

CHAPTER

1

# Challenging Times! Changing Rules!



How do you describe the current status of the global pharmaceutical industry? That it is the best of times and the worst (toughest) of the times like Charles Dickens did in the *Tale of Two Cities*? The phrase is applicable even today to the two industries — Research-based pharmaceutical industry and the generic drug industry. Here is what he wrote in 1859: *It was the best of times. It was the worst of times. It was the age of wisdom. It was the age of foolishness. It was the epoch of belief; it was the epoch of incredulity. It was the season of light. It was the season of darkness. It was the spring of hope. It was the winter of despair.*

Charles Dickens wrote this passage to describe the age of radical opposites taking place across the English Channel, in France, and the United Kingdom, respectively. It tells the story of contrasts and comparisons between London and Paris during the French Revolution. It is also applicable today as the digital revolution is transforming the modern industrial world in general and pharmaceutical industry in particular. The phrase — that it was the best of times; it was the worst (toughest) of times — aptly describes the striking contradictions and tremendous possibilities facing the industry. The Best of Times, first:

## The Best of Times

The pharmaceutical industry has indeed come a long way. It has made tremendous progress in many ways. Consider the following facts as reported by Torreya Global Pharmaceutical Report 2017 that show the dramatic growth of the world pharmaceutical industry.

- Global pharmaceutical sales exceeded \$1 trillion for the first time in 2014, and are expected to reach \$1.3 trillion by 2018
- The value of the pharmaceutical industry is over \$5 trillion in 2017, up one thousandfold from the 1920s
- Mortality rates from major diseases including heart disease, cancer, and stroke are down dramatically
- Most drugs on the market in the developed economies have proven efficacy and safety

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- The pharmaceutical business is globalized with modern drugs available in most countries in the world

### The Toughest Times

These are also tough times for the Pharmaceutical industry. It may seem paradoxical that on the one hand, the overall progress of the pharmaceutical industry has been phenomenal, and yet the industry is facing tough times. There are many reasons for this changing scenario. One significant reason is the technological revolution and its impact on our industries and indeed even our lives. The continuing digital revolution and the ensuing internet explosion are having a profound effect on society as a whole. The ever-increasing cost-containment strategies by almost all the governments in the world, the drying up of the R&D pipelines, the end of Big Pharma's blockbuster business model, increasing genericization, patent expiration resulting in dwindling bottom-lines continue to daunt the pharmaceutical industry.

The primary concerns about the global pharmaceutical industry are best summed up in the Torreya Global Pharma Industry Study 2017 report. Here are the salient features of the report.

- A. *BBC (British Broadcasting Corporation) in 2014 reported that: There are already signs of trouble ahead – thousands of job losses and widespread consolidations are hardly characteristics of an industry in rude health.*
- B. *Little Breakthrough: For a start, big pharmaceutical companies are no longer providing the service that they once did. As Dr. Kees de Joncheere at the World Health Organization (WHO) says: the system has served us well in terms of developing good new medicines, but in the past 10 - 20 years, there has been a very little breakthrough in innovation. Of the 20 or 30 new drugs brought to the market each year, typically three are genuinely new with rest offering only marginal benefits.*

PWC (Price Waterhouse Coopers), one of the top global consultancy firms has identified four significant concerns in their Pharma Vision 2020 Report. Here is a summary of those concerns.

- A. *Tomorrow's challenge* is to develop new medicines that can prevent or cure currently incurable diseases. Today's challenge is to get there tomorrow — and that's a tall order in itself.
- B. *Rising Customer Expectations*: The commercial environment is getting harder, as healthcare payers impose new cost constraints on healthcare providers and scrutinize the value medicines offer much more carefully.
- C. *Poor Scientific Productivity*: Pharma's output has remained at a stable level for the past decade. Using the same discovering and developing process, there is little reason to think its productivity will suddenly soar.
- D. *Cultural Sclerosis*: The prevailing management culture, mental models, and strategies are the same ones it has traditionally relied on, even though they have been eclipsed by new ways of doing business

Besides these challenges and concerns, pharmaceutical marketing faces three severe challenges. One is the challenge of declining physician access to pharmaceutical companies. The other two challenges are:

- A. Increasing power of other stakeholders such as patients and payers, and
- B. The emergence of several digital marketing and social media channels to engage the key stakeholders of the pharmaceutical industry. Also, Pharma is increasingly becoming a multi-stakeholder world.

## **It's a Multi-stakeholder World**

Pharma is moving towards a multi-stakeholder world from the earlier physician-dominant industry. It is a world in which stakeholders beyond the prescriber are gaining importance. The following table

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presents an outline of the multi-stakeholder world of the pharmaceutical industry. The other stakeholders, such as payers, nurses, pharmacists, are increasingly gaining more power in healthcare decisions. Also, patients are becoming better informed due to ever-increasing information on the internet. Armed with new knowledge about diseases and treatments, patients are taking a more proactive role in their healthcare. However, the marketing budgets of many pharmaceutical companies remained somewhat flat, making it challenging to reach these additional stakeholders using traditional methods of marketing.

**Table 1.1: Multi-stakeholder World of Pharma**

Stakeholders	Implications
Payers	<ul style="list-style-type: none"><li>• Government Healthcare Spending Pressure</li><li>• More proactive management of formularies</li><li>• Legislative support for lower-cost generics</li></ul>
Physicians (Specialists and GPs)	<ul style="list-style-type: none"><li>• Prescription monopoly is under erosion</li><li>• Access increasingly getting crowded as patients increase</li></ul>
Nurses	<ul style="list-style-type: none"><li>• From passive to active influencing role</li><li>• Extended prescription formulary</li></ul>
Pharmacists	<ul style="list-style-type: none"><li>• Expanded generic substitution power</li><li>• Consultative role</li></ul>
Patients	<ul style="list-style-type: none"><li>• No longer rely on physician's guidance alone</li></ul>

## Declining Physician Access

Pharmaceutical sales representatives' access to physicians has been getting increasingly difficult. Representatives have been the main channel for transmitting marketing information through 'detailing' to physicians for over fifty years. The personal selling effort has been accounting for 60 percent of all sales and marketing expenditures in the US. Even in a branded generic market like India, the total cost of personal selling effort accounts for the most significant chunk of total sales and marketing expenditures.

Physicians' access to pharmaceutical representatives has been steadily declining over the past 10 - 12 years now in the research-

based Pharma markets like the US. Today almost one-half of the physicians in the US have moderate-to-severe restrictions on representatives' visits. A dramatic increase in the number of representatives over the years, turbulent market conditions with dwindling R&D pipelines, drastic cost-containment methods, increasing generic competition, and a frenzy of M&A (Merger and Acquisition) activities are some of the primary reasons for the steadily declining physician access. Research shows that 19 out of 25 mergers corresponded with additional decreases in Pharma sales rep access within one year following the merger. What is more, an increasing number of medical schools and university-affiliated health systems (especially top-tier programs) are restricting access to physicians by pharmaceutical companies — a behavior these graduates often take with them when they enter the workforce at hospitals or start their practice. The new generation of physicians, because of their minimal exposure to medical representatives during their medical training and fellowship are limiting in-person visits with them. Another important reason is that today physicians do not see much value added in the information provided by pharmaceutical sales representatives as much of the data is already available to them at the click of a button thanks to the internet explosion.

While it is discouraging that doctors may not meet as often as before with pharmaceutical representatives, most physicians still view these representatives as valuable sources of information.

Compared to the physician-access restrictions in the US, the access restrictions in India are not that severe, but they are declining albeit slowly. The restrictions are more qualitative than quantitative. There are a few 'no-see' doctors in India too. The restrictions are more regarding the frequency of visits by a representative and the time allotted to him. The duration of a call is anywhere between 30 seconds to 2 minutes today as compared to an average of four to five minutes a few years before. Very few representatives who have thorough product knowledge and excellent communication skills can get more time with doctors.

The main reason for lack of interest and apathy towards personal visits of representatives and their detailing is the significant drop in

the quality of information and presentation skills of the sales force. In a study conducted by the Mumbai-based brand communications consultancy firm, Brandcare a few years ago, over 85 percent of doctors said that the communication skills of medical representatives are inferior and their knowledge about the drugs too, is shallow. Many doctors felt that the majority of the representatives are working as a postman, delivering samples and gifts. A representative with inadequate product knowledge and inferior communication skills cannot get the attention of the physician let alone engage.

Despite all these reasons discussed, the majority of the physicians the world over think that pharmaceutical representatives would be an essential source of information provided they add value. What is needed is a paradigm shift from the current transactional selling to transformational selling.

## **Gaining Access to Physicians**

How do you meet the challenge of this declining access of physicians? How do you gain access to the less accessible and inaccessible physicians who matter? Pharma companies internationally are trying to make up for the reduced access to their representatives through other channels. These include telesales (call center), direct mail, email marketing, e-detailing, speaker programs, self-serve digital content (content that is available on the physicians' professional social media sites, clinical product presentations, Pharma branded sites, e-detailing, and other digital channels), and mobile alerts among others. An Affinity Monitor Study conducted a few years ago by ZS Associates, a leading consultancy firm specializing in pharmaceutical sales and marketing showed that some Pharma companies had sent nearly 50 percent more digital messages including emails and mobile alerts than the number of personal face-to-face calls attempted. One can understand the physicians' response to this avalanche of digital messages from this comment of a specialist physician, who said:



More than anything they (the Pharma companies) are taking a big dart board and picking up the darts and just flinging them and hoping one of them will stick.

It's like Pharma companies saying that here's all our ammunition and that's the target — let's throw. Blanketing customers with marketing messages is not likely to yield the desired results because even if some messages hit the mark, the customers may not pay attention to them. What is the solution? How do you get the attention of the physicians? Empathy is the solution. Yes, Pharma companies need to apply some compassion and consider the situation from the physician's point of view. No single channel always works today. Therefore, it is essential to understand what kind of content doctors want to receive, which channels they prefer, and how frequently they wish to be contacted so that pharma companies can tailor their marketing communication. That way, they can make sure that messages resonate. Focus on the quality of the customer interaction and not on the reach at all costs.

How do you engage with reluctant physicians? How can you gain and more importantly sustain their attention and interest in your products and services? What are the new rules of engagement?

## **The New Rules of Engagement**

It is the steady onslaught of marketing messages that are causing an information overload, which is making the physicians deliberately tune out. Like you label the unwanted and unsolicited information as spam, physicians are labeling most of the marketing messages as spam. To avoid this and to more effectively engage with physicians Pharma companies need to do three things. These new rules of engagement suggested by Pratap Khedkar, Principal at ZS Associates are:

- A. *Empathize*: Determine the type of content that interests physician and will engage him. Understand their preferences. Some prefer clinical information communicated by a peer. Others may want patient education material. Some others may

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wish to access the information themselves from a library of self-serve content. Pharma companies should also understand the channels by which physicians prefer to be contacted.

- B. *Be Relevant*: Pharma companies that understand the preferences of physicians can design and deliver the most relevant communication to their target doctors through the channels of their interest.
- C. *Resonate*: Pharma companies should also understand the impact of frequency. Different channels show different saturation points. It is essential to know how often is too often? Research shows that doctors tend to open the first few emails for a given brand, but after receiving about ten emails, they stop. In the case of messages through mobile apps, the saturation point is lower — doctors stop responding after four or five messages. Direct mail, on the other hand, has a higher saturation point, but a lower engagement rate.

Pharma companies can use alternative channels to access the *hard-to-see* and *no-see* doctors and reinforce their access to currently accessible physicians. It may be challenging to determine the preferences of individual physicians, but it is increasingly feasible to systematically track and measure the types of content that the companies put out and the relative response to different kinds of content. It is also possible to analyze the new, highly granular data like rep-doctor iPad interactions. Furthermore, Pharma companies can use analytics to understand how marketing channels reinforce each other. They can, based on this understanding, develop the desired set of actions — at the right time, and in the correct sequence to support the sales reps to increase their engagement with individual physicians.

Pharma companies can optimize their engagement with physicians in general and *hard-to-see* and *no-see* doctors in particular by using the data to understand the affinities of the doctors they are trying to reach and tailoring the content, channel, and frequency of their marketing messages accordingly.

What is needed is a higher engagement rate and better customer experience than a higher message transmission rate. In marketing, as in medicine — a little empathy goes a long way!

## **State of Access to Physicians in the US**

Sales representatives access to physicians continues to decline in the US since 2008. In 2016, for example, just 44 percent of physicians were accessible to sales representatives of pharmaceutical companies, whereas about 80 percent of physicians were accessible in 2008. In response to this continuous decline in physician-access, many pharmaceutical companies have — understandably increased their use of other channels such as digital to ensure the reach of their messages.

ZS Associates, a leading professional services firm conducted a study among the most valuable prescribers (about 26,000). The physicians in the study allowed the most rep-contacts. They received nearly 2,800 contacts per year on average from the pharmaceutical industry. That works out to be about one contact every working hour for the entire year including weekends and holidays. This leads to too much noise among these high-value physicians, and creates a bad customer experience, says Malcolm Sturgis, an associate principal who leads ZS's Affinity Monitor.

## **Different Perceptions**

What is the impact of the non-personal promotional channels on the total marketing effort? The degree of marketing activity by channel depends on how you measure it. Consider the following perceptions from three different metrics:

1. Even though companies have dramatically shrunk their sales forces over the past decade, they still spend more than \$12 billion a year on representatives. Eighty-eight percent of sales and marketing budgets are still focused on the sales force. Viewed from a financial perspective, new digital channels don't seem to have changed the picture much. It is still business as usual.

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2. However, when you look at outreach by channel, more than half of all activity (53 percent) now takes place through non-personal promotion.
3. Additionally, ZS Associates conducted a supplementary survey to measure physicians' perceptions rather than their actual interactions. They asked doctors what they remembered about their interaction with pharmaceutical companies over the past year. Looking back, physicians estimated that nearly two-thirds of their interactions came through non-personal channels. They also estimated that they spent eighty-four hours per year — or two full work weeks — interacting with companies. Eighty-eight percent of pharmaceutical companies' sales and marketing expenditures still go to the sales force, yet the majority of contact attempts are generated in non-personal promotional channels. Furthermore, doctors overestimate just how much non-personal promotion they receive.

A summary of these findings is presented in the following table.

**Table 1.2 Pharma's Personal Vs Non-personal Promotional Effort: Perceptions vs. Reality**

Marketing Effort	Personal Promotion	Non-Personal Promotion
Budget Spent	88%	12%
Channel Activity (Marketing View)	47%	53%
Doctors' View (Based on Physician-Recall)	38%	62%

(Source: Adapted from ZS Associates' Access Monitor™ and Affinity Monitor™ 2016 Executive Summary)

Additionally, the ZS Associates' Study busted some myths surrounding pharmaceutical marketing. Consider these for example:

- Conventional wisdom holds that newer drugs and blockbusters would be more compelling to physicians as they offer significant and new information and improve access to them. The study revealed that it is not necessarily true as there

was no substantial improvement in access to physicians. While certain topics are interesting, what matters to a rep — or the industry at large — does not always align with what matters to individual physicians. Just because you have something new does not mean that the doctor will see you. That new information should be highly relevant to the doctor.

- Also, a dominant market position does not guarantee increased access either. Blockbuster drugs, defined as those with market shares over 40 percent or annual sales of more than \$1billion — could garner only slightly better access than other products according to the study.
- However, the launch of a genuinely novel therapy generates better access. For example, representatives promoting a novel anticoagulant could increase access to cardiologists from 53 percent to 61 percent. According to Malcolm Sturgis, the study-leader: *Clearly, a genuinely therapeutic breakthrough generates better access. The interesting thing here is that even competing products start to see better access when a truly novel product hits the market. Doctors will want to compare it to what is already out there, which creates a kind of spillover effect.*
- Those with more than one product in the same therapeutic area generally get better access. The study, for example, revealed that oncologists, who are the toughest to see are marginally less tough to representatives who have three or more products. As Pratap Khedkar, principal at ZS Associates says: *If I have more drugs that represent more options and more things that are potentially relevant to a doctor, so they are more likely to let me in.*

## Improving Access

- A. *Execution is Critical:* The sales and marketing teams should break their silos, and work hand in hand to improve access to physicians. Instead of working with average response rates, companies should tailor the channels that they use to the channel preferences of individual physicians.

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- B. *Personalization is the Key*: The marketing team needs to personalize their approach at the individual customer level. You need to engage customers at a time they want to engage, on the channel they want to engage, and in the manner they want to engage. Marketing messages that are personalized would improve engagement.
- C. *Expand the Potential Audience*: Another way to increase representatives' chances for success is to expand the potential audience beyond the physician. Pharmaceutical companies usually do not plan for meeting these audiences, such as nurse practitioners and physician assistants in their strategies. They are not doctors, but they still see patients, and many times, they make prescribing decisions. And they are more accessible than physicians. For example, 53 percent of nurse practitioners and physician assistants are accessible compared to 44 percent of physicians. There is one limitation, however. Some institutions may restrict access to these audiences. But as access to physicians continues to decline, extending reach to these audiences is worth pursuing, for pharmaceutical companies.
- D. *Rethinking Telesales*: According to the study, representative visits and contacts via digital channels are not the only way to get through to physicians. Pharmaceutical companies have used telesales to reach doctors in rural areas or for low-value doctors, who write few prescriptions for your brand or brand category. They may not warrant an in-person call. It is worth considering telesales as an option as more than 25 percent of those rep-inaccessible physicians are willing to be engaged on the telephone. As Malcolm Sturgis says: *Telesales, of course, does not work with every doctor and message, but it is underutilized.*

Doctors are indeed far less willing today to engage with sales representatives. However, they are eager to engage through other channels. If you do not try, and you do not know who these doctors

are, how they prefer to interact — you lose the opportunity. Remember this, and use data to uncover opportunities to create a great customer experience through personalization of your marketing efforts.

## **Innovative Approaches to Pharmaceutical Detailing**

Pharmaceutical industry around the same time was facing challenging times regarding restricted access to physicians by their sales reps. Pharmaceutical companies in the US mainly were exploring for ways and means to reach and impact their most relevant target audience — physicians, with their marketing messages effectively. As many academic medical centers started partial or complete blockade of sales representatives, access to practitioners in their clinics, hospitals, or affiliated professional office settings, the prescribing physicians and healthcare professionals (HCPs) started exploring the emerging new sources of media for medical information on the internet. Pharmaceutical companies too began seeking ways to operate more effectively without losing efficiency in the face of the highly restricted access to medical institutions for their marketing activities. The declining access and the decreasing role of the pharmaceutical sales representatives and the increasing need for physicians to rely on new technology that is within reach have led to innovative approaches in pharmaceutical detailing. These approaches are eDetailing or remote detailing, which gives access to Pharma firms when physical access is restricted. The other is iPad detailing (or tablet detailing), which improves physician engagement significantly during the face-to-face meetings.

Innovations in detailing, however, are not enough. When physicians are scanning the ubiquitous internet, they are doing it on their terms concerning time and place that is most convenient to them. They could surf the net whenever they find time to do so on the multiple devices that they have, such as a smartphone, laptop, desktop, and tablet. Internet too offers numerous channels to provide the information just about on any subject they want, including their

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therapeutic areas and pharmaceutical products and their clinical trials. When physicians are present on many channels, can drug companies lag? They have to be present where their key customers are. In addition to doctors, patients too, are frequenting the internet to look for information about their health, diseases, possible treatment options and physicians to consult.

The technological revolution has in its wake brought many technologies such as mobile technologies with smartphone applications, streaming of audio and video capabilities, and the omnipresent internet access. The emergence of these highly effective digital technologies and increasing physician acceptance and even reliance on these has prompted the pharmaceutical industry to adapt to these new technologies. Moreover, the industry did embrace these and started innovating and implementing many new approaches such as digital and multichannel and social media marketing. The drug firms have also created new platforms for delivering their marketing messages from their uni-directional, visual-aid detailing to very engaging conversations about their products and what they can do to benefit the patients across multiple channels in a highly integrated manner.

Pharmaceutical companies have realised that they need to overcome the dual challenges of declining access to physicians on one side, and diminishing skills of their sales forces on the other. They have devised several strategic plays to emerge as winners in the rapidly changing marketing game.





## **Strategic Engagement Plays**

The landscape of pharmaceutical marketing is changing, and it demands and dictates a change in the rules of engaging its stakeholders. Consider the following strategic engagement plays to build and maintain enduring relationships with all your stakeholders:

1. iPad or Tablet Detailing
2. e-Detailing or Tele-detailing
3. Closed Loop Marketing (CLM)
4. Customer Relationship Management (CRM)
5. Key Opinion Leader (KOL) Management
6. Medical Sales Liaison (MSL)
7. Key Account Management (KAM)

