

### New direction for pharma firms More research, less cost-cutting

Top executives at pharma companies say they are shifting their strategic focus from cost-cutting efforts to a push to reinvigorate research and development efforts, according to a new Ernst & Young survey of 40 senior executives from such companies as Pfizer, GlaxoSmithKline and Johnson & Johnson, among others.

The survey found that 66 percent of executives favored reinvigorating R&D as a high priority, and 40 percent said “optimizing costs” was their No. 1 initiative. The 2008 findings represent a shift from one year ago, when a similar survey found that 92 percent of pharma execs ranked cost-reduction as the top strategy. “Large pharmaceutical companies have been intensely focused on costs for the last two years and are moving beyond short-term reductions to longer-term strategic cost management,” the report said.

Many pharma companies are under pressure from generic competition, and a slowdown in new-product approvals at the FDA. The cost-cuts have helped profitability, but many investors and Wall Street point to new-product development as the key to future profit growth. As a result, companies are moving to strengthen their pipelines, in part by making more licensing deals and acquisitions.

### IMS Health forecasts ‘leveling’ of growth for U.S. pharma

Worldwide growth for pharma is expected to fall within a fairly strong 4.5 to 5.5 percent range next year – a pace similar to 2008 – but growth in the U.S. market is likely to land within a lackluster 1 to 2 percent range, according to the IMS Health annual forecast. Total U.S. sales are estimated at \$292 billion to \$302 billion in 2009, reflecting the impact of continuing patent expirations, fewer new-product launches and a tighter economy, the IMS Health forecast stated. In addition, the “less-than-expected demand for recently introduced products” and economic conditions that appear to have had “an impact on doctor visits and pharmaceutical sales” also are behind the sales slowdown.



The pharmaceutical industry also is amid a dry pipeline for new products. IMS said that new-product approvals “remain at historically low levels, with only 25 to 30 new chemical entities slated for launch in 2009.” And many of the new drugs are “specialist-driven and niche products with relatively limited market potential,” which means they are not supported with large marketing budgets and mass-media campaigns.

### TNS forecasts another drop in ‘measured’ DTC spending

In a report issued in mid-November, TNS Media Intelligence forecasted a second consecutive year of lower spending by pharma marketers on DTC advertising. According to TNS, for the first eight months of 2008, “measured” DTC spending was off by 6.3 percent, and totaled \$3.18 billion, compared with the year-ago measured spending.

According to the research firm, this trend would produce year-end measured spending of \$4.76 billion, which compares with 2007’s total of \$5.26 billion. This change would represent a 9 percent decline in spending. DTC measured spending reached a high of \$5.4 billion in 2006, according to TNS.

“The pharmaceutical category is closely watched within the ad industry for indications of the health and direction of marketing budgets,” Jon Swallen, senior vice president of research at TNS, said in the report. “When drug-makers sneeze, ad buyers and sellers worry about catching a cold.” He attributed the decline in advertising to cutbacks in disease education (non-branded ads) and pharma corporate campaigns.

### In Washington, advertising industry frets About impact of President-elect Obama

One of the main concerns of advertising groups in Washington – following the election of Sen. Barack Obama – is whether a discussion of healthcare issues could lead right into consideration of new limits on DTC advertising or perhaps even an “ad tax” for pharma. “Fasten your seat belts. It’s going to be a bumpy ride,” Dick O’Brien, executive vice president of the American Association of Advertising Agencies, told *Advertising Age*.

O’Brien also related the story of how Rep. Rahm Emanuel (D-Ill.), who will become chief of staff in the new president’s administration, brought up the idea of having the pharmaceutical industry make a choice to “keep the write-off for R&D or DTC, but not both” in a meeting with ad industry officials in Washington. It is expected that Congress will face some pressure to take a harder look at DTC advertising and other key issues for the pharmaceutical industry in 2009. For more details on what’s ahead under the new president and Congress, turn to the “Eye on the Hill” report from Jim Davidson, on page 58 of this issue.



### Internet seen as more trusted for drug-treatment information

Seventy-four percent of the 3,500 respondents to Prospectiv’s 2008 Pharmaceutical Online Resources Poll said that they “have used the Internet to research ailment or drug treatment information.” Of those people, 83 percent “reported that online media is their most trusted and reliable resource for health-related information,” which is an eight percentage-point increase from a similar 2007 Prospectiv survey.

One-half of the respondents said they used general health-focused Web sites when researching health-related information, and only 3 percent acknowledged that they visit “branded drug sites operated by pharmaceutical companies.” For those who did not report using branded pharmaceutical Web sites, the No. 1 reason was that they did not know such sites existed (49 percent). However, a lack of trust with pharma-run Web sites is up from 31 percent last year to 38 percent this year. Thirteen percent of respondents also claimed that those Web sites were not helpful.

“When asked which type of moderated interactive resource they would trust the most,” 67 percent of consumers would trust sites moderated by doctors. More than one-quarter of respondents (27 percent) said they would trust sites moderated by consumers. Only 6 percent of respondents said they would trust sources moderated by pharmaceutical companies.

### Study finds magazines can outperform Other media in purchase-intent metric

Magazines’ average cost per impact (CPI) was nearly half of television’s, when it came to consumers’ purchase intent in the pharmaceutical category, according to a Marketing Evolution study released this fall. (Purchase intent is considered as an intention to talk to a doctor/physician).

The report, “*Measuring Media Efficiency: Assessing Media ROI Throughout the Purchase Funnel*,” however, did note that television and the Internet outperformed magazines for brand awareness and brand familiarity. Television generated a CPI of nearly 30 percent less than magazines’ for brand awareness. The Internet’s CPI was also one-third lower than magazines’ for brand familiarity.

“Findings from [the report] showed that each of these three media – magazines, TV and Internet – incrementally contributed to advertising impact,” the report stated. Therefore, Marketing Evolution stresses the importance of having an integrated marketing campaign. For the report, Magazine Publishers of America asked Marketing Evolution to update its 2006 analysis of 20 cross-media accountability studies. This report analyzed the ROI of 38 cross-media accountability studies and includes overall reporting, as well as individual industry results for automotive, entertainment, electronics and pharmaceuticals.