

# DTC Is Alive, Slightly Ill, But Recovery Ahead

While some forecasters are taking a pessimistic view of the prospects for DTC marketing, this might be an overreaction. The long-term trends seem to bode well for marketers and their agency partners.

We have heard reports of layoffs of DTC marketers through various sources. We also know spending will be down somewhat in 2008. DTC once again is on the minds of angry Congressmen who threaten new regulations. One blogger said this is end of DTC as we know it. We do not agree.

The consumer involvement in health decisions is not declining. Increased co-pays for branded drugs will make consumers more interested in information on drug selection. ROI is still good for drug companies. Congress will bluster but not likely enact any regulation to change DTC significantly.

There is no doubt drug companies are watching spending much more carefully as profits erode. DTC will get hit with cuts as has detail forces, manufacturing facilities, general administration and R&D. Despite the gloomy talk, DTC still remains the fastest way to stimulate consumer demand. Almost all the new brands in 2008 have used it. There has been no wide scale swing away from mass DTC.

All drug companies do wish they could spend far less by targeting more. There are growing opportunities for target marketing as new media companies enter and existing companies expand their reach. The drug companies certainly can and should spend more on Internet and point of care. To build a blockbuster in existing categories, however, mass DTC will still be a key tactic. That means the \$50 million to \$100 million budgets will be there for most large brands.

Of course, we at DTC Perspectives are biased in hoping DTC spending remains strong. The facts, not wishful

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thinking, support our judgment that DTC is going to remain strong. Assuming DTC declines 5 percent to 7 percent in 2008 does not mean that it is a long-term trend. Drug companies will launch new drugs and need to aggressively market them. Declines in other categories' spending in this economic slowdown will offer some excess and likely cheaper media inventory for DTC advertisers. It may be that DTC GRP's will be higher while overall spending is lower.

It would not surprise us if we have flat or slightly declining spending for the next two years, but the age of drug discovery will appear again and that will cause DTC growth. No marketer will end tactics that produce 2-to-1 returns. Therefore, we caution that the pessimism some analysts display is understandable but overdone. ■

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