

Feature Article

Merck Rejiggers Its Marketing Mix

Will Other Pharma Companies Follow?

By John Mack

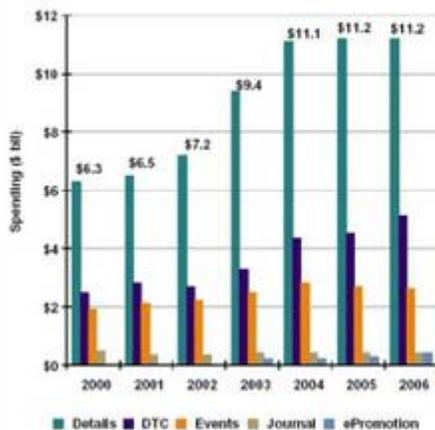
Adam Schechter, President of Merck US Human Health, made the following statement not long ago at a Goldman Sachs healthcare conference:

"Industry must embrace new ways of engaging physicians on their terms."

Spend More, Get Less

In that presentation, Schechter then went on to show some data that demonstrate the problem with the pharmaceutical industry's current model of engaging physicians (see Figure 1).

Pharma's Current Model



For every 100 sales rep visits to physician offices, only 56 actually see the physician (27 of whom merely drop off samples and leave).

On average, a call lasts 4.6 minutes.

Source: Verispan promotional audits 4/11/2007

Figure 1: Industry spending on detailing is flat, but still high and inefficient.

As the Verispan promotional audit data show, pharmaceutical companies spend a disproportionate amount of their promotional budgets on face-to-face detailing. The \$11.2 billion does not even include the cost of samples! In contrast, the amount spent on ePromotion to physicians is minuscule.

And what does pharma get for its \$11+ billion? Less and less.

For every 100 sales rep visits to physician offices, only 56 actually see the physician and of these 27 merely drop off samples without talking to the physician. Schechter claims that when reps actually get to talk to physicians, the call only lasts 4.6 minutes on average, but I have seen much lower estimates—even as low as 2.5 minutes!

Merck to Slash Field Force?

Given these statistics, Schechter said Merck is on course to significantly reduce its promotional spend by 2010 and estimates it will cut its field force spending by 9% in 2007 (see Figure 2). Some pundits have speculated that most of the reduction will be in sales force head-count.

According to a PharmExec.com article, however, Merck spokeswoman Amy Rose wasn't having any of it [talk about any reduction in head-count]. "This is not a head-count reduction," said Rose. "Our new model calls for an increased use of technology [and metrics], and it is much more customer-focused. Gauging the feedback of our customers is a core piece of our strategic direction."

Customer Focus Means More Technology

If the recent iPhone craze proves anything, customer focus means including more technology-based channels in the marketing mix.

While pharma is focused on face-to-face selling, physicians—like other consumers—are changing their media habits as illustrated in Figure 3 (page 4).

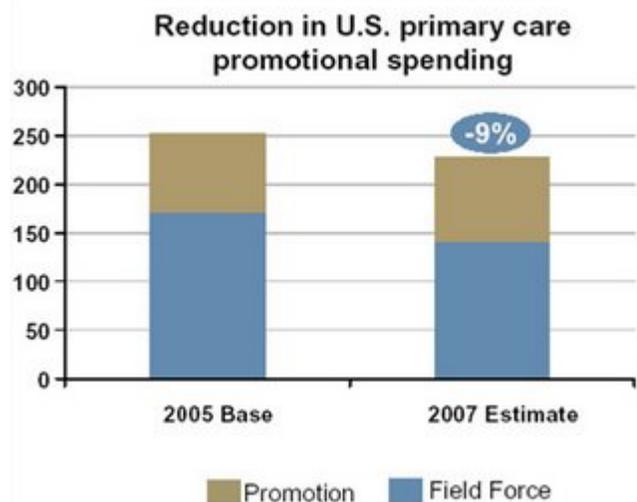


Figure 2: Merck intends to spend much less on physician direct selling

Continues...

Consumers are spending more and more time online and less and less time reading, listening to the radio, or watching TV. Media spending by all advertisers—not just pharma—needs to shift to new channels that consumers are using and, according to Google, this shift is overdue.

out many times before (see, for example, "[YouPharma: New Rules for Pharma Marketing and Social Media](#)"), the pharmaceutical industry so far has a poor track record when it comes to using these tools effectively. And, like any powerful tool, when used improperly, Web 2.0 tools can be "risky" (see "Rules of Engagement").

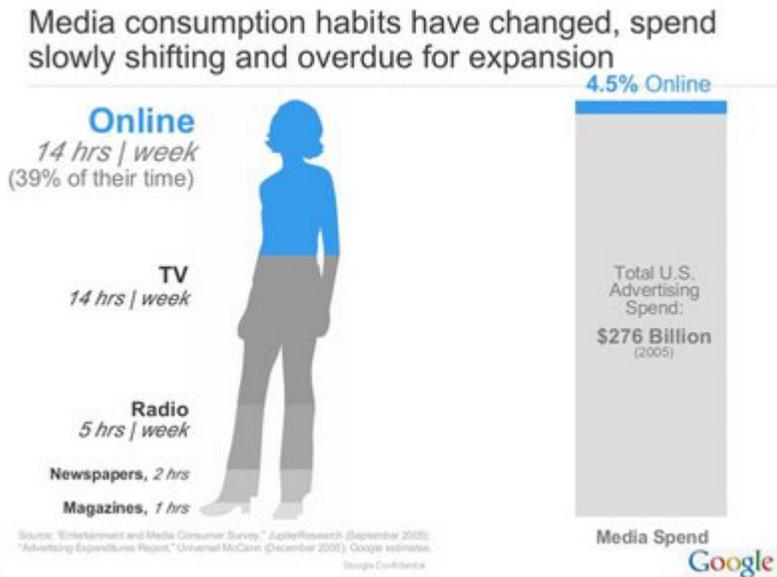


Figure 3: Google chart comparing consumer media consumption habits vs. media spend. A clear disconnect exists between the two.

### Engaging Customers on Their Terms

Schechter and other pharma business leaders are shifting and fully intend to leverage innovation and technology. This shift will add a new dimension to pharmaceutical advertising: Engagement.

Reach and Frequency are the traditional factors used to measure marketing effectiveness and ROI. Reach is how many "eyeballs" see your promotional message and frequency is how often they see it.

Technology adds another dimension to the analysis: Engagement, which also encompasses depth (see Figure 4). Certainly, pharmaceutical products demand communications that offer engagement and depth much more so than do packaged goods for example. Several advertising associations are working to develop a new metric to measure engagement.

This sounds exactly what Merck's Schechter had in mind when he talked about embracing new ways to engage physicians.

The most effective way of engaging physicians and consumers using innovative technology is through Web 2.0 social networking tools. But, as I pointed

### Impact vs. Risk

Back in 2006, *Pharma Marketing News* hosted a reader survey to predict future trends in the pharmaceutical marketing mix.

The survey asked readers for their opinions regarding the impact and risk of several physician marketing channels. They were also asked how they saw the mix shifting in the next few years.

When evaluating impact, respondents were asked to think of reach, credibility, and content richness as important factors -- the greater these attributes, the greater will be the impact. Risk factors, on the other hand, include potential to cause customer dissatisfaction or push back, increased regulation, negative publicity, etc. If the risk is high enough, marketers may avoid the channel. The results of the survey can be plotted in graphical form (see Figure 5, pg. 5).

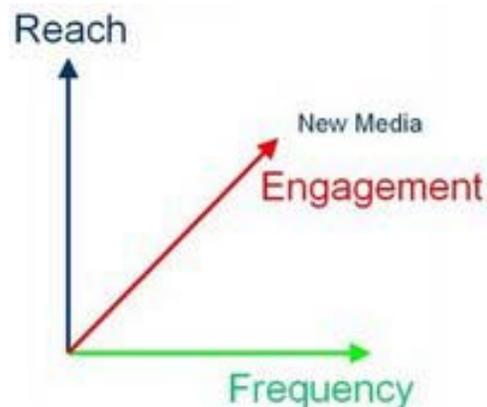
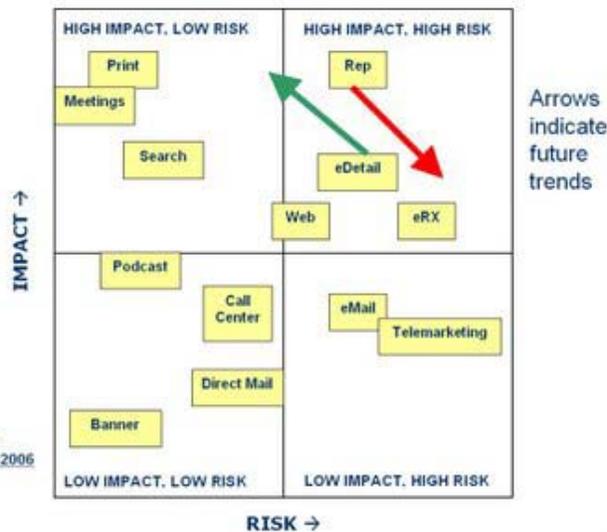


Figure 4: Technology, especially Web 2.0 technology, adds another dimension—Engagement—to the analysis of marketing ROI.

Let's focus on traditional face-to-face promotion (rep) and eDetailing or epromotion.

While face-to-face promotion has a very high impact potential it is also risky and is becoming even more risky, according to survey respondents. Face-to-face or personal selling is risky because of

## Physician Marketing Channels



Source: Pharma Marketing News 2006 Trend Survey

Figure 5: Impact vs. Risk Analysis of Physician Marketing Channels.

increasing physician push back, denying reps access, and state laws that attempt to limit the influence reps have over prescribing behavior.

This is what the downward red arrow is showing in Figure 5. In fact, the tip of the arrow is where this channel may be at today!

eDetailing or ePromotion also has high impact. At the time the survey was run, eDetailing was thought to be as "risky" as face-to-face selling, but now it has the potential at least of being LESS risky and MORE impactful than traditional sales reps.

### Will Other Pharma Companies Embrace Merck's Mix?

Hopefully, Merck's rejiggering of its marketing mix towards new technology will become the standard by which other pharmaceutical companies evaluate their own marketing plans. Or maybe, Merck has a unique product mix for which technology is better suited for promotion. In that case, we may not see other pharma companies follow Merck.

Pharma Marketing News

e<sup>x</sup>l

pharma PROUDLY PRESENTS

# Digital Pharma

Register before Sept 14 for Maximum Savings

The Only Event Focusing on Web 2.0 and its Impact on Pharmaceutical Marketing

October 22-24, 2007  
The Westin Princeton  
Princeton, NJ

Accelerating to the Next Generation of Marketing with Web 2.0, Consumer Generated Content, Social Media and much more!

Pharma Marketing News  
When Registering, Please Use Registration Code: P606PMNAD

EVENT HIGHLIGHTS:

- A Point/Counter Point Interactive Debate (Featuring J&J & Pharma Marketing News): Why Pharma should Embrace Web 2.0 vs. Why the Industry should Play it Safe and Hold Off for Now
- Panel Discussion: The Future of Marketing: Where "e" is indistinguishable from the Old Channels
- Understanding Online Communities: The Physician/Patient Perspective
- A Discussion of the Vision of Digital as it Pertains to the Customer Experience
- Creating Synergy with Public Relations and eMarketing to Deliver a Real Impact

To register call 866.207.6528 or visit us at [www.exlpharma.com](http://www.exlpharma.com)

Advertisement

## Patient Adherence & Persistence USA Summit

November 12 -13, 2007  
Pennsylvania Convention Center

BOOST YOUR REVENUES: STRENGTHEN COMMUNICATION WITH PATIENTS AND SHARPEN YOUR COMPETITIVE ADVANTAGE WITH NEW TECHNOLOGIES

**Featured Presentations from:**

- Global Marketing Director for Patient Adherence, **Eli Lilly** will discuss what the "real" barriers are to medication adherence, and how to develop strategies for sustainable change
- Senior Director of Marketing Strategy, **AstraZeneca**, will teach you how to build multi-stakeholder solutions to a multi-stakeholder issue
- Vice President & General Manager, **Shire** will show you how to benchmark patient adherence

[Register today](http://www.eyeforpharma.com/pcusa07). This year's summit will be co-located with 5th SFE USA Summit & 2nd eCommunication & Online Marketing Summit. That means 3 TIMES the networking!  
OVER 500 PHARMA DELEGATES WILL ATTEND.

Please visit the conference Web site:  
<http://www.eyeforpharma.com/pcusa07>

## Rules of Engagement

What exactly is "engagement"?

According to Dr. Joseph Plummer, chief research officer for the Advertising Research Foundation (ARF), an organization whose members include advertisers, advertising agencies, associations, research firms, and media companies, "Engagement occurs as a result of a brand idea or media the consumer experiences which leaves a positive brand impression. It is now a critical advertising model to replace Gross Rating Points, aka GRPs (the total number of impressions delivered by a media schedule, expressed as a percentage of the population) in the 21st century. It is important that we think hard about engagement to develop a robust measurement of when consumers are strongly engaged in brands, brand ideas and their surrounding environments."

The working ARF definition is: **"Engagement is turning on a prospect to a brand idea enhanced by the surrounding context."**

What ARF is interested in is how to measure "engagement" so that advertisers who experiment with engaging consumers about a brand can measure how effective they have been.

Whatever the definition, pharmaceutical marketers are interested in "engaging" consumers (and physicians) through consumer-generated content channels (blogs, message boards, etc.).

Engagement, therefore, is on pharmaceutical marketers' radar screens. But are they seriously engaged yet?

Wikipedia is also a form of CGC, perhaps the most pure form of CGC. Anybody can write or edit a Wikipedia article. Indeed, a recent a London Times article revealed that references to claims that Seroquel, a drug developed by AstraZeneca, made teenagers "more likely to think about harming or killing themselves," **were deleted by a user of a computer registered to the drug company.**

The original Wikipedia entry said: "Despite a general National Institutes of Health recommendation against its use in children or those under 18, as well as a known risk that teenagers taking the drug 'may be more likely to think about harming or killing themselves or to plan or try to do so,' Seroquel is controversially marketed to parents of moody and irritable teenagers in magazines such as Parade Magazine and TV Guide.

The AstraZeneca employee changed it to simply this: "Seroquel is controversially marketed to parents of moody and irritable teenagers in magazines such as Parade Magazine and TV Guide."

According to Fard Johnmar of the HealthcareVOX blog: "Not only is this edit questionable because it reduces the accuracy of the Wikipedia entry, but it violates the FDA's fair balance regulations. Any pharmaceutical executive promoting a product online and off must ensure that information about a drug's side effects is made available to the public."

An AstraZeneca spokesperson said: "We are investigating the change made on July 11 and once we find out more, we can let you know ... Patient safety is a priority and we make it a point to provide complete and accurate information to people who need to know—patients, doctors and anyone else."

"This incident clearly indicates that pharmaceutical companies should be thinking about how they can minimize the risk employees will expose the company to potential FDA citations and product liability lawsuits due to their use of social media technologies," said Fard.

---

## Authors, Experts Consulted and/or Cited In Articles

---

The following experts were mentioned or consulted in the preparation of articles for this issue.

- **Jane Chin**, President, [Medical Science Liaison Institute](http://www.MedicalScienceLiaisonInstitute.com) LLC, [jane@pharmrepclinic.com](mailto:jane@pharmrepclinic.com),
- **Joseph Puopolo**, Director of Marketing, [MERGE Rx](http://www.MERGE-Rx.com), [joseph.puopolo@merge-solutions.com](mailto:joseph.puopolo@merge-solutions.com), 416-588-9011 ext. 222
- **Lee Weinblatt**, Founder and Chief Executive Officer of the [PreTesting Company](http://www.PreTestingCompany.com), [Lee.Weinblatt@pretesting.com](mailto:Lee.Weinblatt@pretesting.com)

---

## Resources

---

The following resources were used in the preparation of articles for this issue.

**Eye movement monitoring apparatus.** Patent number: 4075657; Issue date: Feb 21, 1978; Inventor: Lee S. Weinblatt. An apparatus is disclosed for testing the eye movements of a viewer in response to visual stimuli, such as an advertisement, displayed on a screen. See

<http://www.google.com/patents?id=BiA5AAAAEBAJ&dq=patent+4075657>

---

### Pharma Marketing News

---

*Pharma Marketing News* is an independent, free monthly electronic newsletter focused on issues of importance to pharmaceutical marketing executives. It is a service of the **Pharma Marketing Network** – The First Forum for Pharmaceutical Marketing Experts – which brings together pharmaceutical marketing professionals from manufacturers, communications companies, and marketing service providers for wide ranging discussions and education on a multitude of current topics.

**Pharma Marketing Network** & *Pharma Marketing News* provide executive-level content, professional networking & business development with permission-based emailing opportunities.

#### Publisher & Executive Editor

**John Mack**

VirSci Corporation

[www.virsci.com](http://www.virsci.com)

PO Box 760

Newtown, PA 18940

215-504-4164, 215-504-5739 FAX

<mailto:editor@pharmamarketingnews.com>

#### Advisory Board

**Harry Sweeney**Chairman, CEO, Dorland Global Health  
Communications**Richard Vanderveer, PhD**

Chairman &amp; CEO, V2 GfK

[Subscribe Online](#) • [Download Media Kit](#) • [Request a Rate Card](#)