs for creative and analytics, even if lifetime value of a patient for many conditions delivers great ROI.

George Van Antwerp of Patient Centric Healthcare Blog said...

I think there are several reasons [Why many pharmaceutical marketers ignore ROI and rely upon anecdotal evidence]:

(1) They haven't been forced to;
(2) They don't clearly understand the success metrics and what is causality versus correlation; and
(3) They data is hard to get to using traditional mediums such as letters.

That being said. I have never had the luxury of launching programs without a way of tracking and demonstrating ROI. I haven't worked for pharma, but I have worked in the PBM and now HealthComm industry. It is possible (and difficult).

Sunil S Chiplunkar of Pharmaceuticals and Healthcare Blog said...

ROI is a very important aspect of marketing activities. As a practitioner of Pharma marketing I strongly believe in following up the execution of specific strategies and see the results. I use the following method. For eg., let us say the strategy is promote a brand based on a special Rx pad that will make the target doctor measure the abdominal waist circumference (to assess the abdominal obesity). This measurement will provide the stimulus for prescribing a herbal support product for reducing body weight like Shuddhaguggulu Himalaya and Vrikshamla Himalaya. I follow up the implementation in specific territories where I can even do some field work easily. And then the next month I see the secondary sales off take of the campaign products in the closely monitored territories. These sample territories will give an idea of the impact of the campaign or marketing strategy, and the effects can be directly measured. The sales offtake can be displayed using bar graphs and comparatively observed how the campaign has impacted relative to months when the campaign was not there.

This is one approach that can be routinely used to see measure the bang for the marketing spend - buck.

Tom McDonnell of Fundamental Marketing Blog said...

ROI is just a word. In my experience, especially in big pharma, product managers will do 10 programs at 100K rather than 1 for 1MM. Why? Because the program for 1MM will have to be signed off by all levels of the organization, questions will be asked and an ROI analysis will have to be done. In order to do the ROI you have to wait 6 months for the program to be in market and then another 6 months to get the results. Generally the team is on another project. The only ROI's that should be conducted are for large scales programs such as peer to peer, samples and DTC. The rest should use other metrics such as response and qualitative feedback.

Awards. What Are They Good For?

Awards, huh, yeah!
What are they good for?
Absolutely nothing
Uh-huh
Listen to me

Ohhh, awards, I despise
Because it means gala dinners
Of rubber chicken and butter knives

Awards mean tears
To thousands of advertisers' eyes
When their ads are broadcast on nightly TV
But never affect consumers' lives

Awards, they ain't nothing
But a heartbreaker
Awards, friend only to the magazine publisher
They're an enemy to all pharma kind
The point of awards blows my mind
Awards have caused unrest
Within the new media generation
Disrespect then co-optation

Ooooh, awards, have shattered
Many a young man's dreams
Made him cynical, bitter and mean
Drug pipelines are much too short and precious
To waste time vying for awards today
Awards can't increase DTC's ROI
They can only raise an ad agency's pay

Creativity, ROI and good communications
Tell me, is there no place for them today?
They say we must give awards to know what's best
But Lord knows there's got to be a better test

Awards, huh!
Good God y'all!
What are they good for
Stand up and shout it
Absolutely nothing

With apologies to the Motown 1970 hit "War" by Edwin Starr.