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Society of Industry Leaders: Help for Investors

By John Mack

Many issues are clouding the picture for investors interested in the pharmaceutical sector. There's concern about product recalls and litigation (e.g., Merck's Vioxx), blockbuster drugs going off patent (e.g., Pfizer's Lipitor) and new hurdles to drug approval at the Food and Drug Administration. Although a few drug stocks are up this year—notably AstraZeneca (up 33%)—most drug stocks are down anywhere from 3% (J&J) to 16% (Merck).

In this environment it is difficult to pick a high-performing drug company stock and institutional investors need insights from pharmaceutical business experts to guide their decisions. This is the mission of Vista Research, a specialized unit of Standard & Poor's, which provides institutional money managers with timely access to members of the Society of Industry Leaders (SIL)—a growing network of more than 100,000 industry thought leaders and practitioners.

Looking For Experts

The Society of Industry Leaders is an assembly of high-quality industry veterans and thought leaders from every major market sector. The Healthcare sector, for example, includes Pharmaceuticals, Biotech, and Medical Devices. Members of the Pharmaceuticals group include individuals who are current or past employees of pharmaceutical companies, physicians, surgeons, nurses, consultants, industry veterans, marketing and sales professionals, product developers, clients, purchasers and managers.

"We are looking for experts who are able to discuss industry trends in a general sense," says James Nicholls, the Director of Vista's healthcare practice. "They should have expertise about different drug types, utilization and efficacy in addition to knowledge about market trends without having to know or reveal specific numbers. Our experts educate people from outside of the industry on the current state of the pharmaceutical market and how it is likely to progress."

Membership in the SIL is free, requires no minimum time commitment, and no advanced preparation is required for consultations. SIL members are not asked specifically about their own particular company. "Our clients are not looking for 'insider

information' or any other information that is not publicly available," Nicholls said. "Our clients would be interested, however, in learning the expert's perspective on market competition."

Member Benefits

There are several benefits to being an SIL member, one of which is the possibility of earning a consultation fee starting at the rate of \$250 per hour. Other benefits include:

1. **Networking Opportunity:** Members have the ability to build out their contacts in various industries. When an expert joins the Society they are adopted into an organization that offers networking opportunities. Through roundtable discussions and conferences, the expert is able to form relationships that can result in idea exchange and the creation of new contacts.
2. **Society members are given the opportunity to determine their own consulting fee based on experience in their field.**
3. **Connection to the Financial Services Industry:** members have extensive contact with influential institutional investors. Through contact with leading institutional investors, members gain insight into how their particular industry is viewed by influential money managers. This gives members a leading edge in their industry and enhances their value.
4. **Convenience:** Should the member make him or herself available for consultations, all pre and post consultation work is done for them, including scheduling. All invoices are handled in the fastest manner possible to ensure that members are paid in a timely fashion.

Clinical Experts Also Sought

Vista's clients are also interested in learning about the clinical aspects of newly approved drugs about to enter the market or those that have been recently launched. Physician members of the Society may offer their professional opinion and provide insights on their prescribing behavior.

This can be a tricky area as many leading clinicians may have financial ties with pharmaceutical companies as consultants, Key Opinion Leaders, or

clinical trial investigators. There has been some recent flak about physicians providing investors with inside information regarding ongoing clinical trials (see BOX). Nicholls emphasizes that the Society Terms and Conditions prohibit trading inside information of this sort. "That's not in anybody's interest," said Nicholls, adding, "in fact, Vista will not schedule consultations with physicians currently engaged in clinical trials for a new drug."

About the Consultations

Vista clients, who consist of hedge funds and mutual funds, have specific questions related to particular products and/or markets and industry-wide trends. Vista searches its database for the most appropriate experts who are able to educate the client on that topic. A list of qualified experts—credentials only, with names removed—is sent to the client. If there seems to be a good fit, an appointment is made for a consultation. If the expert does not think the fit is good, the consultation can be declined.

Consultations take place over the phone, and allow members to discuss technical and market issues in their area of focus. Typically, the client will call the expert directly. "We also can set up a conference call to protect the expert's privacy if that is an issue," said Nicholls.

Consultations typically last 30-40 minutes, are scheduled at the expert's convenience and are always done via phone, one-on-one with the client. Questions generally focus on industry trends, competitive landscape, etc. Nothing is published in any form. Clients simply use the calls as a research tool to assist with their own investment decisions.

Future Shock

Roy Vagelos, M.D., former Chairman and CEO of Merck, recently gave a keynote presentation at an industry meeting in which he described the pharmaceutical industry as "mature," meaning that the days of 20% growth are gone. However, he did believe that there will be changes and many companies will continue to innovate. Vagelos believes "the industry ten years from now will not be recognizable." In particular, he predicted a revolution in marketing and sales. This shifting pharma landscape makes it all the more important that investors make intelligent choices where to invest their money. Hopefully, stock appreciation will help the industry invest in changes that are necessary to fulfill Vagelos's vision. Appropriate sharing of information between industry experts and investors will help make this possible to the benefit of all concerned.

Pharma Marketing News

Drug researchers leak secrets to Wall Street

In August of this year, a Seattle Times article reported on an investigation that found several cases in which doctors have leaked confidential and critical details of their ongoing drug research to Wall Street firms. "The practice involves doctors at top research universities from UCLA to the University of Pennsylvania, and powerful financial firms including Citigroup Smith Barney, UBS and Wachovia Securities," according to the report.

As the article points out, trading stock based on secret information bought from medical researchers is illegal and doctors testing new drugs are sworn to keep their research secret until drug companies announce the final results.

Many experts have denounced the practice, including David D. Miller, President/CEO of Biotech Stock Research, LLC.

"We have no problem compensating doctors for time taken to discuss scientific principles, clinical trials, and other information provided the discussions are limited to reported data or the use of drugs already on the market," said Miller. "In fact, we believe doctors should be encouraged to speak about completed clinical trials whose data has already been made public. Their opinions serve as an excellent check and balance against management teams who can be too promotional for the good of their investors. And nobody wants to muzzle doctors who believe a marketed drug has safety problems."

James Nicholls agrees, adding "the input of doctors, scientists and clinical researchers is a critical component to the investment research process. It is important that analysts are as educated as possible when making investment decisions based upon the result of complex trials."

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