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Feature Article/Survey Results

# Predicting the Future of the Drug Industry

## What's in Store for the Next Decade?

**Author: John Mack**

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**VirSci Corporation**
PO Box 760
Newtown, PA 18940
infovirsci@virsci.com

Every new year we either take a look back or ahead one year. Many people would rather forget about 2009 and look forward to better times in 2010. But what about looking even further into the future? Since we just finished the first decade of the 21st century, why not look into our crystal balls and predict what the next decade (2010-2019) holds in store for the pharmaceutical industry?

Well, *Pharma Marketing News* did just that with its "Predicting the Future of the Drug Industry: 2010 & Beyond!" survey that was hosted online from 6 December 2009 through 8 January 2010. Over 100 people responded to the survey and many of them submitted comments. The results of this survey are summarized in this article.

**Future Scenarios**

Respondents were asked to take a long-term view and indicate the likelihood of the following predictions for the next decade:

1. New follow-on biologics legislation in the U.S. will increase competition from generic equivalents and eventually decrease brand profits
2. Social media marketing will become a significant part (>10%) of the pharmaceutical marketing mix
3. The European Union will finally allow direct-to-consumer (DTC) advertising to its citizens
4. Due to decreasing effectiveness of traditional physician detailing and rise of non-personal detailing, the role of traditional sales representative will become obsolete
5. More efficient targeting of drugs and marketing to specific patient populations will greatly increase effectiveness and decrease side effects of drugs
6. Internet-based drug promotion (including search engine marketing) will overtake TV-based DTC in the U.S. in terms of dollars spent
7. Extensive outcomes data available to payers and comparative effectiveness research will force the industry much farther down the path of pay-for-performance (ie, adopt a more flexible approach to pricing)
8. New healthcare reform legislation will dramatically increase the sales of drugs in the U.S.
9. The next BIG opportunity for targeted marketing to patients and physicians is mobile apps on "smart phones"
10. Patients will become even more influential and empowered in making healthcare decisions as they are forced to pay a larger share of costs and/or have access to health information from a variety of sources
11. Broadcast (ie, TV) direct-to-consumer (DTC) drug promotion will be banned or sharply curtailed by law in the U.S.
12. Despite lack of innovative new drugs and/or generic competition, sales of brand drugs worldwide will show a sharp increase due to increased demand in emerging markets (eg, China)
13. Pharmaceutical and biotech companies will continue to increase their outsourcing of clinical trials and related drug development. Outsourcing will account for more than 50% of R&D spending by 2019

**Who Responded**

One-third (33%) of he 102 respondents claim to work within pharmaceutical companies—25% on the commercial side and 8% on the R&D side. Forty-four percent (44%) say they work on the service provider side of the business—employed at marketing communications companies, ad agencies, consultants, etc. (see Figure 1, beow). Sixty-nine percent (69%) were from the US and 88% said they were very (67%) or somewhat (21%) supportive of the pharmaceutical industry.

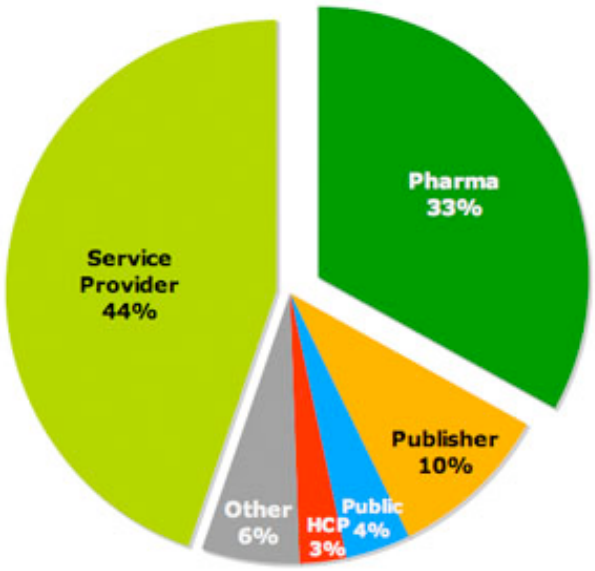


**Figure 1**. Survey Respondent Affiliations. N=102

**Summary of Results**

Figure 2, pg 3, shows the percentage of ALL respondents who believed each prediction was "very" or "somewhat" likely to come to pass. Figure 3, pg 3, compares pharma to agency responses. The predictions of agents—consultants, ad agencies, service providers for the drug industry—mostly agree with

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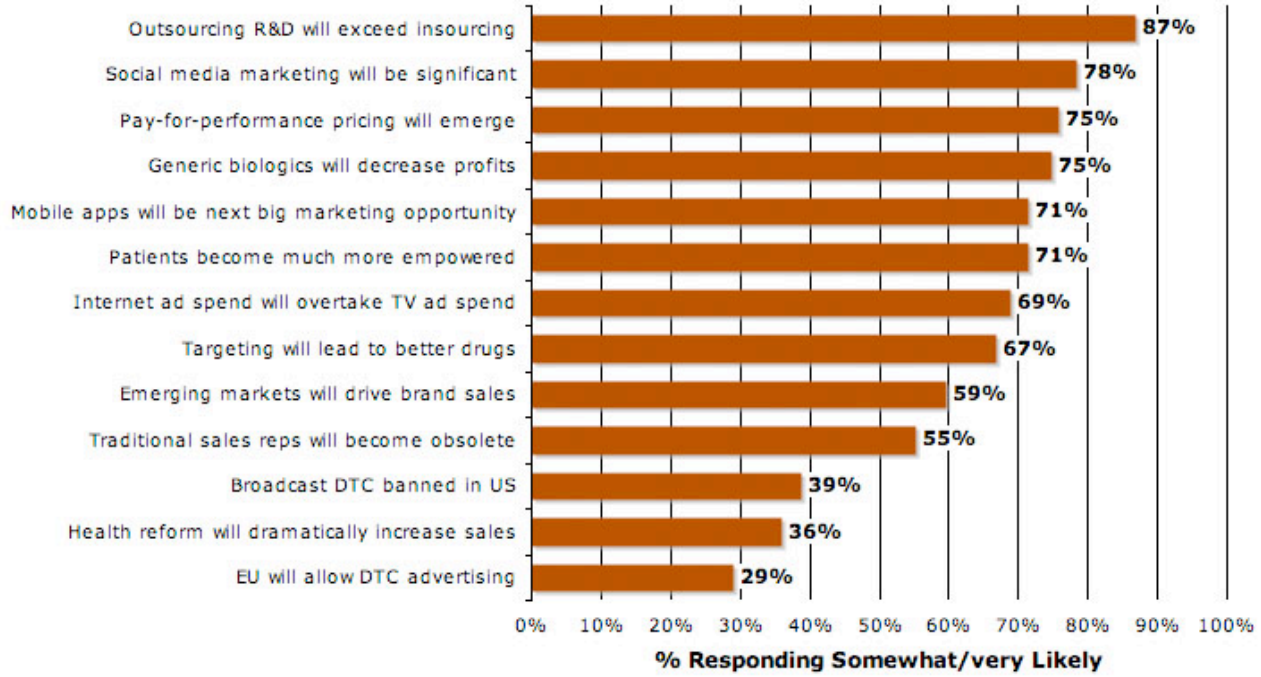


**Figure 2**. How ALL respondents voted on predictions (N=102).

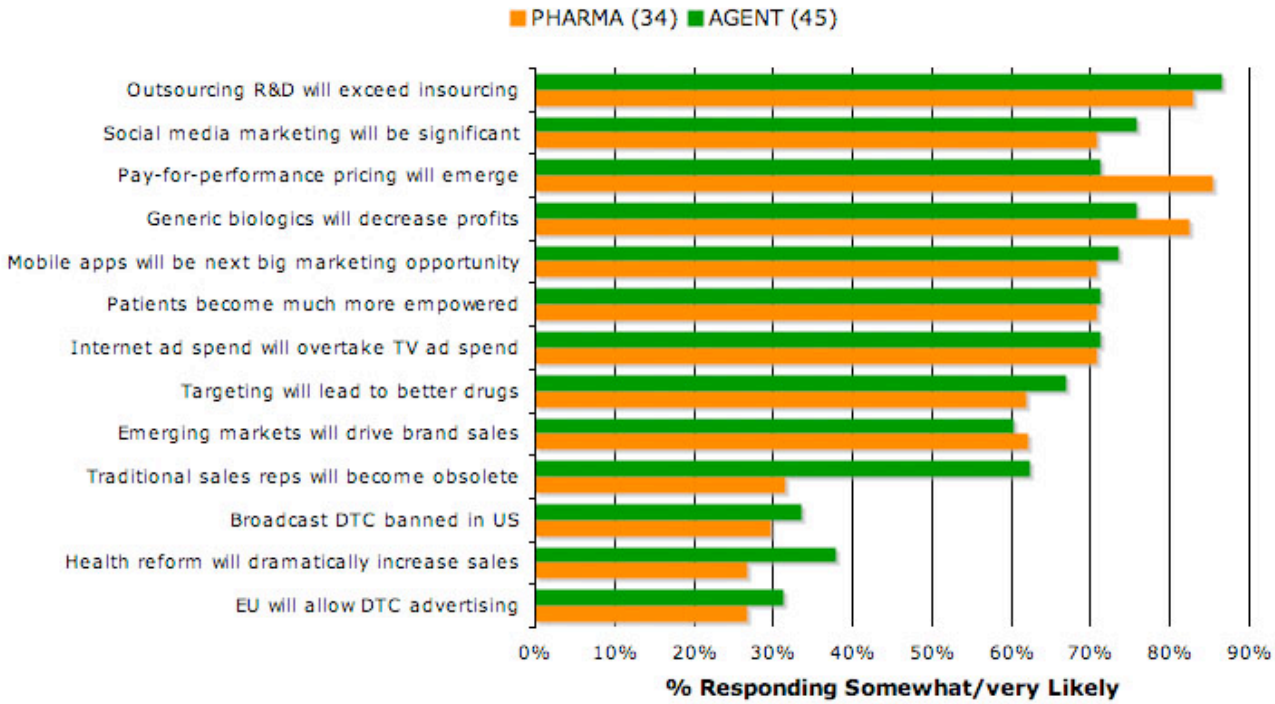


**Figure 3**. Comparing the predictions of pharma respondents to those respondents employed at agencies who provide services to the pharmaceutical industry ("agent").

those of respondents who work for pharmaceutical companies except for how they see the future of traditional sales reps and drug pricing.

Several of these predictions will be examined in more detail in the remainder of this article.

### PREDICTION #1: R&D Outsourcing Will Become the Norm

It is estimated that currently 20-30% of total world-wide clinical trials are outsourced to developing countries. According to the survey results, this is likely to increase to more than 50% before the end of this decade. Eighty-seven percent (87%) of all survey respondents believe it is very or some-what likely (34% and 33%, respectively; N=89 for this prediction) that outsourcing will account for more than 50% of R&D spending by 2019. Non-US respondents were even more convinced of this; 96% voted very or somewhat likely.

"US pharmaceutical companies have been routinely outsourcing various aspects of R&D and drug manufacturing for many years," said the author of an article on BioJobBlog (http://bit.ly/8XQ04g). "Until recently, many pharmaceutical companies were reluctant to outsource many critical R&D activities, e.g., screening, medicinal chemistry, pre-clinical testing, etc. for fear of inferior quality. However, the increasing costs of conducting US-based R&D coupled with a worldwide glut of American-trained, foreign scientists (who were unable or not permitted to find jobs in the US) has made the practice of outsourcing R&D operations less risky and more economically feasible. After all, many of the scientists who work in company-owned foreign research facilities or foreign-owned CROs were trained by American scientists who work at some of America's pre-eminent academic and government research institutions."

On average, drug development takes 15 years and the cost of drug development is $800 million, 60% of which is spent on research and development. This is a ripe area for cost savings initiatives and the driving force behind performing clinical trials in Asia and India where the costs are much lower. It is estimated that by 2020, India will be among the top five countries for clinical research.

China and Korea will also continue to be where more and more clinical trials are run. The Web site "Clinical Trial in China" (www.clinicaltrialinchina.com) cites these beneifits:

- Low cost of patient care and management.
- Low cost of conducting clinical research and trials.
- High concentration of over 1.3 billion people and an enormous potential market.
- Easily accesses to a variety of drug-naïve populations to provide clear trial indications and outcomes.
- Fast turn around without sacrifice the quality of data.

### PREDICTION #2: Social Media Marketing Will Become a Significant Part of the Marketing Mix

A surprising majority (78%) of survey respondents believe it is very or somewhat likely (35% and 43%, respectively) that social media marketing will account for 10% or more of the total pharma marketing budget. That's huge because currently all Internet spending—including search—is probably somewhat less than 10% of the pie and, of that, social media spending is a miniscule crumb.

But it may depend on how one defines "social media" and "spending." The survey did not define what was meant by "social media," which includes YouTube, blogs, Twitter, and Facebook. It may cost very little to use these media. Most pharma companies are using free YouTube services to re-purpose videos, for example. So, unless companies use special paid social media applications and develop programs specifically designed for social media, their out-of-pocket expenses may be pretty low.

Only the dissenters submitted comments on this issue:

"Today social media is the rage, trendy, fun, great at getting to mass markets efficiently," said Mike Wokasch, consultant, Pharmareform.com (www.pharmareform.com), in a comment to the survey. "One of the challenges for pharmaceutical companies today is credibility of the source which can limit its effectiveness. Longer term healthcare reform and the diminishing influence of patients and physician on prescribing choices will limit the impact, with regulatory and legal constraints eventually making social media ineffective for pharmaceutical marketing."

"As a % of total promo spend, direct and indirect ePromotion will not come anywhere close to what's spent on other channels except possibly journal advertising," said survey respondent Ken Rhines, Director, Promotional Research, IMS Health. "However, its importance as a channel of promotion will continue to increase significantly. For pharma companies, having brand and product information

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available to HCPs at the time they're considering or re-considering their treat-ment choices will be critical. The challenge is that this is a rapidly changing environment, and how to get the right message to the right HCP at the right time is the question."

For more information on the topic of social media pharma marketing, see:

- Special Supplement to *Pharma Marketing News*: "Social Media Pharma Marketing: Damned If You Do, Damned If You Don't?" (http://bit.ly/sazbT; Use code 'SMM444JM' to get a $17.00 discount.)
- "Social Communications in Healthcare Summary of Roundtable Discussions" (*Pharma Marketing News* reprint PMN87-02; http://bit.ly/2X0pUu; use code 'SMHC777' for 50% DISCOUNT)

**PREDICTION #3: Broadcast DTC Advertising Won't Be Banned in the US But Spending on It Will Be Surpassed by Internet-based Advertising.**

Despite all the sabre rattling by lawmakers thretening to ban or curtail direct-to-consumer (DTC) adver-tising in the US, not much "progress" has been made achieving that goal to date. It may be a moot point: pharma marketers may spend more on Internet advertising than on broadcast DTC by 2019 accord-ing to survey respondents.

While only a minority (38%) of survey respodents believes it is very or even somewhat likely that broadcast DTC will be banned in the US, 69% be-lieve that Internet ad spending will surpass TV ad spending in the US by 2019.

"As markets become increasingly 'managed,' pre-scribing practice will be dictated more by payer choices and less by physicians and patients," said Mike Wokasch, consultant, Pharmareform.com (www.pharmareform.com), in a comment to the survey. "[This will make] DTC (especially broadcast TV) less effective. Increasing regulatory constraints will further mitigate the impact of DTC advertising on prescribing practice."

**PREDICTION #4: US-Style DTC Not Likely to be Legalized in the EU**

Last year, the European Union proposed a package of legislation referred to as the "Pharmaceutical Package," which includes expanding access by EU citi-zens to reliable information on medicines. According to the European Federation of Pharma-ceutical Industries and Associations (EFPIA), "the overall principle of the proposal is to provide a frame-work for providing citizens of EU Member States with under-standable, objective, high-quality and non-promotional information about the benefits and the risks of their medicines, while maintaining the ban on direct-to-consumer advertising of prescription medicines and making sure that there is a clear distinction be-tween advertising and non-promotional information. This proposal will help empower EU citizens to make more informed decisions about their health" (see http://bit.ly/8tkTPE).

Obviously, this is a movement to avoid direct-to-consumer *promotion* while allowing direct-to-consumer *drug information* provided by pharma-ceutical companies. It's not surprising, therefore, that only a few (29%) of survey respondents to believe that the EU will allow DTC advertising before 2019 (only 6% think it very likely whereas 16% say it's very unlikely).

"The EU may never go for broadcast TV advertising but because it is becoming increasingly pervasive and is difficult to control, the EU will begrudgingly have to give into internet marketing," said Mike Wokasch in a survey comment. "It will however be highly regulated and strictly monitored with com-pliance breaches resulting in significant punitive damages meant to send a message to others not to test them."

**PREDICTION #5: Generic Biologics will Decrease Brand Profits**

Before reporting the results of the survey regarding this prediction, let's review the current legislative landscape relating to generic biologics.

The Promoting Innovation and Access to Life-Saving Medicine Act (H.R. 1427) was introduced in March, 2009, by Representative Henry Waxman (D-CA) (along with Representatives Nathan Deal (R-GA), Frank Pallone (D-NJ), and Jo Ann Emerson (R-MO). The act would authorize FDA to approve abbreviated applications for so-called "biosimilar" and "biogen-eric" biological products ("follow-on biologics" or FOBs).

"Biotech drugs, while often life-saving, are the fastest growing and most expensive components of the nation's prescription drug bill," said the press release issued by the Committee on Energy and Commerce (see http://bit.ly/Ogil). "Many of them cost tens of thousands of dollars a year—prices that put them out of reach of patients and impose an unsustainable burden on employers, insurers, and the federal gov-ernment."

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The bill proposed an initial exclusivity marketing period of 5 years: "Consistent with Hatch-Waxman exclusivity periods, an original product with a novel molecular structure is entitled to 5 years of exclusive marketing. A modification of a previously approved product is entitled to 3 years of exclusive marketing in some instances."

Meanwhile, in the House of Representatives, H.R. 1458, "Pathway for Biosimilars Act," was introduced by Reps. Anna Eshoo (D-Calif.), Jay Inslee (D-Wash.) and Joe Barton (R-Texas) on March 17, 2009. This bill would allow for up to 14 years of exclusivity. The Federal Trade Commission (FTC) in a June 2009 report contended that a 12- to 14-year period is unnecessarily long, and the White House is asking for a compromise of 7 years.

Both the Senate and House versions of health care reform include provisions of these bills and the drug industry is threatening to withdraw its support of healthcare reform legislation if it includes any provision that gives the industry any less than 12 years of competitive protection from generic biologics. In a written statement to the Associated Press, Ken Johnson, a senior vice president of PhRMA, said, "Fair data protection of at least 12 years for new, innovative biologic medicines is critically important to the future of medical progress in America."

As reported by the Associated Press...

"The House and Senate versions of the health legislation give biotech drugs 12 years of protection from generic competitors. Brand name companies say they need that period to recoup their investments in the products, which can be very expensive to develop.

"The Obama administration has said seven years would be a reasonable compromise. Some lobbyists have said Waxman was pushing to reduce the 12 years to 10 years or less."

Survey Says...

If the drug industry wins, FOBs won't factor into its profits until after 2020. Still, 75% of all respondents and 82% of pharma respondents to our survey agree that FOBs will decrease pharma profits in the next decade (see Figures 2 and 3, pg 3). Obviously, survey respondents do not think the drug industry lobbyists will be successful in getting 12 years of exclusivity.

"History (Hatch-Waxman) would suggest that frustration with pharmaceutical pricing practices, the promise of significantly lower prices, and cost containment pressures will eventually win out, making generic biologics available sooner than might be expected," said Mike Wokasch in a comment to the survey.

"FOBs will enter the market and have an impact," said survey respondent Jim Moriarty, CEO, The Synapse Group (US) Inc., (www.synapsegroup.org). "What remains to be seen is what strategies will the originators use to negate these. FOBs are more costly to manufacture, so there will not be the same margins available to permit the deep price discounts typically seen with oral Rx drugs. However profits will be lower because originators that choose to compete to retain volume in order to keep their manufacturing sites viable will need to adjust price."

Some respondents thought the issue of drug industry profits had more to do with the lack of "low-hanging fruit" in terms of diseases to conquer than the rise of FOBs. "The Pharmaceutical industry is on its way out," said an anonymous pharma respondent. "At this point in time, most diseases have very adequate treatments that are available generically, and pharmaceuticals will have increasingly difficult hurtles to overcome to keep their cash flow coming."

**PREDICTION #6: Traditional Sales Representatives Will Become Obsolete**

Not a month goes by these days that we do not hear of drug companies laying off employees—including many sales representatives. The following list was complied by Pharmalot in April 2008, which may have been the height of job cutting in the industry prior to major mergers:

- Pfizer - 10,000 jobs
- AstraZeneca - 7,600 jobs
- Bayer - 6,100 jobs
- Schering-Plough - 5,500 jobs
- Wyeth - 5,000 jobs
- Johnson & Johnson - 5,000 jobs
- Bristol-Myers Squibb - 4,300 jobs
- Novartis - 3,750 jobs
- Amgen - 2,600 jobs
- Glaxo - 1,650 jobs (US and Puerto Rico only)
- Nycomed - 1,250 jobs
- Merck - 1,200 jobs
- Sanofi-Aventis - 1,180 jobs
- Reliant - 600 jobs
- King - 520 jobs
- Eli Lilly - 500 jobs
- Sepracor - 300 jobs
- Ligand Pharmaceuticals - 267 jobs
- PDL BioPharma - 250 jobs
- West Pharmaceutical - 250 jobs
- Genentech - 240 jobs

*Continues…*

- Abbott - 200 jobs (Research only; doesn't include sales reps following Kos acquisition)
- Bradley Pharmaceuticals - 196 jobs
- Alkermes - 150 jobs
- Encysive Pharmaceuticals - 150 jobs
- CV Therapeutics - 143 jobs
- Neurocrine Biosciences - 130 jobs
- Nektar Therapeutics - 110 jobs
- NitroMed - 70 jobs

While many of these job cuts are due to eliminating redundancies after mergers, or to competition from generics, it is also a way to cut back sales personnel who are not as effective as they used to be.

More recently, in November, 2009, J&J announced it would slash an additional 7,000 jobs (see http://bit.ly/8oscuB) and in December, 2009, Sanofi-Aventis continued the "winnowing of its U.S. sales force" by announcing that another 750 sales jobs were being cut. "This decision was necessitated by a number of factors—shifting customer needs, the diminishing effectiveness of traditional marketing practices and, for some of our key brands, generic competition," spokesman Jack Cox said (see http://bit.ly/5ZAydS).

Given all this, it's not surprising that a majority (55%) of survey respondents said it was very or somewhat likely that due to decreasing effectiveness of traditional physician detailing and the rise of non-personal detailing, the role of traditional sales representative will become obsolete (see trend depicted in Figure 4, below). Three quarters of those respondents, however, felt it was only somewhat likely.

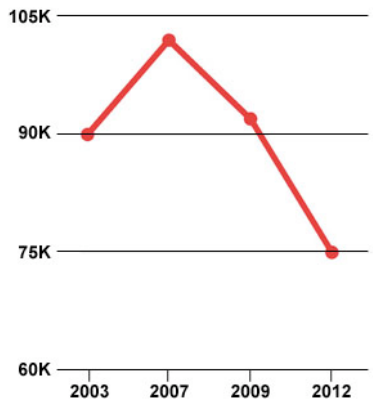


**Figure 4**. Sales Rep Attrition

When you look at the responses of pharma respondents compared to those of respondents employed in companies that service the drug industry ("agents"), there is a difference of opinion on this issue: nearly two-thirds (62%) of agents voted very or somewhat likely whereas less than a third (31%) of pharma respondents agreed (see Figure 3, pg 3).

**Is the Internet Replacing Sales Reps?**

When eDetailing was relatively new in 2003—before the dawn of Web 2.0—there were about 90,000 pharmaceutical sales reps. In 2007, just when the hype about Web 2.0 began and the physician social networking site Sermo was launched, the number of sales reps peaked at 102,000. Today, there are about 92,000. In 2012, ZS Associates predicts the number will be 75,000—the lowest since 1996 when the sales rep expansion was just starting (see Figure 4, this page).

About 45,000 doctors meet with detailers using online video, and 300,000 physicians say they are open to doing so, said a September 2008 study from Manhattan Research. This trend is worldwide.

Is there a correlation going on here—one that sales reps have long feared: as pharmacos adopt the Internet for reaching physicians, will they start getting rid of sales reps? In the past, sales managers that supported the adoption of eDetailing used to allay these fears by saying things like "the best eDetailing programs work hand-in-hand with the sales force" and "eDetailing should complement the sales force."

You may no longer hear concerns from pharma people—except from sales reps—about eDetailing replacing sales reps. And developing programs that "complement" the sales force may now have less appeal. "Drugmakers are responding to hard times with layoffs and a shift toward online marketing," proclaims an article in *American Medical News* (http://bit.ly/NsoIn).

**Transform, Not Replace Reps**

"Sales reps will not (and should not be obsolete)," commented a social media specialist survey respondent. "Though technology can provide access to information, it can not replace the relationship that exists. Believe it or not, that relationship is key to understanding the drugs beyond the PI and marketing materials. The armies of reps that existed the last decade had a dramatic effect on the perception of the industry (decreased reputation because of quality of representatives hired)."

Perhaps technology—ie, the Internet—may replace more sales rep jobs in the future, but it is obvious from the comments submitted by survey respondents (see below) that it's not technology that will be responsible for the obsolescence of the "traditional" sales rep. The role of the sales rep itself may change. A more physician-centric model is needed where the sales rep is re-positioned as a knowledge provider, a partner to the physician, and a source of information about company services. This model is described in the *Pharma Marketing News* article

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"Reinventing the Sales Model" (PMN Reprint #61-02: http://bit.ly/6FSegG; use discount code 'KANTAR61' to get it FREE!).

"The role of the Pharma Rep will not be obsolete but will change from what has been the traditional drug detailer to disease and consultative educators probably from those with a dedicated clinical and/or science background," commented an executive sales rep from Solvay Pharmaceuticals. "The new 'Pharma Rep' role will be education and support rather than end result; ie, sales. Barbie and Ken parrots will unacceptable to the medical community."

Survey respondent Jane Chin, President MSL Institute (http://linkedin.com/in/janechin), agreed that the sales rep will evolve rather than become obsolete: "It is NOT the 'traditional' sales reps who will become obsolete," said Chin, "but the 'modern' model of sales reps born of the sales force arms race, who have had inadequate training before deployment, who may be hired more for their good looks and abilities to seduce (emotionally, of course) than for their track record of clinical expertise and credibility, and who are asked to deliver canned messages because the marketing department needs to track this number for their reports."

"I believe that companies will need to market and communicate their information in a much different way than in recent years," said survey respondent Dave Recht, CEO, North State Resources, Inc., which is a holding company for S+R Medical Communications, Friday Morning, and Scienta Healthcare Education, Inc. (www.srmedcom.com). He sees it as a trust issue and not necessarily as a technology issue: "There is a huge trust issue that affects the relationship between pharma and healthcare providers. We are all held accountable for the decisions and choices we make—why not pharma?"

Mike Wokasch suggested a number of reasons for the coming obsolescence of the traditional sales rep, including "diminishing credibility, increasing restrictions on access in an increasingly 'managed market,' expectations for technical information that can not be delivered by sales representatives (anything that falls into 'off-label'), internet access to information, and ultimately, the diminishing influence on prescribing practice resulting from formulary and prescribing guidelines developed by healthcare payers ..."

For more information on the topic of sales rep effectiveness, see:

- *Pharma Marketing News* Special Supplement: "Increase Physician Access and Detailing Effectiveness" (http://bit.ly/68jw3c; use code 'SFE20785N' to a $17.00 discount.)
- "Are Sales Reps Necessary?" (*Pharma Marketing News* reprint PMN61-0; http://bit.ly/6ZdqOY; use code 'XXREP' to get it FREE!)
- "Building Power Sales Messages The Core of Effective Selling" (*Pharma Marketing News* reprint PMN77-02; http://bit.ly/51Kynr; use code 'POWER' to get it FREE!)
- "Fewer Sales Reps Lead to Higher Costs"; Pharma Marketing Blog post (http://bit.ly/H8StI)
- "New Sales Force Effectiveness Maxim: Never Be Closing" (Pharma Marketing Blog; http://bit.ly/gGNxu)
- "Friendly Pharma Sales Reps Earn More Bucks with Fewer Sales Calls!" (Pharma Marketing Blog; http://bit.ly/CIFPM)
- "Internet vs. Sales Reps: Which Do Docs Prefer?" (Pharma Marketing Blog; http://bit.ly/101f10)
- "Rejiggering the Marketing Mix a la Merck" (Pharma Marketing Blog; http://bit.ly/10JfoX)

**PREDICTION #7: Pay-for-Performance Pricing Will Emerge**

According the PriceWater-house Coopers (PwC) report entitled "Pharma 2020: Marketing the Future, Which Path Will You Take?", the marketing skills needed to succeed look much different in an environment where collaboration between payers and biopharmas is the norm, compounds are reimbursed on the basis of the value they bring to the market, and the concept of a pharmaceutical "brand" includes not just molecules but a suite of services designed to ensure that all the needed partnerships can function successfully.

"In many ways," said Kim Slocum, President of KDS Consulting, LLC, and former Director, Strategic Planning & Business Development at AstraZeneca, "this is the preferred world that George Poste sketched out in a talk I heard thirteen years ago. It's a highly rational environment where evidence is king and features a health care system that is both willing and able to pay premium prices for greater demonstrated value (see "Value-based Pricing": *Pharma Marketing News* Reprint#76-04; http://tinyurl.com/4chyy2).

Poste's world features something very much akin to "comparative effectiveness review" (CER), which is much discussed these days in the wake of the $1 billion-plus appropriation contained in the American Recovery and Reinvestment Act (ARRA) to set up such a function here in the United States.

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Will extensive outcomes data available to payers and comparative effectiveness research force the drug industry farther down the path of pay-for-performance (ie, adopt a more flexible approach to pricing)? Three-quarters (75%) of survey respondents believe this is very or somewhat likely to happen in the next decade. Twenty-seven percent (27%) think it is very likely. This was one of those cases where more pharma respondents than "agent" respondents thought the prediction was very or somewhat likely (87% and 74%, respectively).

Survey respondent Jonathan Richman, Director of Strategic Planning, Bridge Worldwide (www.bridgeworldwide.com), believes that "crowdsourcing" will lead to bette care and lower prices while giving physicians a new revenue stream.

"Physicians will increase their participation in physician-specific social networks due to incentives provided by insurance carriers and the federal government (via HHS)," said Richman. "For each opinion they supply for a real-world patient case, these insurance companies will offer a small, but meaningful, consultation fee. This creates brand new revenue stream for physicians while the carriers will enjoy a reduction in medical errors and improved quality of care (i.e., read: reductions in cost), as recommendations from these sites were used to treat patients. It's 'crowdsourcing' finally improving medical care, something the industry has tried to create for years."

Survey respondent Jim Moriarty warned that "It remains to be seen how [pay-for-performance] could be implemented in a multi-payer system."

Survey respondent Ellen Hoenig, Founder, Advance Marketworx (www.advancemarketworx .com), suggested a workaround to that problem: "Health Insurance pricing will be based on performance much like car insurance...if you are overweight, you'll pay more etc." Unfortunately, this does not reward therapies that are effective or discourage therapies that are not. Meanwhile, PhRMA worries about CER being used primarily to drive lower prices rather than improved quality of care.

For more information on the topic comparative effectiveness research and a flexible approach to pricing, see:

- "Will Healthcare be Rationed or Rational? A Case for Supporting Comparative Effectiveness Research" (*Pharma Marketing News* reprint PMN83-02; http://bit.ly/pnHa; use code 'sm125' for 50% DISCOUNT)
- Podcast interview with Kim Slocum, President of KDS Consulting, LLC, and former Director, Strategic Planning & Business Development at AstraZeneca, who talks about HIT mediated comparative effectiveness research as part of scenario-based strategic planning for the biopharma industry. (http://bit.ly/2tyNAk)
- "Optimizing Market Access A Guide to Effective Pricing, Reimbursement and Messaging Strategies" (*Pharma Marketing News* reprint PMN79-02; http://bit.ly/1bvlmv; use code 'KAN999' to get it FREE!)

**PREDICTION #8: Mobile Apps Will Be Next Big Marketing Opportunity**

A clear majority (71%) of survey respondents believe that is very or somewhat likely that "smart phones" represent the next BIG opportunity for targeted marketing to patients and physicians (39% say it's very likely). This seems predicated on the wide adoption of smart phones by physicians and patients as essential healthcare tools.

Mobile phones are being transformed from forbidden gadgets to essential tools for healthcare, and healthcare enterprises must develop a clear strategy for wireless information exchange. Thousands of new applications have been created for healthcare use, and more are being added every day.

"Mobile technology will create a whole new communication pattern that will have implications for the pharmaceutical industry," said C. Peter Waegmann, Vice President of mHealth Initiative Inc., in a Pharma Marketing Talk podcast interview ("How Will mHealth Change Healthcare?": http://bit.ly/8KgkiU).

Waegmann also emphasized the importance of hand-held mobile devices at the point of care and how they may make it more convenient for physicians to implement and use electronic medical records. The convergence of these technologies promises to empower patients even more than the Internet (see PREDICTION #9, pg 11).

For more information on the topic mobile communications, see:

- "The iPhone Medical Application Revolution: How Pharmaceutical Marketers Can Leverage the Gadget Clinicians Love" (Pharma Marketing Talk podcast: http://bit.ly/5ZHo5d)
- "How Will mHealth Change Healthcare?" (Pharma marketing Talk podcast: http://bit.ly/8KgkiU)

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| Key Characteristics of Mobile Marketing Users and Non-Users | | |
|---|---|---|
| | ***Mobile Marketing Users*** | ***Mobile Marketing Non-Users*** |
| Men | 57.9% | 46.2% |
| Women | 42.1% | 53.8% |
| Average Age | 39.2 | 45.9 |
| Online search triggered by cell phone | 17.4% | 2.4% |
| Communicate about search via cell phone | 41.3% | 26.3% |
| Download music/video to cell phone | 33.3% | 14.6% |
| Regularly Use Facebook | 37.9% | 27.8% |
| Regularly Use MySpace | 23.2% | 9.8% |
| Regularly Use Twitter | 13.1% | 3.5% |
| *Source: BIGresearch, November 2009* | | |

**Table 1**. According to an analysis of BIGresearch's Simultaneous Media Usage Survey of over 22,000 consumers, the audience for mobile marketing is growing but it is still relatively small and confined to a limited segment of the market.

## Emerging wireless solutions for patient compliance

by Andrew Tolve

(Originally published by eyeforpharma http://bit.ly/8uyqJz)

What's the most effective way to increase patient adherence? The cell phone.

"Patients will leave home without their glucometer, but they'll never leave home without their cell phone," says Ryan Sysko, CEO of WellDoc, a healthcare company that develops technology-based solutions to improve diabetes outcomes and reduce healthcare costs. Embracing the wireless revolution is a no-brainer for pharma, according to Sysko: "Consumers expect things in real time. They want it at point of consumption. The idea that we're going to send them mail that might take a week to get there really doesn't fit with the current paradigm of how consumers want information."

Cell phones, Sysko says, are the most ubiquitous technological devices on the planet. The rich use them, as do the poor. (Sysko cited an article from the Washington Post that revealed how the homeless population uses cell phones to manage their lives, from finding food banks to getting support). Likewise the young use them, as do the old. Just look at Jitterbug, a wildly successful cell phone designed for the 65-and-over market.

"Here we have a way to really control the message to a patient and use the latest evidence to promote medication adherence," says Sysko. WellDoc's solution is a cell-phone based platform that enables real-time, any-time communication between health providers, physicians, and patients. Patients get reminders on their cell phones to take medication. They have access to live coaches and wireless diaries. Meanwhile, providers can track them as they input information and identify where and when they're diverging from their plan. "We use [the cell phone] as a device to reach patients, to do things like not only remind them when to take their medications and when to test their blood glucose, but also to put their physician's instructions in the phone," Sysko explains.

So far, the data is compelling that a platform like WellDoc's can work. In one study, published in Diabetes Technologies and Therapeutics, patients who used the cell phone platform experienced an average 2.03-point decrease in their A1C levels, while the control group experienced a 0.58-point increase. Additionally, patients who used the phone were more likely to switch to brands that offered such a platform, and doctors gave the product a 100 percent physician satisfaction rating, stating that it made the information they could see about their patients more comprehensive.

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**PREDICTION #9: Patients will become more empowered**

The following are key tenets of patient empowerment:

- Patients cannot be forced to follow a lifestyle dictated by others.
- Preventive medicine requires patient empowerment for it to be effective.
- Patients as consumers have the right to make their own choices and the ability to act on them.

Selecting the appropriate pharmaceutical product is one of the choices that empowered patients can make.

Will patients become even more influential in making healthcare decisions as they are forced to pay a larger share of costs and/or have access to health information from a variety of sources? A clear majority (71%) of survey respondents believe that is very or somewhat likely to happen in the next decade (34% say it is very likely).

Access to health information from a variety of sources is clearly an important driver of patient empowerment. Jonathan Richman, a survey respondent, pointed out the link between patient empowerment and the adoption of electronic medical records:

"There will be widespread adoption of electronic medical records (EMR) and personal health records (PHR) thanks to money supplied by the government economic stimulus packages in 2009," said Richman in a survey comment. "Many patients will chose to make public pieces of their medical records to facilitate themselves being matched with someone in a similar medical situation. Instead of searching forum after forum on multiple websites, patients can supply some medical information and automatically be matched with a group of patients just like them. The number of matching parameters will allow patients to be matched not just on demographic data like age, weight, and disease type, but also on specific disease-related parameters like past medications and side effects experienced. Further, they can also be matched based on their treatment goals and prognosis. The less private you are the longer you'll live, as you'll have better access to more individualized data and support."

With access to more health information, patients may also find alternative treatments that may affect drug industry sales. "Emphasis by patients on complementary and alternative medicine as well as personally researched self-medication may cause a significant shift in use of prescription drugs and prescribing patterns," said one anonymous survey respondent.

Not everyone agrees that patient empowerment is possible. "Sadly, this is not going to be the case," commented one anonymous survey respondent. "At least, not until the patient's education level is to a point to even understand what is going on in their bodies."

Also there is a limitation to patient power when payment decisions are mostly in the hands of third parties. "Patients won't necessarily wield more power over pharma cos.," said an anonymous survey respondent. "Their (our) healthcare decisions are, and will continue to be influenced by the payers...."

For more on the issue of patient empowerment, see:

- "The Empowered Patient What It Means for Pharma Marketers" (*Pharma Marketing News* reprint PMN84-02; http://bit.ly/KxOdQ; use code 'EMP345' for a 50% discount)

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## Emerging wireless solutions for patient compliance

by Andrew Tolve

(Continued from previous page)

WellDoc is in the process of teaming with AstraZeneca to create a similar platform for allergies. Patients will receive reminders about using their inhaler, as well as useful real-time information, like pollen counts in their present environment. Indeed, the model is one that could be used for any disease and any brand that wants to become more engaged in customer retention. If patients aren't taking medication because of cost concerns, the program can relay that information to the provider, who can send a message to the patient's cell phone about patient assistance or coupons. If the patient needs more active levels of engagement, the provider can connect them to a live coach.

"Today, you have a number of programs that are siloed, whether it's patient assistance, whether it's coupons, whether it's live coaching," says Sysco. "Here's a way to tie all those things together in one program for the patient."

**PREDICTION #10: New healthcare reform legislation will NOT dramatically increase the sales of brand drugs in the U.S.**

Only 36% of survey respondents believe it is very or somewhat likely that healthcare reform in the US will dramatically increase drug sales. However, that's still more than the 26% that say it is very or somewhat unlikely.

It's not clear if branded drug sales or generic drug sales will be the majori beneficiary of healthcare reform. "Expanded drug coverage resulting from U.S. healthcare reform will increase sales but mostly for generic drugs as they become the workhorse for prescription drug treatment," said Mike Wokasch. "Reform will eventually evolve from providing healthcare coverage to controlling costs. This will come with a more definitive expectation for branded pharmaceuticals to be able to demonstrate and prove meaningful clinical benefits with corresponding cost benefit over other therapeutic options."

Some people worry that healthcare reform as it is currently being formulated will stifle innovation. "I wonder about the ripple effect of healthcare reform," said a Consulting Project Manager at a major pharma company in a comment submitted as part of her survey response. "If payors are forced to provide more coverage for less cost in order to compete with a public option, then their profits will decrease. This in turn may be passed along to drug manufacturers, who will be forced to provide lower pricing on brand drugs to the health insurance companies in order to have favorable tier on their formularies. The impact of this may be less money for pharma R&D, which could mean less innovation in drug development and less effective drug therapies for patients in the long term."

**PREDICTION #11: Targeted therapies will improve drug efficacy and decrease side effects**

The pharmaceutical industry is in the midst of a "perfect storm." The traditional blockbuster approach is yielding diminishing returns while post-genomic research is driving towards personalized medicine. The result is an inflection point, where the emphasis on blockbusters and traditional mass-marketing is being challenged by the new paradigm of personalized medicine.

Targeted therapies, based upon genotype, require a new brand model that addresses smaller segments of the population. This model, according to Francoise Simon, professor of marketing at the Columbia University Graduate School of Business, requires a fundamental reorganization of the biopharma value chain, from discovery to manufacturing and marketing.

The survey asked respondents if they thought that more efficient targeting of drugs and marketing to specific patient populations would greatly increase the effectiveness and decrease side effects of drugs in the coming decade. Two-thirds (67%) of all respondents said this was very or somewhat likely (25% said it was very likely).

"Personalised medicine will be used to predict response to drugs and select the right treatment," commented survey respondent Miguel A. Tovar, Director, Contenidos e Información de Salud. He suggested that the industry will move from blockbusters to "nichebusters" and that "a successful product will be those with an annual revenue of $200-500 Million."

"Regarding more efficient targeting of drugs to increase effectiveness and safety, this will only occur to the extent that it makes competitive sense for the manufacturer to niche the drug," said survey respondent Jim Moriarty. "Perhaps more relevantly," he continued, "[it will depend upon] the availability of approved tests on validated biomarkers that are accepted as surrogate endpoints that can be used for diagnosis, assessing prognosis, selecting appropriate therapy and monitoring progress."

Survey respondent Mike Wokasch agreed that improved diagnostics will need to be part of the equation. "Not only will there be an increased expectation for meaningful clinical benefits and cost benefit over together therapeutic options," said Wokasch, "but there will be an expectation for better diagnostics which can identify appropriate patients (high probability of responding), determine quickly whether or not a particular treatment is having the desired effect, and to anticipate potential side effects or adverse events. These all suggest companies must begin to think beyond finding a treatment option but developing the diagnostics and clinical data to support the rationale for use in a particular patient. This may eventually be the only way to compete effectively with established generic drug therapeutic options."

For more on the issue of targeted therapeutics and how they will me marketed, see:

- "The New Branding Model From Blockbusters to Targeted Therapies" (*Pharma Marketing News* reprint PMN36-02; http://bit.ly/KxOdQ; use code 'XBRAND' for a 50% discount)

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**PREDICTION #12: Emerging markets hold out hope for increasing brand name drug sales**

If, as many have predicted, the next decade will see the demise of many brand name drugs and a weak pipeline of new products to fill the void, then how will brand name manufacturers improve their worldwide sales and profit margins? One way is to get into the business of generics, which is happening. Another is to increase their marketing and sales in emerging markets.

"Future revenue growth in the US and EU will be limited," said Stephen Potts, KantarHealth Regional Director, Asia Pacific, the Middle East and Africa, during a recent webinar entitled Pharmaceutical Market Access 2010. "Pharma and biotech companies are looking to emerging market opportunities in Brazil, Russia, India, and China (i.e., BRIC) to drive future business," said Potts.

Reuters reported that Jean-Michel Halfon, Pfizer's president of emerging markets, said that "the drugmaker's plans for a big push into high-growth underdeveloped countries is still very much a work in progress, but one that will eventually yield solid profits… Halfon said about 75 percent of pharmaceutical sales growth will come from emerging markets in the next 3 to 5 years, and the world's largest drugmaker aims to be a significant player."

The survey asked respondents how likely it would be in the next ten years that sales of brand drugs worldwide will show a sharp increase due to increased demand in emerging markets and despite the lack of innovative new drugs and/or generic competition. A scant majority (59%) said it was very or somewhat likely (only 16% said it was very likely). This compares with 23% who said it was very or somewhat unlikely. This might be a resounding landslide if it were an election, but not a significant majority for a survey like this.

There were some comments that favored this prediction. "Emerging markets will be the source of market growth for all pharma," said an anonymous survey respondent. "Biologics will continue to gain momentum as a 'must have' pipeline. Biotech solutions like stem cells research and transgenic medical solutions will be the uprising growth area as it show more significant and promising results."

Mike Wokasch, however, suggested emerging markets will have only a short-term impact due to managed markets and comparative effectiveness pressure. "There may be a near-term increase in branded drug sales as a result of emerging market expansion," said Wokasch, "but this will be short lived as markets become more 'managed,' generic drugs become the workhorse for the US market, and generic drugs become more widely used in Europe and developing countries. Add the increasing expectations for branded products to prove clinically meaningful benefits over other therapeutic options would suggest long- term branded pharmaceutical revenues will struggle to show growth from their current revenue levels."

For more on the issue of emerging markets, see:

- "Pharmaceutical Market Access 2010 Strategic Developments Impacting the US, EU, and Emerging Markets" (*Pharma Marketing News* reprint PMN89-02; http://bit.ly/26X2EG; use code 'KANTAR89' to get it FREE!)

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