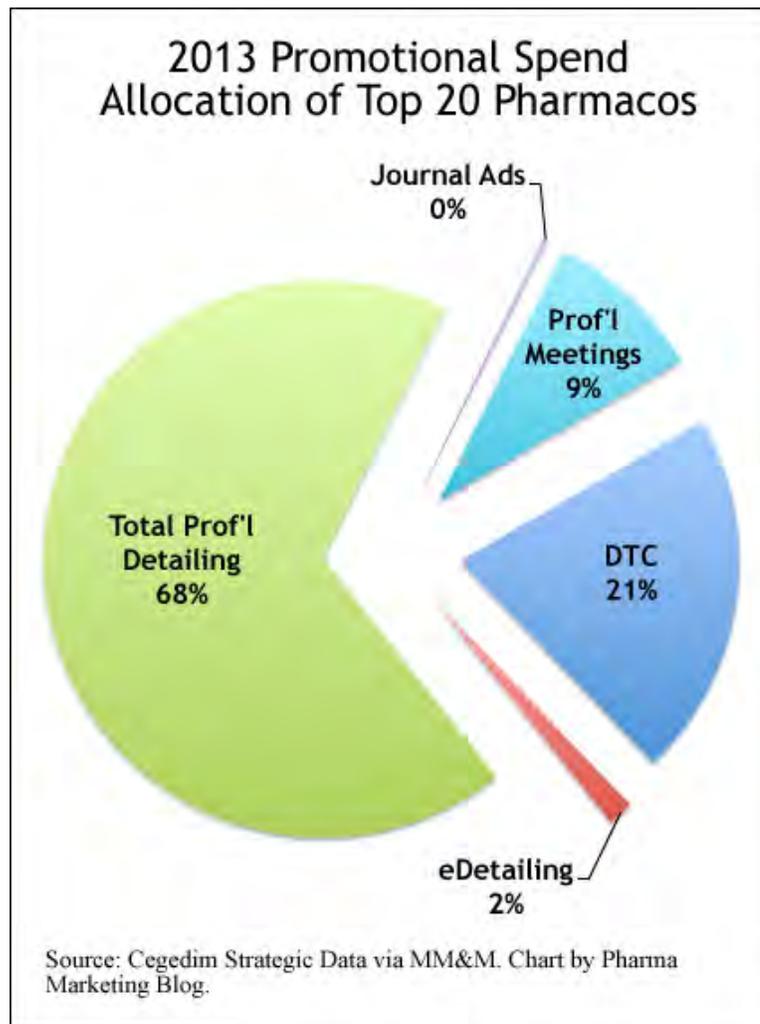


Pharma Promotional Spending in 2013

Professional Detailing, eDetailing, DTC Advertising, Professional Meetings, Journal Advertising

Author: John Mack



According to the latest Cegedim Strategic Data (CSD) Audit, the 20 pharma companies that spent the most on total promotion—which includes traditional professional detailing, eDetailing, Direct-to-Consumer (DTC) advertising, professional meetings, and journal advertising—spent a total of \$14,784 Bn in 2013. This does NOT include the cost of supplying drug samples. It probably also does not include search engine and online display ad advertising, which are minor components on the overall spend (see below).

Allocation of Spend

How representative is this of the entire industry? It's difficult to say. According to CSD, the Top 20 pharma companies spent \$10.1 Bn on professional detailing in 2013, which is about 70% of the \$14.9 Bn CSD estimated the entire industry spent on professional detailing in 2012.

On the DTC side, the Top 20 spent \$3.2 Bn, which is about 85% of the total of the \$3.8 Bn total 2013 DTC spend according to Nielsen data.

Based on these numbers, it seems fair to say the allocation of the promotional spend—i.e., the portion of the spending pie devoted to each category—of the Top 20 spenders is representative of the industry as a whole. The spending pie is shown below.

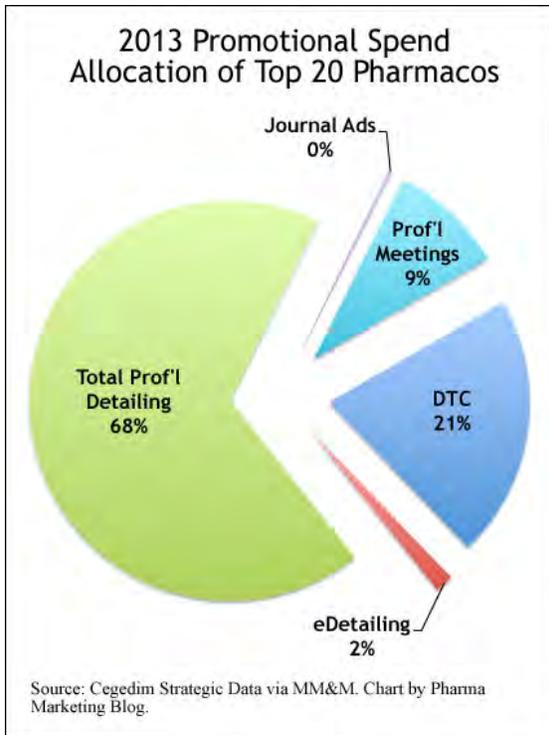


Figure 1. Professional Detailing and DTC advertising represent the two biggest promotional spends of U.S. pharmaceutical companies. Source: Cegedim Strategic Data Audit.

Pharma Not Walking the Walk, Digitally

According to Nielsen, on a global scale, for ALL industries, display advertising across the "web, mobile internet and apps collectively grew by 32.4% in 2013—by far the biggest leap of any media—but that still worked out to a 4.5% share of the overall spend in ads. In contrast, television grew only 4.3% but remains the behemoth when it comes to ad spend, taking nearly 58% of the market," reports Tech Crunch.

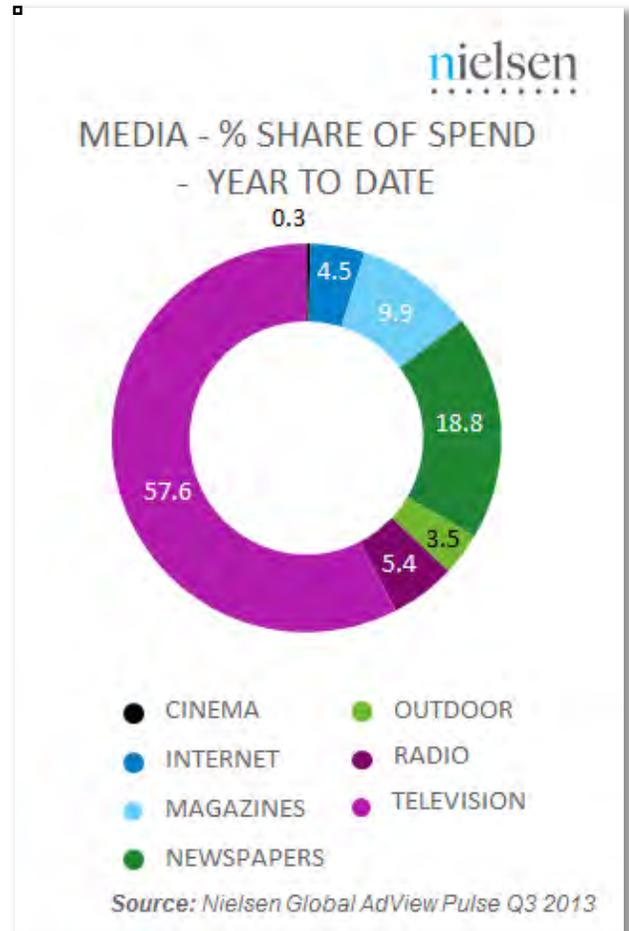


Figure 2. Percent Media Share Spend – Global, All Industries.

Pharma devotes an even smaller sliver of the ad spending pie to digital. According to Larry Dobrow writing in MM&M (<http://bit.ly/1i0EWjj>), "the top overall brand, Cialis, devoted just \$6 million of its marketing spend to digital, a meager 2.7% of its budget. The third highest-spending brand, Celebrex, similarly gave only passing consideration to digital: \$5.4 million, which represented 3.5% of its ad expenditures. Humira (for arthritis), ranked fourth in

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brand spend, devoted less than \$1 million to the digital space, and it wasn't alone: of the top 20 brands, 16 didn't clear that \$1 million mark.

"With companies," said Dobrow, "it was the same story. Pfizer, the biggest overall and digital spender, allotted \$21.5 million of its \$872.2 ad budget to digital, amounting to a measly 2.5% of its outlays.

"Percentage-wise, other top spenders devoted even less: Lilly (\$9.9 million, 2.2%), AbbVie (\$1.2 million, 0.3%), AstraZeneca (around \$100,000, 0.03%) and Merck (\$5.1 million, 1.8%). Towards the bottom of the top 20 companies, only Sumitomo showed any kind of real commitment to digital—and that was just \$3.8 million of its \$29.7 million in spending, or 12.8%. The Nielsen digital data doesn't include spending on Yahoo! sites, Realtor.com, MySpace or YouTube, but however you measure it: companies and brands aren't walking the walk when it comes to digital."

Minuscule Amount Spent on eDetailing

What's immediately evident from the pie chart shown in Figure 1—aside from the practically 0% spent on journals ads—is the minuscule fraction (2%) spent on "eDetailing." Two percent of the total is \$217 million, which is only "minuscule" comparatively speaking. More important, however, is the fact that this percentage has not changed over the years

despite the 20 to 30% decrease in the number of live sales reps.

But, we have to be careful. Analysts differ on exactly what they mean by "eDetailing." CSD, for example, does not include in this category "e-Mailings" and "e-Meetings." Cutting Edge Information (CEI), meanwhile, includes only LIVE online activities such as virtual reps performing online informational sessions and linking field reps with doctors via webcams in what it calls "eDetailing."

Verispan, now part of IMS Health, a company that also audits pharmaceutical promotional activities, identified four primary types of physician "ePromotion" activities, a few of which may be considered eDetailing:

- Virtual Details - Web or CD-based self-guided informational programs with no live communication
- Video Details - Online, live, or phone assisted browsing through virtual sales presentations
- Other activities - Electronically enabled promotional, educational or service efforts
- Online Events - Online seminar, CME event, opinion leader event, or web conference

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Annual Investment in eDetailing by Benchmark Partners (US only)



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Figure 2. Annual Investment in eDeatiling. Source: Cutting Edge Information.

CEI recently published its "Pharmaceutical Sales Management" report, which included data on "eDetailing." According to CEI, the annual investment in "eDetailing" by its Benchmark Partners in the U.S. was \$1.96 million per company (see Figure 2, page 2). Now that's "minuscule!"

DTC Promotional Spending

According to Nielsen, the pharmaceutical industry's spending on DTC advertising via "measured media" increased by nearly 10% in 2013 vs. 2012 as shown in Figure 3, below. Internet and newspaper based DTC spending, however, decreased by 37% and 22%, respectively (see Table 1, below, and Figure 4, page 4).

The Top 20 pharma DTC advertisers in 2013 accounted for approximately 95% of the total spent on DTC advertising by ALL pharmaceutical companies (see Figure 5, page 4).

The rich pharma companies got richer and spent more. Pfizer, for example, increased its DTC spend by 27% in 2013 compared to 2012. The \$850.7 million it spent was almost 25% of the total spent by ALL 20 companies!

The top 18 Rx brands spent \$2.1 billion on DTC advertising in 2013, which is about 55% of the total DTC spend for the year. Humira topped the list of

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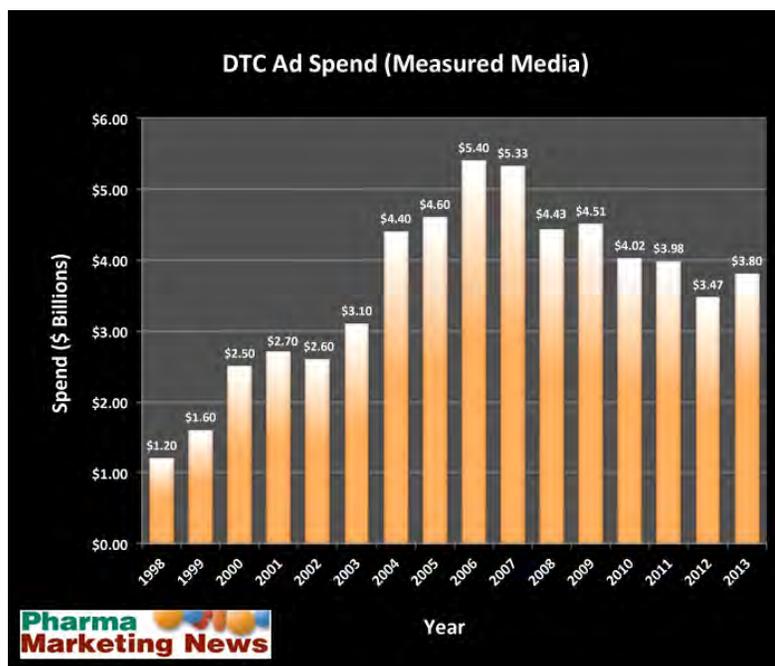


Figure 3. DTC Spending Trend, 2008 through 2013. Source: Nielsen.Information.

Medium	2011	2012	2013	2013 vs. 2012	2013 vs. 2011
TV	\$1,852,100,000	\$2,166,900,000	\$2,481,700,000	14.53%	33.99%
Magazines	\$943,400,000	\$1,014,600,000	\$1,085,800,000	7.02%	15.09%
Newspapers	\$235,400,000	\$192,300,000	\$149,200,000	-22.41%	-36.62%
Internet	\$77,000,000	\$68,400,000	\$59,800,000	-12.57%	-22.34%
Radio	\$21,900,000	\$23,100,000	\$24,300,000	5.19%	10.96%
Outdoor	\$2,200,000	\$3,000,000	\$3,800,000	26.67%	72.73%
	\$3,132,000,000	\$3,468,300,000	\$3,804,600,000	9.70%	21.48%

Table 1. DTC Spending by Medium, 2011 through 2013. Source: Nielsen measured media audit.

What's the Cost of a Sales Call by a Live Rep?

Back in 2007, PMNews hosted a poll that asked: "What Is Average Cost of Sales Call?" That poll garnered 271 responses from the Pharma Marketing Network audience, the plurality consensus of which was that a typical sales call by a pharma rep costs between \$201 and \$500 (see figure below).



Meanwhile, Cutting Edge Information reports the following data:

- The average cost of making a sales call to a primary care physician, with samples, was \$210. But costs ranged from \$50 to \$500, underscoring differences among therapeutic categories and medicines.
- To visit a specialist, the average cost with samples was \$285.

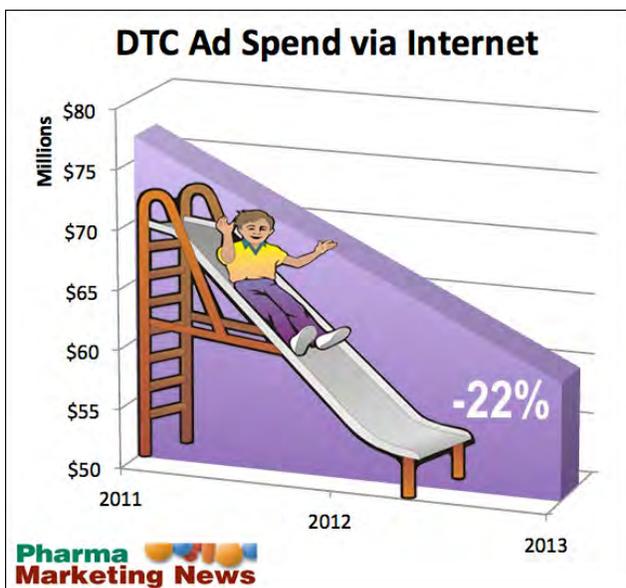


Figure 4. DTC Ad Spending via Internet, 2011 through 2013. Source: Nielsen measured media audit.

most advertised brands in 2013. It wasn't one of the top 18 to 20 DTC brands in 2011. In 2011 and in the first quarter of 2012, Cymbalta was #1.

Five drugs on this list—Viagra, Celebrex, Lyrica, Xeljanz, and Chantix—are marketed by Pfizer. Missing from the list, of course, is Lipitor, which went off-patent in 2012. It was #2 in 2011 and in the first quarter of 2012.

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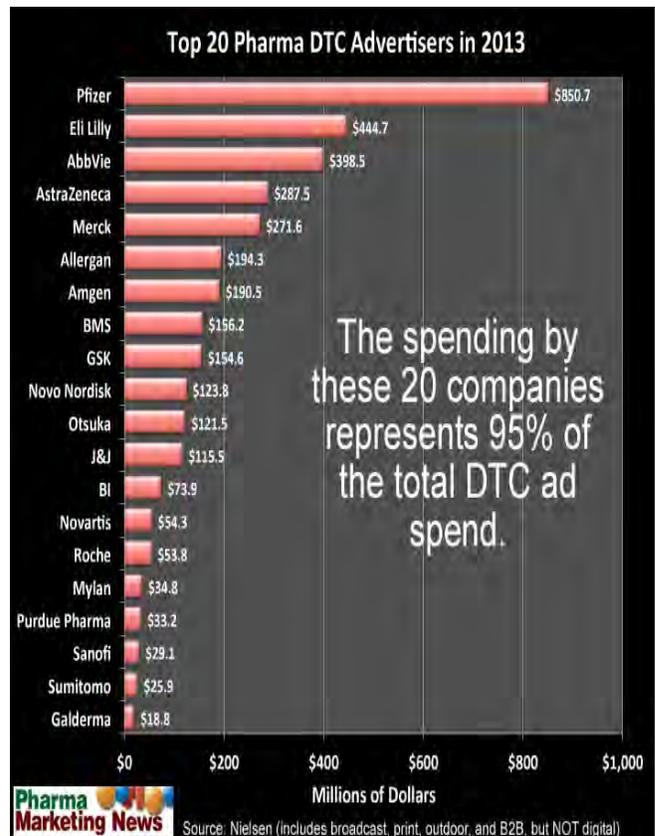


Figure 5. The Top 20 Pharma DTC Advertisers in 2013.

Spending on Enbrel dropped from \$127.1 million in 2012 to \$77.2 million in 2013. Is there a correlation between Enbrel DTC spending and Phil Mickelson's PGA ranking? See below for more on that.

HCP versus Consumer Promotion

Professional Detailing and DTC advertising represent the two biggest promotional spends of U.S. pharmaceutical companies. As illustrated in Figure 6, below,

some companies spend a great deal on DTC (e.g. Pfizer and Eli Lilly), whereas others spend \$0 or close to \$0. If DTC advertising were taken out of the picture, Pfizer would be #3 among the Top 20 spenders, whereas Merck would be #1 and Forest Labs would be #2 and Lilly would be #10 (instead of #4).

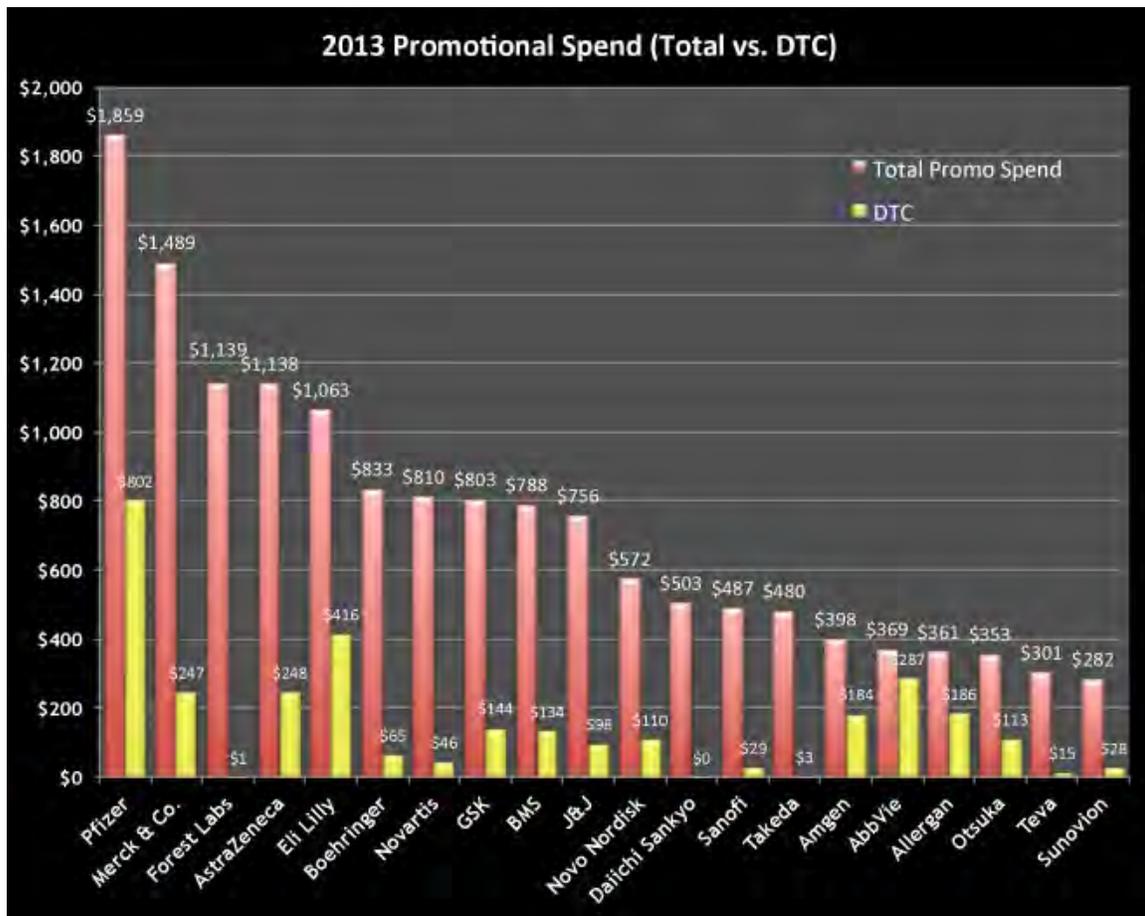


Figure 6. The Top 20 Overall Promotional Spenders in 2013. Source: Cegedim Strategic Data Audit.

Mickelson's PGA Standing vs. Enbrel's DTC Spending

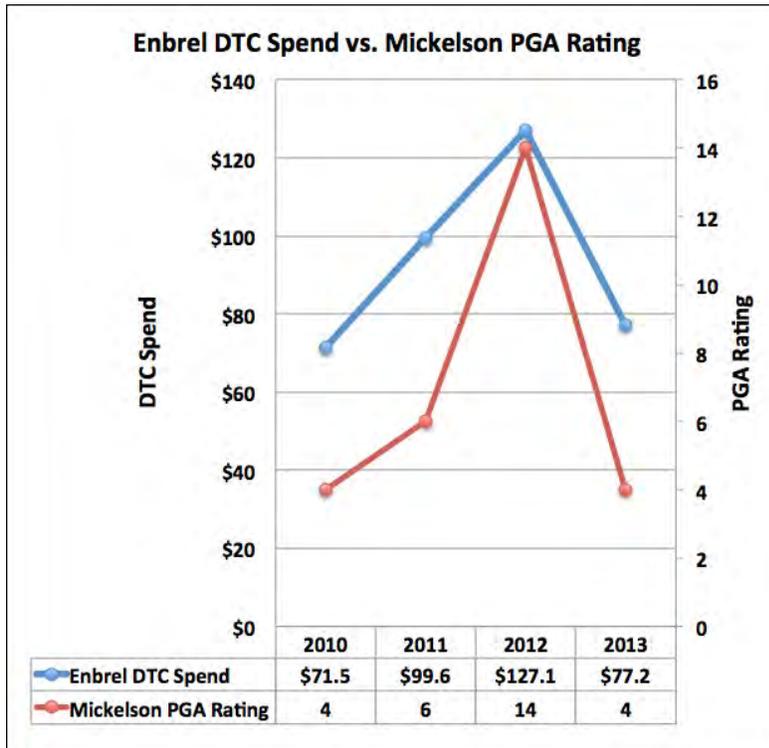
Enbrel TV ads feature pro golfer Phil Mickelson who is a hired celebrity spokesperson for the brand (see "Amgen Blows Its Marketing Budget on Phil Mickelson Campaign"; <http://bit.ly/hM0gI3>). Unfortunately, Phil shot a 5-over par and missed the cut at the Masters this year. Bummer!

It makes sense for Amgen to cut back on running the Mickelson-Enbrel ads if Phil is not going to be in the Masters. But Amgen already cut back on Enbrel advertising in 2013. That year, the Enbrel DTC spend was \$77 million according to Nielsen. In comparison, the spend was \$127 million in 2012.

Why did Amgen but back on Enbrel DTC in 2013 when Mickelson was doing well at the Masters and had a decent PGA standing?

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Just for fun, let's compare Mickelson's PGA standing and Enbrel's DTC ad spend from 2010, when Mickelson was first hired as an Enbrel spokesperson, to 2013, the latest year for which figures are available.



Instead of a decreasing Enbrel DTC spend as Mickelson's standing slipped in 2012, the spending increased. And when Mickelson's standing improved in 2013, Amgen spent LESS on Enbrel DTC advertising.

It could be that there is actually a POSITIVE correlation if you were to shift the spend line on the above chart back one year. That makes sense because spending decisions must be made in advance. So Amgen could have decided to cut back on 2013 Mickelson-Enbrel ads back in 2012 when his PGA standing slipped to #14 vs #6 in 2011.