

What this talk is (and isn't) about

- What I mean by “is DTC right for me”
 - **NOT:** “How valuable is DTC advertising, generally?”
 - **But this, instead:** “How do we, as pharmaceutical marketers, make our key strategic decisions about DTC advertising, and how should we reach those decisions – i.e., what are best practices?”

- The key strategic decisions:
 - should we run DTC advertising at all?
 - if the first answer is “yes”, what is the right budget?

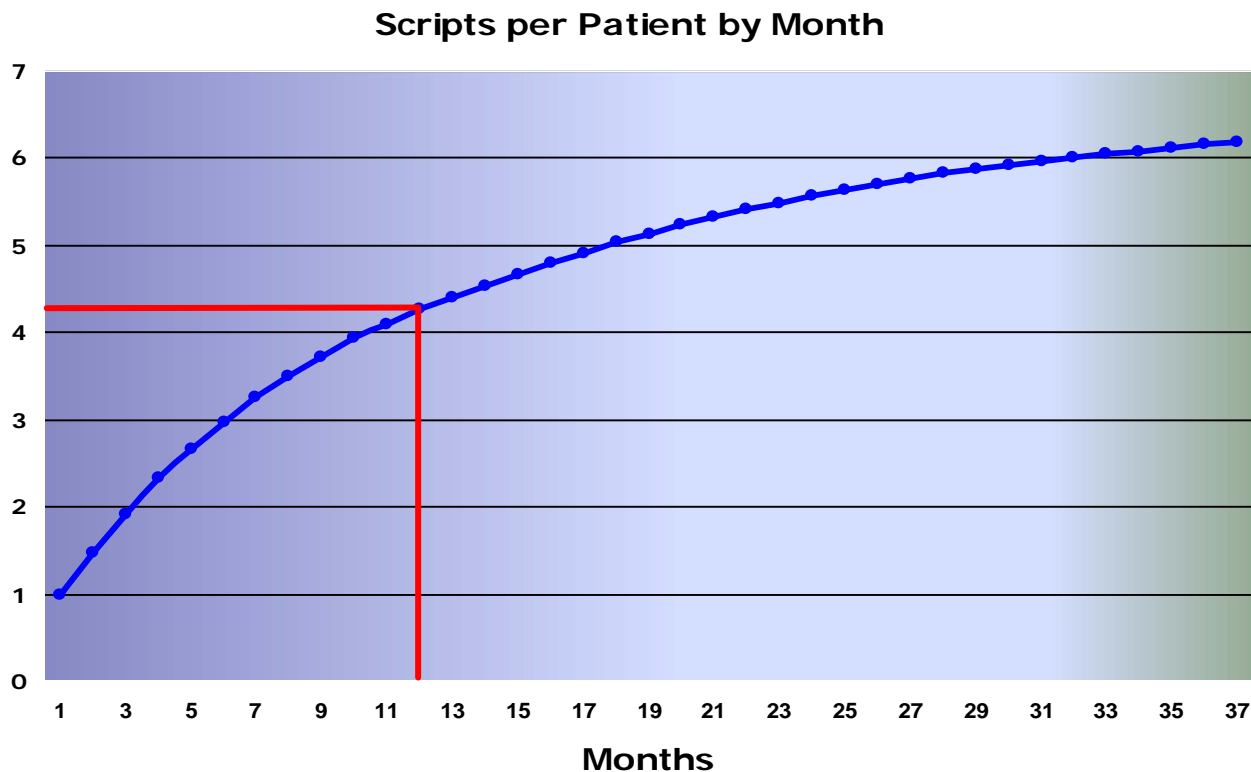
- Why not talk about the value of DTC advertising, generally?
 - there is no generally applicable answer to the value of DTC advertising – some campaigns provide very strong returns while others are quite weak.
 - as pharmaceutical marketers, we care about how well our DTC advertising will perform, not how well DTC advertising does “on average”.

DTC advertising: the key success factors

- What are the key ingredients of strong DTC advertising campaigns?
 - the size of the targeted sufferer population
 - the cost and efficiency of reaching the target
 - the persuasiveness of the DTC message
 - the impactfulness of the DTC advertising execution(s)
 - the efficacy, safety, and tolerability of the product
 - the market share of the product
 - the managed care access levels for the product
 - the willingness of physicians to prescribe the product to their patients when asked
 - the economic value of each prescription of the product
 - the persistence and compliance of patients placed on therapy

A digression: persistence & compliance

- Persistence & compliance may be the most critical unsolved issue for pharmaceutical marketers
 - even for chronic conditions, US patients are neither persistent nor compliant
 - consider these data, from a cohort of 10,000 patients placed on a particular branded product: 4.3 scripts per patient after 1 year – for oral contraceptives !!



DTC advertising: the key success factors

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 - the willingness of physicians to prescribe the product to their patients when asked
 - the economic value of each prescription of the product
 - the persistence and compliance of patients placed on therapy
- The 2 that are both critical and within our control are reaching the target efficiently and communicating a persuasive message
- Of these 2 items, it's usually easier to efficiently reach most targets, and usually tougher to get the message right and be persuasive

Reaching the target audience efficiently

The key ingredients

- first, a carefully formulated media plan

Target: W50+	2008																								Total GRPs/lns.	Total Cost Working Media																										
	January			February			March			April			May			June			July			August					September			October			November			December																
	31	7	14	21	28	4	11	18	25	3	10	17	24	31	7	14	21	28	5	12	19	26	2	9	16	23	30	7	14	21	28	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	1	8	15	22
Network Television :60s																																																				
	15% Day, 20% Prime, 25% News, 40% Efficiency Cable												15% Day, 15% Prime, 25% News, 45% Efficiency Cable																																							
Daytime							23 23 23 23 23 23			19 19 19			15 15 15			15 15			15 15 15			15 15			15 15			15 15			405	\$2,773,103																				
Prime							30 30 30 30 30 30			25 25 25			15 15 15			15 15			15 15 15			15 15			15 15			15 15			459	\$14,933,413																				
Evening News							37 37 37 37 37 37			31 31 31			25 25 25			25 25			25 25 25			25 25			25 25			25 25			665	\$8,565,508																				
Efficiency Cable							60 60 60 60 60 60			50 50 50			45 45 45			45 45			45 45 45			45 45			45 45			45 45			1140	\$4,788,000																				
National Television Total							150 150 150 150 150 150			125 125 125			100 100 100			100 100			100 100 100			100 100			100 100			100 100			2669	\$29,060,024																				
Print																																																				
Magazines																																																				
Newspapers (National & Local)							Weeklies																		Monthlies (Women's Svc, Entertainment, Lifestyle, Health titles)																											
Print Total																										\$22,525,506																										
Placed Based Media Total																										\$3,000,000																										
Interactive Total																										\$4,500,000																										
WORKING MEDIA TOTAL							\$7,417,579						\$21,240,378						\$14,228,205						\$11,657,701							\$59,085,529																				
MS Buying Fee																										\$914,613																										
Network TV Integration																										\$242,720																										
Total Fees																										\$1,157,334																										
Grand Total (w/Fees)																										\$60,242,863																										

Reaching the target audience efficiently

- The key ingredients
 - first, a carefully formulated media plan
 - second, carefully selected media vehicles
- Media vehicles selection criteria: incremental sales, profit, and ROI
- This means the heart of the matter is how to go about understanding the likely ...
 - incremental sales of DTC advertising
 - incremental profit of DTC advertising
 - rate of incremental profit (ROI) of DTC advertising

The heart of the matter: forecasting

■ Methods for forecasting incremental DTC-driven business

- go with your gut
- ask the agency
- look at analog campaigns
- simulated test markets
- test (and control) markets

■ Go with your gut

- advantages: quick and inexpensive
- disadvantages: we're just guessing, and our guesses are profoundly influenced by our desires and expectations, but not the evidence

■ Ask the agency

- advantages: quick, inexpensive, and we can tap into broad experience base
- disadvantages: the agency has a vested interest in the forecast, and the decisions made on the basis of the forecast

The heart of the matter: forecasting (2)

■ Look at analog campaigns

- advantages: logical and evidence-based
- disadvantages: sometimes hard to find good analogs, and we are led to making the right decision for some other product, not our own

■ Simulated test markets

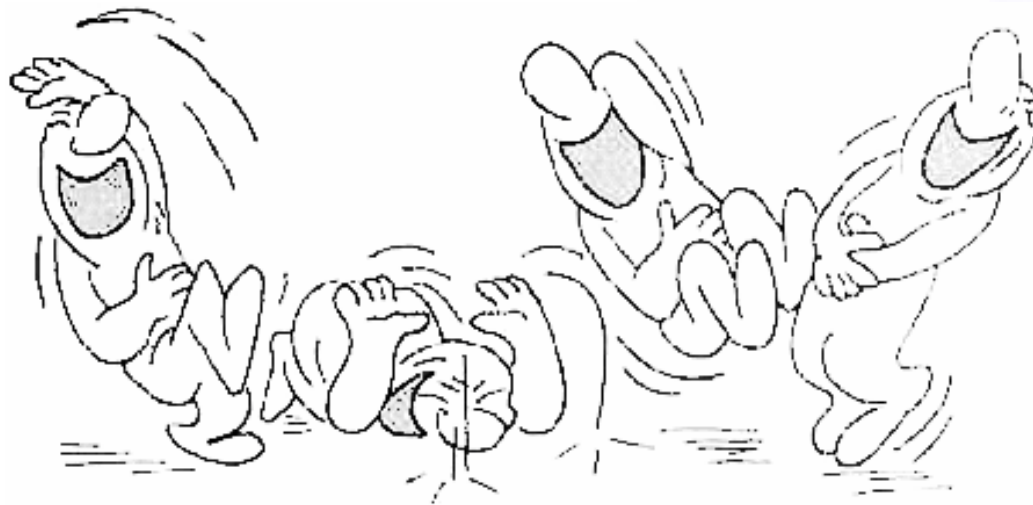
- advantages: specific to our brand, evidence-based, relatively fast timing, can test several messaging options and budgets simultaneously
- disadvantages: less credibility and comprehension among senior management

■ Test (and control) markets

- advantages: highly credible due to very strong face validity
- disadvantages: expensive, not secret, slow timing for accurate results (6-12 months), impossible to control for potentially confounding factors, hard to test more than one variable, and usually only 1-2 levels of that variable

A digression: how much time do we get?

- Whenever we think about test marketing (or evaluating a national campaign), the “how much time do we get” question is the one that causes us to make the most severe compromises on providing good information while also being timely
 - DTC advertising takes some months to even begin working
 - management wants the answers tomorrow

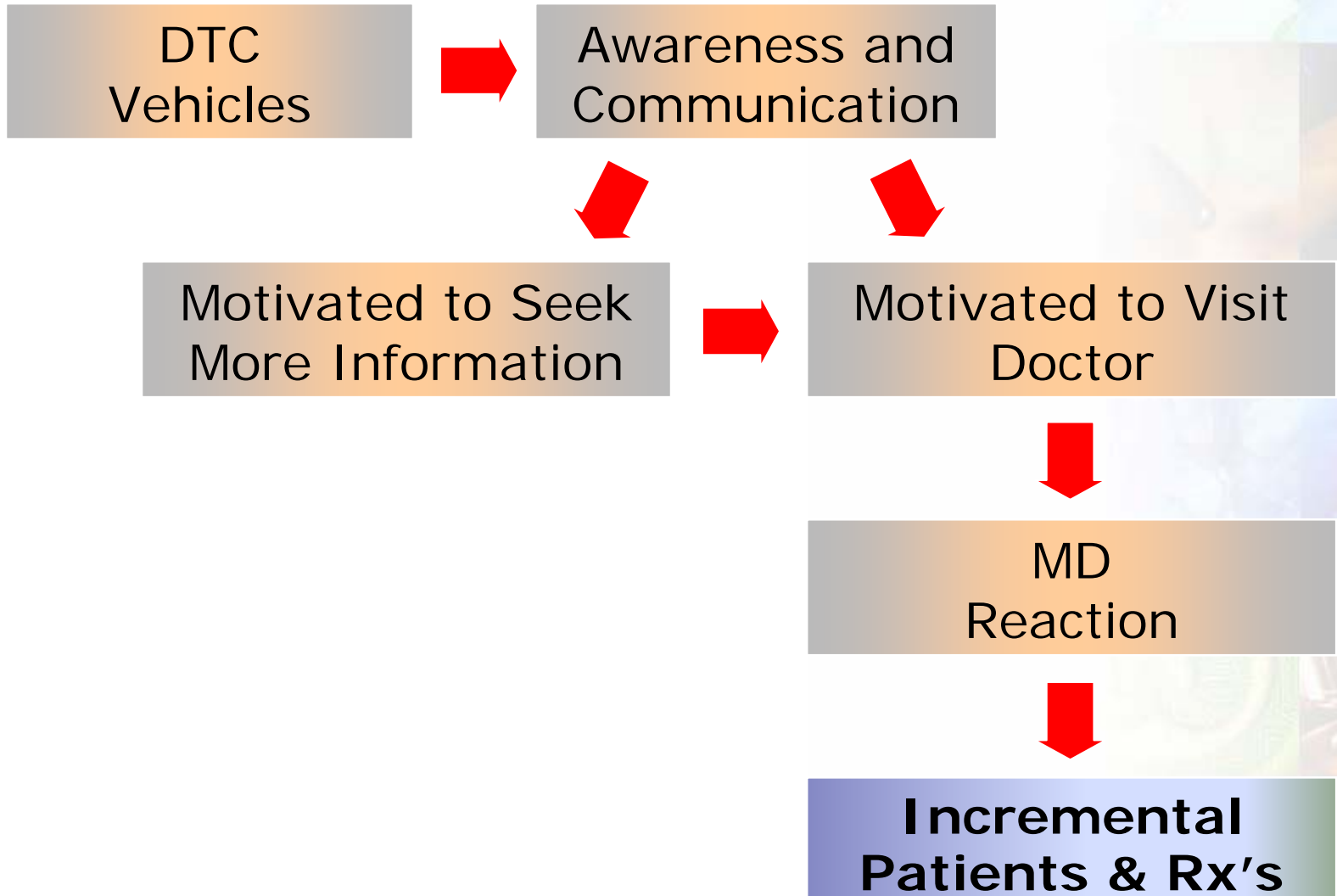


YOU WANT IT WHEN?

A digression: how much time do we get? (2)

- Whenever we think about test marketing (or evaluating a national campaign), the “how much time do we get” question is the one that causes us to make the most severe compromises on providing good information while also being timely
 - DTC make take some months to even begin working
 - management wants the answers tomorrow
- We suggest 20-30 weeks as the bare minimum time frame for most therapeutic categories
- Management typically asks for results after 4 weeks
- The usual compromise: take reads at some or all of the following time frames: 4, 8, 12, and 16 weeks

How do STMs work?



How do STMs work? (2)

■ Key inputs

- sufferer stimulus: a representation of the key message
- primary research among sufferers – how persuasive is the message?
- primary research among physicians – lift in likelihood to write
- syndicated data on competitive business levels
- promotional support plans

■ The modeling issues for the key strategic decisions

- how many incremental patients, scripts, and revenue can we create for each message/budget combination?
- message and budget optimization

■ What's the STM “process”?

- expose sufferers to a message stimuli, and measure their persuasion via primary research
- model awareness and forecast patient-physician questions
- conduct primary among physicians to measure compliance with sufferer questions

How do test markets work?

■ Design the test

- are we testing the message or the budget?
- how long do we have before we need the answer?

■ Choose the test and control markets

Small markets (300 - 460M), similarity clusters:

1. Wichita
2. Rockford
3. Binghamton
4. Wheeling
5. Duluth
6. Sherman
7. Abilene



How do test markets work? (2)

■ Design the test

- are we testing the message or the budget?
- how long do we have before we need the answer?

■ Choose the test and control markets

- consider CDIs, BDIs, and demographics
- avoid the largest markets because of their cost
- avoid the smallest markets because they don't "look like" my market and they may not have enough writers or sufferers or both
- decide if we mostly need "little America" markets to project absolute sales or "matched markets" to look for the differences between test and control
- (sometimes we need both "little America" and "matched markets")

■ What's the test market "process"?

- execute the DTC campaign in the test markets
- measure sales results in test and control markets
- project the results to the USA

How do test markets work? (3)

- Projecting results to the USA
 - do the test markets have a proportionate number of sufferers?
 - do the test markets have a proportionate number of writers?
 - do the test markets have market shares similar to the USA?
 - is the therapeutic category developed in the test markets to a degree proportionate to the USA?
 - are managed care metrics in the test markets similar to the USA?
 - are all factors that might influence prescription levels (or the degree of differences in prescription levels between the test and control markets), apart from what we are testing, identical in both the test and control markets?
- Managing and accounting for the answers to those questions represent the major challenges faced when using test marketing

Relative accuracy: STMs & test markets

- STM accuracy depends on:
 - accurate inputs, especially messaging and media weight
 - good forecasts of awareness
 - good forecasts of sufferer persuasion
 - good forecasts of physician compliance to sufferer questions
 - net result: +/- 10-20 percent

- Test market accuracy depends on:
 - how well “other factors” are controlled to be equal
 - how well we account for all the differences between the test markets and the USA
 - net result: +/- 15-25 percent

Checklist for STMs & test markets

	STMs	Test Markets
Speed	✓	
Cost	✓	
Confidentiality	✓	
Credibility		✓
Ability to test >1 variables & levels	✓	
No need to control for “other factors”	✓	
No need for accurate forecasting models		✓
Accuracy	✓	

Best practices: STMs & test markets

- For most situations, STMs can replace test markets
 - particularly when there is a need to test multiple messaging alternatives and/or multiple budget levels
 - particularly when confidentiality is key
- Test markets should still be run:
 - when managed care access issues are critical
 - when senior management scepticism cannot be overcome, so long as confidentiality and cost issues are tolerable

Third digression: is DTC a waste?

- Early last month the trade and mainstream press reported on the results of a study of the effectiveness of DTC advertising
- Some key headlines:
 - Direct-to-Consumer Drug Ad Campaigns may be a Waste of Time. Money
 - Drug Ads: Expensive and Ineffective, Canadian Research Shows
 - Direct-to-Consumer Advertising Does Not Pay Off
 - Drug Ads Have No Real Effect on Consumers
 - Expensive Ads for Drugs Don't Increase Sales
 - Are Drug Ads a Waste of Money?
 - Do DTC Ads Help Sales? ... Not Really
 - Prescription Drug Sales Get No Help from Big Ads
- These articles were reporting on a BMJ article by 3 researchers from Harvard and University of Alberta:
 - “Effect of illicit direct to consumer advertising on use of etanercept, mometasone, and tagaserod in Canada: controlled longitudinal study”

Third digression: is DTC a waste? (2)

- My colleague David Kweskin and I have examined the original research, read the reporting on it, and have authored a response, submitted to DTC Perspectives for publication
- We make 3 key points in our response:
 - the original study concludes that DTC advertising is indeed effective, despite the headlines
 - but, the original study has some serious limitations
 - the original study addresses a question that really can't be answered

Third digression: is DTC a waste? (3)

- The study tries to gauge the effectiveness of DTC advertising by looking at the sales of 3 products advertised in the USA – Enbrel, Nasonex, and Zelnorm.
- The study compares sales per capita for these 3 drugs in Quebec pharmacies vs. pharmacies in the rest of Canada, during the period of 2002-2005.
- Implicit is the assumption that because Quebec residents speak French, they are not exposed to American DTC ads, while English speakers in other provinces are exposed to the American DTC ads.
- The study finds that Enbrel and Nasonex show little DTC-driven impacts, but that Zelnorm showed substantial DTC-driven lift.

Third digression: is DTC a waste? (4)

- The original study has three key conclusions:
 - “Firstly ... illicit cross border exposure to direct to consumer advertising has the potential to modify drug use, even where such advertising is technically prohibited. ...”
 - “Secondly, to our knowledge, these results are the strongest evidence that direct to consumer advertising can increase use of a drug that was removed from the market as a result of concerns about safety”
 - “Finally, our findings suggest that the impact of direct to consumer advertising campaigns is mixed, as they seem to work for some drugs and not for others”

Third digression: is DTC a waste? (5)

- The original study has several key weaknesses:
 - About 17 percent of Quebec residents speak English
 - Many residents in other provinces are not able to see US media, due to local content laws
 - The study ignores media weight, and therefore can't distinguish small impacts of DTC from appropriate response to small weight
 - The study ignores more permissive formulary policies in Quebec compared to similar policies in other provinces
 - The study assumes that these 3 products are representative of all advertised products, and that English-speaking Canadians respond to DTC advertising in the same way as Americans

Third digression: is DTC a waste? (6)

- Finally, we note that the point of the original study is to find the general impact of DTC advertising on sales
- But, we know:
 - there is no generally applicable answer to the value of DTC advertising – some campaigns provide very strong returns while others are quite weak.
 - as pharmaceutical marketers, we care about how well our DTC advertising will perform, not how well DTC advertising does “on average”, or how well it does for 3 specific other brands.

