

FLAT

IS THE NEW UP

After a sharp downturn, consumer ad outlays have stabilized. Advertisers are spending again, but with budgets under pressure, they're seeking deals, and amid thinning pipelines, they're supporting mature blockbusters later in their lifecycles. **Matthew Arnold** reports on the trends

Just a few years ago, the news that pharma ad spend was up a mere 2% would have been greeted with horror in adland. But that was before—before a dizzying 10-year run-up in spend gave way to a two-year slide amid global economic malaise, the collapse of the mass-market blockbuster model and the lingering aftershocks of the Vioxx debacle and the ensuing drug safety and promotion panic.

Nowadays, that 2% bump—to \$4.5 billion, according to Nielsen Company figures—is practically cause for elation, suggesting that the budget cuts have finally bottomed out. Happy days are here again, right?

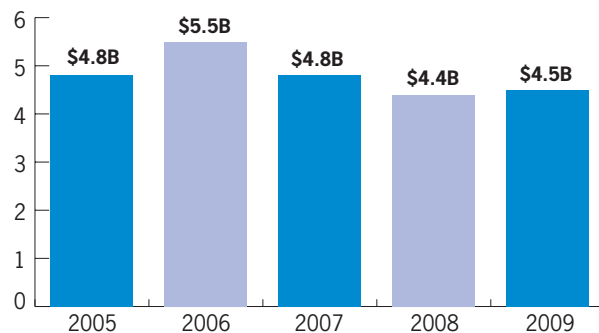
Well, a couple caveats: spending is still well short of the \$5.5 billion 2006 peak, and there are signs the resurgence may not hold. Pfizer, which stands head, shoulders and torso above all other advertisers in the sector, accounting for nearly a quarter of all DTC dollars, contributed much toward those gains with a 37% increase in spending to \$1.1 billion. No. 2 spender AstraZeneca's spend was up 36% to \$371 million, and there were also spending increases at Bayer (No. 10), Allergan (No. 11), Amgen (No. 14), the Merck/Schering-Plough joint venture (No. 18) and Galderma (No. 19). But most of the top 20 DTC advertisers reduced their spending in 2009, all by double digits.

Much of Pfizer's spend went toward supporting mature brands like Lipitor (\$244 million), Viagra (\$129 million) and Celebrex (\$78 million), which are approaching patent expiry in the next few years

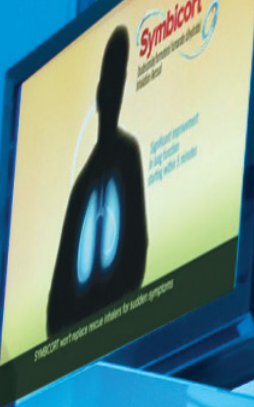
(2011, 2012 and 2014, respectively), but Pfizer also backed newer brands, including Lyrica (\$157 million), Pristiq (\$107 million) and Chantix (\$99 million).

Pristiq was, in fact, the sole real launch brand among the top 20 spenders in 2009. This suggests that with fewer emerging mass-market blockbuster brands to support, pharmas are doubling down

DTC spending stabilized in 2009 after two years of sharp declines



Source: The Nielsen Company



Symbicon
Relieves heartburn, acid reflux, and indigestion.
Symbicon relieves acid reflux to soothe symptoms.



A scene from a hospital or clinic. A rooster is perched on a counter in the foreground. A woman is visible in the background.



A scene from a hospital hallway. A person is walking on a ramp. The **Plavix** logo is visible in the bottom right corner.



LYRICA
PREGABALIN



Cialis.
Ask your doctor.

Top 20 companies by DTC spending

Rank	Company	2009 spend \$(000)	% change
1	Pfizer	\$1,103,378	37.34%
2	AstraZeneca	\$371,927	36.90%
3	Eli Lilly	\$350,341	-11.09%
4	Merck	\$345,523	-16.30%
5	GlaxoSmithKline	\$307,004	-32.52%
6	Otsuka	\$202,245	32.85%
7	Boehringer-Ingelheim	\$190,658	-14.32%
8	Sanofi-Aventis	\$169,962	-12.45%
9	BMS/Sanofi-Aventis	\$152,075	-10.38%
10	Bayer	\$146,387	-11.15%
11	Allergan	\$139,244	67.59%
12	Abbott Labs	\$133,213	54.08%
13	Novartis	\$111,633	-14.23%
14	Amgen	\$97,933	11.87%
15	Roche	\$83,183	-8.66%
16	Warner Chilcott	\$64,827	-17.45%
17	Bristol-Myers Squibb	\$62,780	-31.35%
18	Merck/Schering-Plough	\$62,768	5.81%
19	Galderma	\$59,503	369.86%
20	Sumitomo	\$58,816	-47.60%

Source: The Nielsen Company

on older breadwinners to maximize revenues. They're also spreading their spending across specialty brands that see smaller, more tactical outlays than their awareness-building primary care counterparts — but these add up. Take a look at Merck, the No. 4 spender, which doesn't have a single product among the top 20 most-advertised. Ditto for Abbott (No. 12) and Novartis (No. 13).

The brands getting DTC support constitute a pretty small universe. A recent study of drug advertising by the Congressional Budget Office found that, of 2,000 drugs studied, 700-800 got some promotional spending in any given year, but just 100 or so saw DTC advertising. Average DTC spend per brand peaked at \$41.8 million in 2006, according to the CBO study, which used SDI data.

Mass-market DTC still going strong

The CBO study found DTC spending concentrated among a small number of brands facing few competitors and indicated for chronic conditions affecting huge numbers of people. For those brands, the calculus hasn't really changed much. Awareness is still the key to driving and sustaining growth, and TV and print are still the best ways of driving mass awareness.

TV and magazines are the heavies in DTC spending, with network TV and national magazines combined accounting for 62% of spend. "In aggregate, that's down almost 6%," says Nielsen SVP Fariba Zamaniyan, "but the growth happening in that remaining 40% is just enough to offset that decrease."

Overall spending on TV was up 0.6% for the year, while overall spending on magazines was down 0.6%. Newspaper advertising, which has taken heavy hits lately, was up 11% while radio ad spend

rose a whopping 112%. Shifts within media show that brand managers, under pressure to save money, are bargain-hunting. Within TV, advertisers migrated from pricey network TV (-5.8%) and syndicated TV (-11.8%) to cable (+17.1%), which offers smaller but more targeted audiences at cut rates.

"It reinforces the point that advertisers in this space are seeking airtime at the lowest cost," says Nielsen's Zamaniyan. "Cable has a perception of efficiency because you can buy by day card and target niche audiences. However, you're reaching smaller audiences, so you're running a different frequency than you would on network."

Driving that, in part, is a trend toward longer drug ads, lengthened to accommodate more risk information and appease FDA's stricter standards of fair balance. "Sixty seconds on *American Idol* costs a lot more than the same airtime on TNT or USA," says Zamaniyan. "The opportunity is lower-cost acquisition of commercial inventory. The spend is half of what network is, but it's growing at a significant rate year-over-year."

"TV is not dead, and the question is where and how to employ it," says Ned Russell, managing director of Saatchi & Saatchi Wellness, which handles brands including AstraZeneca's Nexium and Seroquel, Sanofi-Aventis' Multaq and Ambien CR, Lilly/Amylin's Byetta and Bristol-Myers Squibb's Plavix, which is a great example of a DTC TV brand. "It brings in a third of BMS's revenue and it's a brand that runs a lot of TV," says Russell. "That's because TV is the right thing for it."

But for many other brands, increasingly, variety is the spice of life. "TV isn't the reliable old mass generator of awareness that it used to be," says Deborah Dick-Rath, ex-Novartis global ad director and SVP at the healthcare practice of marketing measurement firm Factor TG. "Advertisers have to go use these other mediums to reach people, because they're not just going and sitting down in front of the TV for five or six hours like they used to." Still, internet ads, notes Dick-Rath, can't hit 20 million people in one shot.

Digital in the driver's seat

"So much of the discussion has been about everything but traditional media, for fear of sounding like a Luddite," says Andrew Schirmer, EVP and managing director of McCann HumanCare, a top TV shop working on brands including GlaxoSmithKline's Cervarix, Lovaza and Zantac, Pfizer's Toviaz, Novartis' Reclast and Galderma's Oracea. "In health and wellness, you've got to know how to use both levers and toggle back and forth between traditional and digital."

62% of
all DTC spending
is accounted for
via network TV and
national mags

Digital, notes Schirmer, is becoming the point-of-departure for many marketing efforts in consumer packaged goods. But healthcare, he says, is different.

"If I'm buying a digital camera, while I'm aware of [Nikon Coolpix spokesman] Ashton Kutchner, I'm going online to start my investigation. In the case of healthcare, so much time is spent getting the attention of someone who doesn't know they need something. Someone who's been struggling with a health issue and kind of having conversations with their doctor but not really dealing with it is not going online to get their questions answered if they don't

know what questions to ask, so their first exposure might be in 'lean back media' like TV ads, and then you're obviously going to work on engaging them in every way you can using every tool you can."

Digital is nonetheless becoming central to consumer marketing plans for prescription drugs. Spending on internet advertising shot up 30.8% to \$117 million in 2009, and the areas where companies are spending the most—search engine optimization, website development, etc.—aren't even measured. The interactive marketers of yore, exiled to cube farms in Siberia, are the brand managers of today. Where the direct response ads of yesteryear were aimed at driving viewers and readers to an 800-number, today they offer URLs which offer consumers a richer experience on their own terms and timetable.

"The thing we see in pharma is reflective of what we see in the world at large, and that is that digital is at the center of the universe, and relationship marketing is vitally important," says Saatchi's Russell. "These are two areas that there is no business book written about. It's fixing the airplane while it's in the air. In some ways, it's a marketing dream—word-of-mouth is the best advertising of all, and now there's a structure in place that allows marketers to be a part of the word-of-mouth game. The problem is that you can't control it, and for the marketer, that means you really need to listen more than speak, which is antithetical to the traditional marketing model where you speak and they fall into line."

And then there's the regulatory grey areas, which were highlighted by FDA's stinging rebuke of the "One click rule," an unwritten code by which marketers figured they were safe to promote their products within space-constrained media as long as full risk info was one click

17.1% to **\$861 million, is what cable spend rose while network and syndicated TV fell**

away. When FDA slapped 14 companies with enforcement letters a year ago, the industry pulled out of search marketing entirely before wading cautiously back in later in the year. The fiasco was one topic discussed at DDMAC's marathon two-day hearings on the use of the internet and social media for prescription drug promotion in November.

"As a category, healthcare is still not investing heavily in online media the way other categories are," says Liz O'Neill, VP and director of channel marketing at CommonHealth's EvoLogue. "This year was touchy because of the new regulations."

Nielsen's Zamaniyan sees uncertainty about measurement holding back spending as well.

"Until the industry is confident that it can be evaluated from an ROI perspective, it won't get as much investment as TV," says Zamaniyan. "In three years, that could really change."

Getting back to basics

FDA commissioner Margaret Hamburg has made it clear that cracking down on misleading advertising will be a top priority for the agency on her watch, and already, the volume of DDMAC enforcement letters concerning advertising is way up. In February 2009, even before Hamburg signed on, Bayer announced it would run \$20 million worth of "corrective" advertising for its birth control pill Yaz and submit to preclearance of all advertising for six years

Top 20 brands by DTC spending

Rank	Company	Brand	2009 spend \$(000)	% change
1	Pfizer	Lipitor	\$244,167	145.52%
2	Bristol-Myers Squibb/Otsuka	Abilify	\$202,245	32.85%
3	GlaxoSmithKline	Advair Diskus	\$182,036	5.97%
4	Eli Lilly	Cymbalta	\$177,673	12.32%
5	Eli Lilly	Cialis	\$166,846	17.64%
6	Pfizer	Lyrica	\$157,168	10.45%
7	BMS/Sanofi-Aventis	Plavix	\$152,075	10.38%
8	AstraZeneca	Symbicort	\$141,971	41.21%
9	Sanofi-Aventis	Ambien CR	\$136,144	-13.23
10	AstraZeneca	Crestor	\$132,927	22.78%
11	Pfizer	Viagra	\$129,213	2.02%
12	Pfizer	Pristiq	\$107,432	N/A
13	Boehringer-Ingelheim	Flomax	\$107,250	-7.26
14	Pfizer	Chantix	\$99,638	78.75%
15	Bayer	Yaz	\$81,368	23.79%
16	Amgen	Enbrel	\$80,088	8.55%
17	Pfizer	Celebrex	\$78,208	32.26%
18	Roche	Boniva	\$77,780	-8.17%
19	Boehringer-Ingelheim	Spiriva	\$77,436	3.22%
20	Pfizer	Caduet	\$75,513	3.61%

Source: The Nielsen Company

DTC spending by media \$(000)

Media type	2009 spend	% change
Network TV	\$1,603,224	-5.8%
Cable TV	\$861,612	17.1%
Syndicated TV	\$254,118	-11.8%
Spot TV	\$233,044	-0.2%
Spanish Language Network TV	\$29,673	294.7%
Spanish Language Cable TV	\$4,316	409.8%
ALL TV	\$2,985,991	0.6%
National Magazine	\$1,186,491	-0.6%
Local Magazine	\$490	-19.8%
ALL MAGAZINE	\$1,186,981	-0.6%
National Sunday Supplement	\$80,177	-8.4%
Local Sunday Supplement	\$0	-100%
National Newspaper	\$19,621	42.4%
Local Newspaper	\$62,736	38.8%
ALL NEWSPAPER	\$162,618	11%
Network Radio	\$15,193	14.7%
Spot Radio	\$31,129	261.6%
ALL RADIO	\$46,323	112%
Outdoor	\$7,598	54.6%
FSI Coupon	\$82	N/A
Internet	\$117,403	30.8%
GRAND TOTAL	\$4,506,915	1.9%

Source: The Nielsen Company

as part of a settlement with FDA and 27 states attorneys general. At issue were two Yaz TV ads that the states and the agency said effectively marketed the drug off-label, minimized risk information and plastered over side effects with distracting visuals and other “competing modalities.”

“That Yaz corrective ad really scared the hell out of everybody,” says Evologue’s O’Neill. “Nobody wants to go out and spend their entire budget on a corrective ad. There’s an extra level of cautiousness now.”

But on the whole, the industry has done a good job of getting out in front of the issue with self-regulation, says Ogilvy HealthWorld global CEO Donna Tuths, who sits on the government relations council of the “Four As” advertising trade group.

“I think that’s why you haven’t seen more draconian actions being taken,” says Tuths. “I think the industry has recognized that it’s not just about creating awareness for their products but it’s also about patient education, which plays a very important part in our healthcare ecosystem.”

Tuths sees an air of humility in recent advertising, reflecting the state of the economy as well as the low esteem in which the industry is held.

“We’re definitely seeing clients not wanting to do slick, expensive-looking presentations, because it looks like you’re spending money on the wrong things,” she explains. “There’s a getting back to basics and movement toward approaches that look more authentic and less staged. When you see these new testimonials that appear to have

been shot almost with a handheld camera, it’s definitely a different idea of production values.”

Celebrity endorsements are also big in pharma these days, for both product spots (Sally Field for Boniva, Brooke Shields for Latisse, Magic Johnson for Kaletra or Wynonna Judd for Alli) and help-seeking campaigns (Danica Patrick on Drive4COPD, The Rock for DiabetesAware).

“It’s a lot of grasping for straws on how to be memorable,” quips Tuths. “You could almost think of it as the awareness channel version of social media. It’s this notion of recommendation, of referral.”

A growing body of research points to the power of peer recommendation in the US, suggesting that we’re inclined to trust our family, friends and neighbors (or, in the Edelman Trust Barometer’s argot, “A Person Like Me”) as much or more as we are the experts (ironically, amid institutional meltdown, Person Like Me actually lost ground last year but still trumps CEOs and government as a source of information about companies, according to the survey).

Another important data point: the explosion in Spanish-language media spend. Spanish-language network TV spend nearly tripled in 2009, to \$29 million. Spanish-language cable spend quadrupled. The numbers are small, but it’s an overdue recognition of a huge demographic.

Next up: look for DTC mobile marketing to start catching up to physicians as smartphones become consumers’ go-to screens.

“The composition of that changes in terms of what was big blockbuster TV budgets supporting big blockbuster drugs to driving effective physician-patient dialogue,” says Russell. “Everyone’s talking about compliance, and that’s why digital and relationship marketing are so important.” For “digital,” substitute “mobile,” says Russell. “In the next 12 months, mobile is really going to scale up,” says Russell, “so that when you’re talking digital, you’re really talking mobile.”

With the evolution of social networking, PR is also taking a more prominent role in consumer marketing, says Factor TG’s Dick-Rath. “It used to be that pharma PR was a VNR and a spokesperson at a couple events. Now it’s becoming more of a standard component.”

PR, social media, mobile marketing. Not your father’s TV-and-print-ads media plan.

“We’re going to see smarter, more integrated plans taking advantage of social media and other emerging media,” says Dick-Rath. “We’re seeing a lot more savvy spend and use of multiple media instead of the blunt instrument of TV, and we’re also seeing a lot more vaccines and oncology products advertising, and some other arenas that haven’t been big advertisers before.”

But can they replace the all big-spending dinosaur drugs, like Lipitor and Plavix, that are currently lumbering toward a hot date with a meteor?

“There are brands stepping up, like Symbicort,” says Nielsen’s Zamaniyan (AstraZeneca’s four-year-old asthma/COPD brand ramped up adspend 41% last year). “They may not be replaced by one brand at the same level, though. It may be several brands that make up the deficit.” ■

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