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## e-Inertia Plagues the Pharma Industry

*Pharma Marketing Roundtable Members Discuss ePharma Marketing*

By **John Mack**

eMarketing is a challenge for the heavily-regulated and conservative pharmaceutical industry. It is a widely accepted fact that the percent of the pharmaceutical advertising and marketing budget spent in the "e" space is much lower in terms of percent of total ad spending than other industries.

eMarketer, which aggregates and analyzes data from over 2,000 sources, reports that the auto industry—the largest advertiser in the world—spent 2.5% of its advertising budget online in 2005 (excluding search). In comparison, the top 13 pharmaceutical advertisers in the US spent only about 1.2% of their ad budgets online according to Advertising Age.

### Tippling Point or Slump?

Many experts, however, believe that pharma eMarketing ("ePharma Marketing") is at a tipping point and that pharmaceutical companies are poised to shift substantial ad spending from TV and other media to the Internet. Indeed, eMarketer in the recent report "Pharmaceuticals Online: Direct-to-Patient Becomes a Reality" projects pharmaceutical companies' Internet spending will increase by about 25% this year, to \$780 million, as marketers shift from consumer mass marketing to more targeted opportunities on the Internet.

Recent data released by TNS Media Intelligence, however, indicate that pharma eMarketing is in a slump. While total DTC spending is up about 6.6% this year compared to last year, online spending by pharma marketers dropped almost 3%.

"TNS does not include search advertising in its online measurement," says Lisa Phillips, Senior Analyst at eMarketer. "[Search] is a tactic of major importance to pharmaceutical companies, and could easily account for an additional 40% of prescription drug online advertising."

To make sense of all these numbers and understand where pharma online spending may be heading in the future, *Pharma Marketing News* recently hosted a [Pharma Marketing Roundtable](#)

discussion of the issues. The following experts participated:

- **Lisa Phillips**, Senior Analyst, eMarketer
- **Mark Bard**, CEO, Manhattan Research
- **Rob Nauman**, BioPharma Advisors
- **Joe DeBelle**, Senior Director of Marketing, Lathian Systems
- **Mario Cavallini**, Manager of Competitive Intelligence, Rosetta
- **Fard Johnmar**, Founder, Envision Solutions
- **Richard Myer**, Senior eMarketing Manager, Medtronic

**John Mack:** Lisa, you've looked at all the numbers. Get us started. What's up with online pharmaceutical marketing?

**Lisa Phillips:** Pharmaceutical companies have been "pushing" messages to consumers, but now that they are getting onto the Web they have to learn how to be interactive. That's a big change in mindset for them.

As far as strict total measurement of what is going on online, it's still anybody's guess. Sometimes the numbers don't match up. TNS and Advertising Age numbers, for example, differ from IMS Health numbers.

**Richard Meyer:** Lisa is 100% correct in that pharma has been using a traditional "push" message, or Web 1.0, when using the Internet channel. Pharma needs to adopt to Web 2.0 standards and learn how to interact with people online; simply put: have a conversation with them instead of talking at them.

**Mark Bard:** It's a challenge to isolate a budget number for eMarketing programs when speaking with pharmaceutical marketers. In many cases, for example, product managers may be taking discretionary funds left over in the final quarter to spend on the "e" space. A lot of e-projects, therefore, are hidden in the discretionary funding

category. If the pharmaceutical industry cannot parse out what they are spending online, then it's that much more difficult for analysts to get accurate and non-conflicting numbers.

**Richard:** It's difficult to isolate online budgets. A lot of online media is bundled with off line media. For a while, for example, if you ran an ad on FOX Sports you could also get offline ads via Web MD spots. When preparing media spends a lot of the big online media companies do not include online spending especially on search.

**Joe DeBelle:** Most companies still do not see the e-channel as strategic. They don't build it into their budgets as a separate category. It might be under "non-personal promotion" for example so spending in this area might be tough to track at times. In addition, because brand teams don't see it as strategic, there is less integration with other marketing tactics. The companies that do look at web-based solutions as strategic are integrating it with other offline initiatives. This approach is providing greater returns on both their online investments as well as their overall marketing investment

### The Importance of Search Advertising

**Mark:** We will get much better when it comes to media spend. For example, we'll get a lot better about spend allocated to search engines. If search is not in the numbers reported (typically it is not), there may be a big chunk of data missing—we have clients that spend 30-40% of their e-budget on search today, which is obviously of importance.

**Lisa:** Search is important for branding online—you have to at least buy your own brand name otherwise someone else will. Search sometimes is a defensive strategy.

**Mark:** Google and Yahoo! are increasingly taking a strong stand against allowing competitors to buy tradenames. That's the direction the search industry has to go. The search engines have made it clear that they will set the standards on that.

**Fard Johnmar:** I hear about vertical search engines like Healia, Healthline, etc. Do you see these gaining any traction versus Google and Yahoo!? How will pharmaceutical companies be using these types of search engines as part of their marketing campaigns?

**Mark:** At this time, they still have low market share relative to the major search engines which are being used for all types of search—including health. Once they get to 5 or 10% market share, it may make sense to optimize your site for those search engines and buy keyword advertising through them if offered. I would assume that would

be much cheaper than Google or Yahoo! keyword buys based on competition for space alone. Right now the vertical search engines are something to watch to see how they evolve and grow.

**John:** Assuming the analysts' methodology is the same in different vertical markets, eg, auto vs. pharma, then if we see an increase in spending in one market and a decrease in the other, that tells us something.

**Mark:** That depends. If the e-space ad spend is tracked much better in other industries than in pharma, then it's tough to do a comparison.

As a general rule regarding budget allocation, we still see 5% to 10% of pharma's ad spending budget going to online promotion. This can vary widely not only by company and product, but also by lifecycle stage. Companies spend a lot more on e-promotion at product launch than they do 5 years into the product lifecycle.

**Richard:** The Internet has not seen an increase in spending by pharma even though other channels are also decreasing. The reasons for this are complex. Often it is the result of overall DTC budgets coming under more scrutiny as budgets get tighter and more goes to the bottom line. When faced with a choice, many DTC managers will chose TV or print over the Web because they don't understand the Web and the ROI it can provide. Web costs have also increased as more advertisers shift more money to the Web. Premium space on portal homepages have increased in price and often there is a waiting period of 5 months or more.

### Leading ePharma Companies

**John:** Who are the most innovative companies out there today? Who's buying up the most ad space? Who's being most innovative with its product web sites?

**Mark:** If you use public numbers such as online media spend as a proxy of their level of aggressiveness, then you certainly have to include companies such as Novartis, Pfizer, Johnson & Johnson, AstraZeneca, and Lilly. [See "Pharma Online Spending: An Interview with eMarketer Senior Analyst Lisa Phillips" in this issue for some numbers from the top pharma online spenders.]

Although spending does not necessarily equate to innovation, those companies also tend to be very innovative compared to their peers in the industry today with respect to their overall interactive strategy. You also have companies such as Wyeth and Shire that may not be spending as much as the larger pharmaceutical companies, with respect to overall spend, but have certainly demonstrated

they are innovative when it comes to their strategic use of the channel.

**Richard:** The reason that some companies spend more on the Web also has to do with their allocation of resources, namely personnel. In order to communicate to senior management the possible ROI of web tactics someone has to be in an eMarketing position that understands this channel and its unique ability to interact with patients/consumers. There are a lot of companies that do not have dedicated eMarketing people.

**Lisa:** On the consumer product side, which spends much less on the Web than does pharma, P&G is by far the most innovative. They are trying all kinds of mobile marketing for toothpaste! Who would think that Crest Whitening Strips would be advertised to kids at clubs on their mobile phones? Pharma companies are not there yet.

**John:** So, I gather that Pfizer is not advertising Viagra that way? Just a rhetorical question. [Crickets could be heard on the line.]

### **Regulation Causes Inertia**

**Mario Cavallini:** One of the unique factors that affects pharma's use of the Internet is the fact that it's a regulated industry. So while you may see surveys where ad managers say they are going to shift spending online, when it comes time to make the decision there's a lot of inertia, some of which is caused by regulatory concerns. There's less certainty about what you can and can't do online and there's less experience with regard to what works from a regulatory point of view and what doesn't work. So that contributes to the inertia as well.

**Richard:** There is less certainty with regulatory people as it pertains to the Web but the reasons for that are varied. First, the Web is changing everyday. You have streaming video, Consumer Generated Content (CGC), etc. These were not on anybody's radar screen 5 years ago, but are now there because of the increased penetration of broadband. Pharma is also afraid to start a dialogue with people 1 on 1. The companies that are going to be the most successful online are the ones who take risks online.

**Mario:** There's some concern that the first case examples will come from DDMAC warning letters. Perhaps there are examples from other industries that would be helpful for pharma to learn more about.

**Lisa:** No other industry is as regulated as this one is. FDA is really looking at mass media and the beauty of the Internet is the ability to focus on or target specific audiences. The industry should buy

opt-in lists that allow it to do this. There are a lot of things pharma companies can do online that would not violate any regulations I know of.

### **Spending on Magazine Ads Increases**

**John:** There is much lip service to ROI, but what interests me is some recent data from TNS Health showing a renewed interest in and increased spending on magazine and print advertising (see "[Pharma eMarketing in a Slump](#)") despite the fact that it has not always been an effective medium for attracting and acquiring new patients. It's the path of least resistance.

**Lisa:** Magazines are really hurting because so many other advertisers have ditched them. I wouldn't be surprised if the magazines were giving pharma great deals these days!

### **Is It Just Yahoo!?**

**John:** CNBC reports that Internet advertising overall seems to be dropping tremendously. Yahoo!, for example, announced poor results in the last quarter. Where is the whole space going?

**Lisa:** I've talked to a lot of reporters. Yahoo! is seeing some softening in growth. They didn't report negative numbers. It's more of a Yahoo! problem than an Internet advertising problem.

**Mario:** I think it's how those numbers get reported. Financial projections are all forward looking. Companies make an initial optimistic estimate and then must say it's not going as fast as expected. And it looks like a loss.

**Mark:** Softening means coming off a 300% growth! In comparison 200% growth rate is "poor." What other medium has such high growth rates?

### **Innovative ePharma Marketing**

**Mark:** The challenge is to identify where is the innovation in ePharma marketing? I can think of one.

As part of ADHD Awareness Day (September 20), Shire bought up a ton of ad space for ADHDExpertsonCall.com. It's not a product ad, it's not a search strategy. It's tying in to what has been a primarily offline campaign, buying all the space you can, focusing on Ty Pennington as the "spokesmodel" in the world, and driving visitors to the Web site and Webcast. It's a fully integrated campaign. (See Figure 1, page 5.)

Pharma companies are getting beyond product Web sites, banner ads, and search advertising and thinking about the bigger picture now. That is innovation.

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## Experts Divided On Internet Ad Spending

NEW YORK (Reuters, September 25, 2006) - U.S. Internet advertising revenue rose 37 percent in the first six months of the year, hitting a record of nearly \$8 billion, according to a study released on Monday.

The study, released by the Interactive Advertising Bureau and PricewaterhouseCoopers, comes just days after a revenue warning by Yahoo Inc. raised concerns that ad spending in new media could be slowing.

In warning about its revenue, Yahoo pointed to weakness in advertising from automobile and financial firms, two key sectors in marketing. Since the disclosure, analysts have been divided over whether the issue is solely Yahoo's or signals a wider slowdown in online ad spending.

Until now, signs have pointed to strong growth for online ads, largely at the expense of newspapers and radio. Monday's figures suggest that at least through the second quarter, Internet advertising revenue continued to surge.

For the second quarter, Internet advertising revenue totaled nearly \$4.1 billion, a 36 percent increase over the same period in 2005, and up 5.5 percent over the first quarter of 2006.

Search-related advertising rose 40 percent in the first half of the year, while classified rose 20 percent, according to the study, released during a week of advertising industry presentations in New York.

"With the seventh consecutive quarter of growth behind us we are confident that the Internet will continue to reconcile the imbalances between its share of media consumption versus its relative share of total advertising spend," said Pete Petrusky, director, Entertainment & Media Practice at PricewaterhouseCoopers.

A group of media companies, meanwhile, forecast on Monday that online advertising growth should rise in the third quarter.

The Online Publishers Association, which includes CNET Networks Inc., iVillage, Reuters and Tribune Interactive, said its members expect online ad revenue to grow about 28 percent for the third quarter.

The group said most members are seeing strength in all advertising categories with no areas appearing to slow down.

When answering the question about who are the real innovators, you see significant differences by therapeutic category. A category like oral contraceptives may spend 20-30% of its budget online, whereas in the glaucoma category, I wouldn't expect much to be spent online.

## Online Consumer Education Not Measured

**Fard:** I think you are going to see a lot more integrated educational campaigns as opposed to product-specific campaigns to drive awareness. For example, I worked on a PR campaign featuring Joe Montana with Novartis to raise awareness of high blood pressure and the launch of their high blood pressure portal (see Figure 2, page 5).

**Richard:** Educational campaigns will vary by condition and product. If, for example, there is very high awareness of a condition but people are not seeking treatment (ie, erectile dysfunction), then you can expect to see pharmaceutical companies try educational platforms to get these people to their doctors to seek treatment. If they can make the pie bigger rather than taking a bigger piece of someone else's slice, then they will all benefit.

**Mark:** These PR and other campaigns may be online oriented but not included in the overall online pharma ad spending estimates. Back to ADHD example, how much of that is going to be allocated to the eMarketing budget? The Web site may be the primary call to action and where millions of new patients were driven to but it may not be measured as part of the eMarketing budget. The product team does not think in terms of eMarketing budgets, they think in terms of product strategy.

## New Technologies: Blogs and Podcasts

**John:** What about new technologies like blogs and podcasts? What influence will these have on future pharmaceutical eMarketing budgets?

**Fard:** Pharma companies are looking at podcasting and view it as very attractive because they can control the content and manage feedback from listeners. In some respects, podcasting is similar to doing a paid radio spot. Companies can vet all the content, which is a familiar world for the pharmaceutical industry. Eli Lilly, for example, produced a series of podcasts focusing on pancreatic cancer and Gemzar. This medication is approved for the first-line treatment of locally advanced or metastatic pancreatic cancer.

Among social media technologies such as podcasting, blogging, and video sharing Web sites, I believe those that allow pharma people to funnel content through their normal regulatory/legal review process will be much more attractive to pharmaceutical companies. Because podcasting allow developers to retain ownership of content, this is a very suitable and "safe" means of getting

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Answers to your ADHD questions from ADHD Experts™

**What would you like to know about ADHD?**

**The host of ABC's Extreme Makeover™: Home Edition,** Ty Pennington, who was diagnosed with ADHD over 10 years ago, took the first year in a row to talk about his experience managing ADHD and answer real questions with some of the nation's top ADHD doctors. Find out more here: [1-888-ASK-ADHD](#) [http://www.adhdexperts.com](#)

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**Figure 1:** In honor of ADHD Awareness Day, Ty Pennington joined Dr. Robert Findling, Professor of Psychiatry and Pediatrics at Case Western Reserve University, for an hour-long webcast to educate the community about this disorder. The free webcast took place from noon to 1 P.M. EDT on September 20, 2006, and is currently archived on [www.ADHDExpertsOnCall.com](http://www.ADHDExpertsOnCall.com).

Those joining the webcast were able to ask Ty Pennington and Dr. Findling questions about ADHD and its treatment.

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**Figure 2:** "BP Success Zone, developed by Novartis and MicroMass Communications, is a customized DTP (direct-to-patient) approach that uses the patient/healthcare provider relationship to drive compliance and boost sales of three key blood-pressure-lowering products: Diovan, Diovan HCT and Lotrel." (source: MM&M; [http://www.micromass.com/Newsroom/MicroMass\\_MMM\\_6\\_06.pdf](http://www.micromass.com/Newsroom/MicroMass_MMM_6_06.pdf))

information out not only to consumers but also to physicians.

### Podcasts Gaining Traction

“Podcasts are no longer just for kids, and they can help pharmaceutical makers disseminate valuable information on a drug’s efficacy and safety warnings to both doctors and patients. A recent Nielsen/NetRatings release shows that 6.6% of the US adult online population, about 9.2 million users, recently downloaded an audio podcast, and 4%, or 5.6 million users, downloaded a video podcast. The figures put the US podcasting audience on a par with bloggers (4.8%) and online daters (3.9% of the adult online population).” Source: “Pharmaceuticals Online: Direct-to-Patient Becomes a Reality.”

**Joe:** We’re seeing more podcasting as well. But we’re seeing it used more as part and parcel of an overall program whether it is a medical education program, a medical conference, or a key opinion leader (KOL) format where streaming video and audio are integrated. Individual podcasts are enabling brand teams to extend the reach and life of these live events.

Our clients want to see the latest technology integrated into programs to simulate a live meeting and to satisfy physician demand for more compelling and engaging online programs.

**Mario:** I’ve noticed from Manhattan Research data of physicians’ use of online media that those physicians who have claimed to author or create podcasts tended to be several years older than the average respondent. Could this be because pharma companies are sponsoring older key opinion leaders (KOLs) to create podcasts? If so, although the absolute numbers are thin, pharma could be causing a significant bump there.

**Mark:** We do find that older physicians are writing blogs, but whether or not they are KOLs is open for debate.

Most clients ask us what they should do with podcasts and blogs. We always say to focus on those things that influence 80% of the market as your primary strategy; figure out your search and portal strategy first.

As the podcasting market evolves we see two different paths: those that are downloadable audio and those that are syndicated. What does syndication mean? In most cases, it means regular or routine updates. When pharma marketers say that they want to do podcasts, what they really mean is they want to create downloadable audio

files. They have no intent to do a regular series of programs. There’s no long-term strategy, in other words. The true syndicated podcast series where you get regular updates over time is a very different strategy. You see this strategy adopted more often by the typical content provider like *JAMA*. The question is, can pharma ride on some of those channels with advertising content?

**Fard:** Pharmaceutical companies might be interested in getting involved with syndicated podcasting. By this I mean developing podcast series that extends over a 6 or 8 week period coinciding with an educational campaign. Working with third-party patient organizations to sponsor podcasts that help to educate consumers about chronic and acute conditions might also be attractive to drug firms.

### Privacy Concerns

**John:** Maybe pharmaceutical companies are afraid of more than just regulations when it comes to online marketing. Number one on the list of things to fear is invasion of privacy. Privacy is a consideration, for example, when targeting people on the Web by their behavior without permission (see “[Behavioral Targeting: RJ vs JP](#)”). The issue is not fear of violating any law, but fear of the court of public opinion.

**Mark:** Yes, that goes back to the 2000 Pharmatrak debacle, which we all consider innocent now, but at the time was looked at as a serious breach of privacy. Pharmatrak was using cookies to track people across the Net and reporting back to their pharma clients on where people who viewed their web sites and ads subsequently went online. That experience still scares off a lot of companies.

**John:** I have begun to notice that pharma company Web privacy policies are mentioning the use of tracking cookies. Perhaps these companies are actually doing these sorts of things today, although they mostly claim that they track users only on their “family” of sites or use clear gifs to determine the effectiveness of their ads on other sites or e-mail campaigns.

**Lisa:** People are being tracked all the time on the Web. Several surveys suggest that most people (mostly younger people) do not mind being tracked if it resulted in more relevant ads being served to them.

**Richard:** This is a very touchy area for the pharmaceutical industry. Imagine going to a site to learn about depression and then getting SPAM from a pharma company on their prescription depression products? However, there are safe

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**Figure 3:** In February, 2006, Gilead Sciences, Inc. launched Stop Hep B, a grassroots campaign that utilizes community partnerships and interactive online education to drive awareness and testing for hepatitis B, and to provide a central place where patients and caregivers can "join the fight" to stop hepatitis B.

ways to use this technology such as through a third-party opt in site like Web MD.

### **Social Networking vs. Market Research**

**Lisa:** One of the interesting things I am seeing in this industry are initiatives to tap into the social, support aspect of patients suffering from the conditions that their products treat. More companies are building unbranded Web sites like Depression Hurts and Question Everything for dieting. What do people think of these sites?

**John:** They may be dipping their toes into social messaging, but it's always "on message" and scripted; obviously not genuine CGC as I point out in Pharma Marketing Blog (see "[Question Everything](#)"). The industry's problem with control and allowing unscripted dialog is going to prevent these sites from having much impact. Perhaps they are good for market research purposes and that may be enough to justify their existence.

**Mark:** I read a September 4, 2006 BusinessWeek article on this site. The messaging to the new user may not be the key objective. Rather, they have built a community with the intent of soliciting feedback for market research purposes. That's a very different objective than using social networking to deliver marketing messages.

**Fard:** Another interesting site is StopHepB.com, which is produced by Gilead Sciences (see Figure 3, page 7). This site features a discussion board for "Hep B warriors." The bulletin board is sparsely populated, but they are trying to encourage patients in the Asian-American community to talk about the condition with their family members, friends and peers.

**Mario:** It's also interesting that they have a human avatar that's sort of a site guide or spokesperson. The fact that they are targeting Asian-Americans allows them to also use a targeted avatar. That's nicely done.

### **The Future: Final Words**

**John:** Lisa, do you still stand behind your predictions for pharma online spending?

**Lisa:** Yes, I do. The spending I estimated includes lead generation and referrals, search and e-mail marketing and rich media, just as the Interactive Advertising Bureau and PricewaterhouseCoopers do. eMarketer recently revamped its outlook for all online advertising, too, although not very dramatically for 2006. This year, we're projecting a 26.8% increase in Internet advertising, to \$15.9 billion, with growth slowing to just 6.8% in 2010.

We expect online advertising to hit \$25.2 billion in 2010, at 8.9% of US ad spending that year.

**John:** Any final comments?

**Richard:** Yes, I have a few. In order for Pharma to commit more money to the Web it is going to require several things:

1. Senior management is going to have to buy in that the Web is strategic and a great channel for brands to meet their objectives.
2. eMarketing people who understand the channel and how consumers use the channel are going to have to be recruited to work within pharma eMarketing. You can't take a DTC person and put them in an eMarketing position. The learning curve is too steep and it is changing too rapidly.

ROI models are going to have to be tested and evaluated including cost per click, cost per action, cost per targeted action and cost per Rx.

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