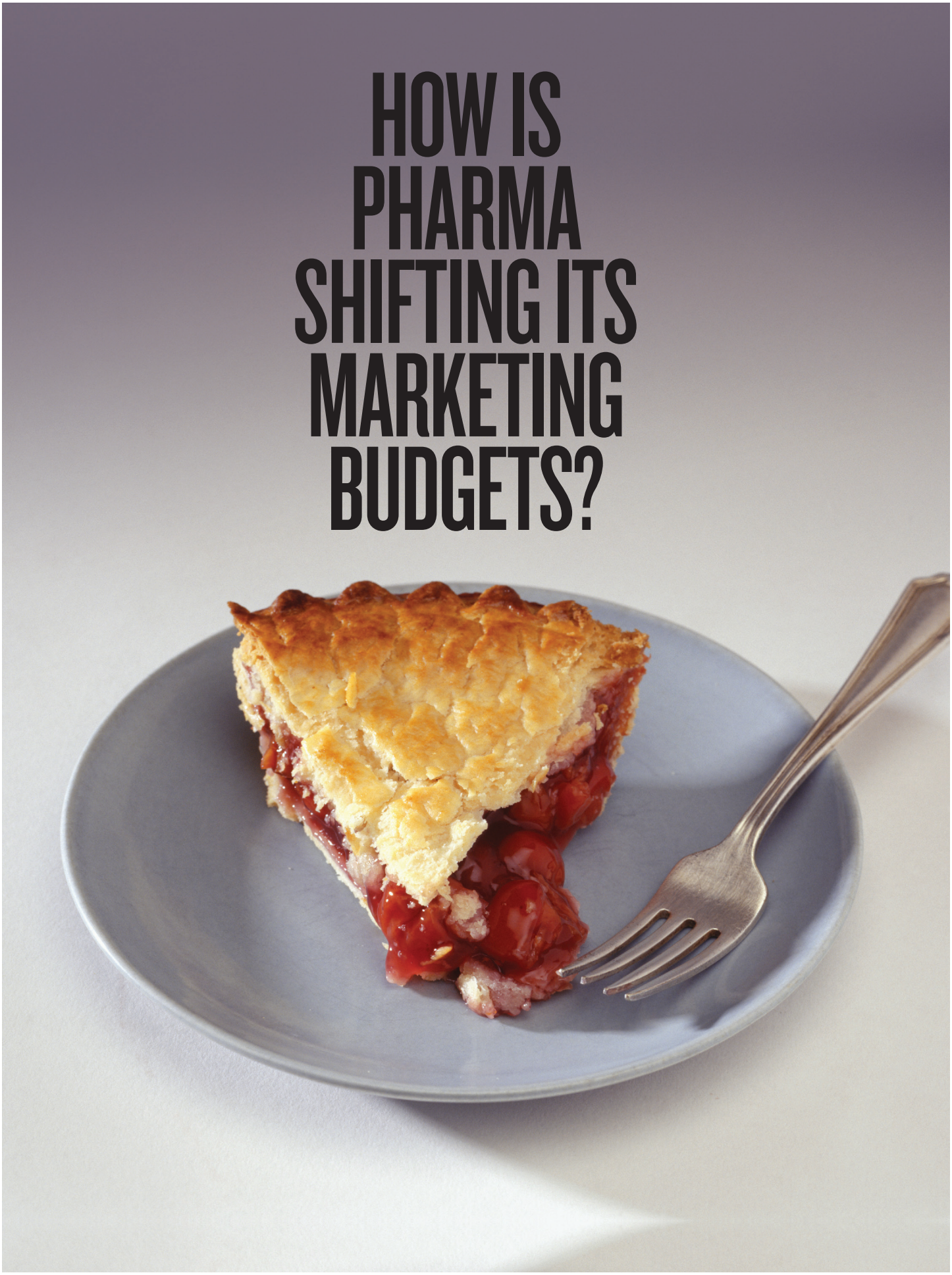
HOW IS PHARMA SHIFTING ITS MARKETING BUDGETS?



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While healthcare and pharma remain in the midst of perhaps the most transformative period in their collective history, tactical and strategic approaches are evolving in fits and starts. To hear respondents to the 2016 *MM&M* Healthcare Marketers Trend Report tell it, that's not necessarily a bad thing. Here, we reconcile — or attempt to reconcile, anyway — the big picture with the small.

BY LARRY DOBROW

When *MM&M* debuted its Healthcare Marketers Trend Report, in 2013, it had a single major goal in mind: The aim was to get a better sense of the collective mind-set among higher-up healthcare marketers, especially within the context of sweeping changes that threatened to unsettle established practitioners and newbies alike. How were they adjusting their strategic and tactical approaches in the wake of the digital revolution? How were they tackling challenges old (the patent cliff, channel bloat) and new (freshly assertive payers, patient centricity and everything that comes with it)?

The first two iterations of the report revealed a sense of unease among marketers, a sense that the industry's sudden and ongoing transformation could render everything they knew about their business out of date. At the same time, they also suggested a resilience that, frankly, had never sat near the top of any list of the marketing industry's most durable characteristics. On the surface, the results were largely unremarkable — but if you delved deeper, you found a lot to be encouraged by and, indeed, like. Digital budgets were on the way up; would-be earthshaking events like the rollout of the Affordable Care Act had proved less an earthquake than a mild tremor.

Which brings us to the third edition of the trend report and the first since June 2014. Your super-glib headline? "Industry Rolls With the Changes." Many of the encouraging trends that emerged a few years back have continued and some — notably, and obviously, the increased focus on, and budgets for, digital programming — have surged.

This year's survey, fielded between late November 2015 and early January 2016 by *MM&M* in association with Guidemark Health, tapped 181 director-level-and-above execs, split among pharma (45% of respondents), biotech (21%), device (28%) and diagnostics (6%) companies (see The Respondents, p. 30). They were asked to weigh in on a broad range of issues — everything from the size of their budgets to their preferences vis-à-vis branded and unbranded programs to the intensity of their challenges and opportunities.

The number of C-suite execs who participated in the survey increased since the last go-round, from 25% of respondents in 2014 to 31% in 2016. Sixty percent of respondents came from companies with more than $500 million in revenue, while 41% said they were "solely responsible" for deployment of their company's marketing budgets. A majority of respondents (38%) noted that their budget covered a single brand, but 16% reported that they handled six brands or more.

In the following pages, we present the results of the 2016 *MM&M*/Guidemark Health Healthcare Marketers Trend Report, with comments from industry execs to add context.

BUDGETS AND AUDIENCES

The mean total marketing budget in 2015 slumped slightly, sliding to $11.9 million from $12.2 million a year ago, a 2.5% drop. Mean pharma budgets (down from $20 million to $19.4 million) and biotech budgets (from $11.9 million to $11.5 million) decreased too, though mean devices budgets jumped from $2 million in 2014 to $2.3 million in 2015.

Median total budgets saw a slight increase, from $1.8 million in 2014 to $2.2 million in 2015. A substantial outlier was the 95% increase in biotech median budgets, from $2.2 million to $4.3 million. (For the record: Comparisons of 2014 versus 2015 are based on reports from this year's survey respondents rather than on a comparison of this year's budget figures with the ones published in *MM&M*'s 2014 Healthcare Marketers Trend Report.)

So while survey respondents reported some small degree of change in their marketing budgets, it is not huge percentages — a blip upward here, a blip downward there. One respondent, InteloMed president and CEO Jill Schiaparelli, isn't surprised by the relative lack of movement.

"Big-picture-wise, I don't see [marketing] budgets shrinking. I see them being reallocated," she says. A former top exec with Johnson & Johnson, Schiaparelli says what has changed most is the decision-making calculus for pretty much every person in the healthcare world.

"That process has been diluted," she explains. "More than ever, there are lots of different decision-makers in the process. You've got clinicians, obviously, but you've also got nurses, administrators, payers, you name it. So you're seeing budgets that used to be [directed] at one audience get shifted to another."

Schiaparelli's theory makes sense in the context of the *MM&M*/Guidemark Health data on budget allocation with

THE RESPONDENTS

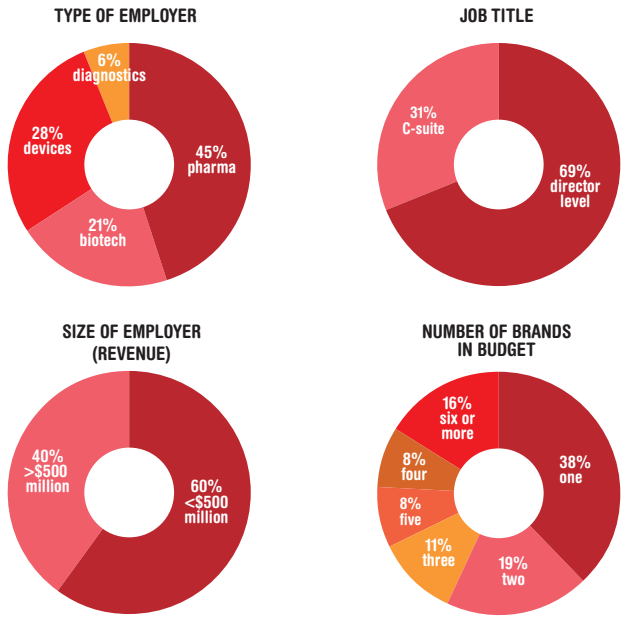


figure 1. **AVERAGE TOTAL ANNUAL MARKETING BUDGETS**

	MEAN ($ million)		MEDIAN ($ million)	
	2015	2014	2015	2014
All	$11.9	$12.2	$2.2	$1.8
Pharma	$19.4	$20.0	$5.6	$4.3
Biotech	$11.5	$11.9	$4.3	$2.2
Devices	$2.3	$2.0	$0.3	$0.3
<$500 million revenue	$3.3	$2.4	$0.7	$0.6
>$500 million revenue	$24.1	$26.0	$7.0	$7.0

regard to key audiences. At the same time, when asked about the importance of these audiences, the usual suspects continue to rank high. Physicians/specialists came out on top, with 93% of respondents ranking them in the top three and 62% ranking them first. Patients/consumers, perhaps a little surprisingly, seized the second spot (56% top three/15% first) ahead of payers/managed care (55%/9%). There was a falloff after the top three, with nurse practitioners/physician assistants (39%/2%), shareholders/investors (24%/9%), pharmacists (17%/3%) and NGOs/advocacy groups (16%/1%) lagging behind (see figure 3, Budget Shift, Branded vs. Unbranded).

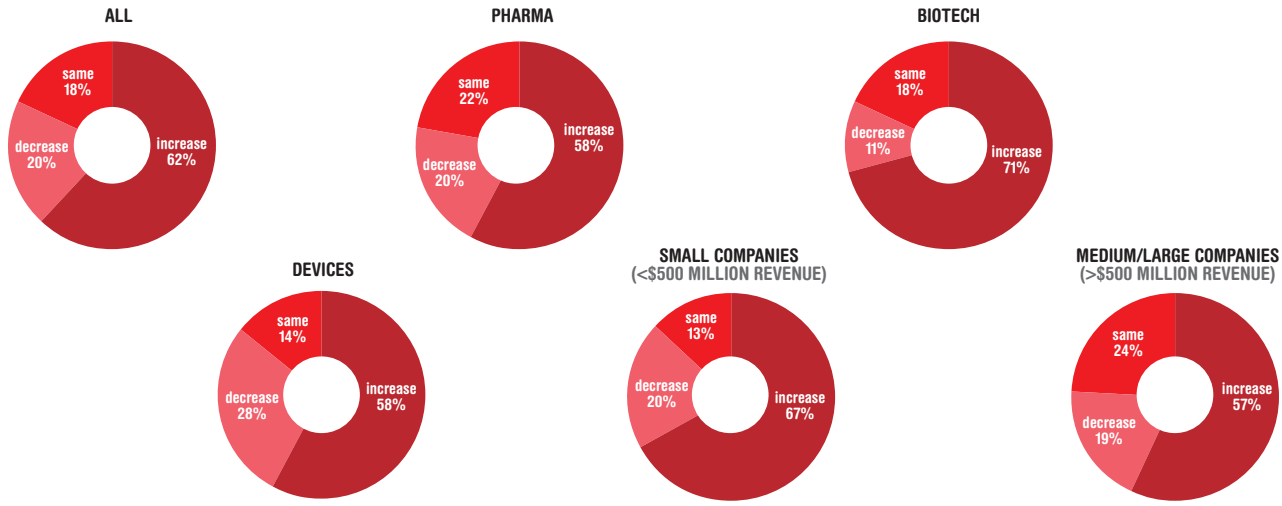
Budget allocations among these audiences didn't necessarily correlate with their perceived importance, however. Fifty-two percent of respondents reported an increase in their 2015 physician budgets against the year-ago period, but 40% reported a decrease. Even more pronounced disparities were revealed with payers/managed care (38% increase/51% decrease), nurse practitioners/physician assistants (23%/63%), NGOs/advocacy groups (25%/58%) and especially pharmacists (17%/69%) (see figure 4, Budget Shift by Audience).

Asked about these figures, Schiaparelli cautions against making snap judgments, especially in the absence of specific information about respondents' marketing priorities.

"Right now I'm focusing on dialysis clinics, which come in different flavors. Some are freestanding, some are part of 1,000-clinic groups," she says. "I find myself going to more nursing conferences — because if you don't get nurse buy-in, you're going to have problems no matter what the doctor has to say about it. When I was at J&J, my marketing goals were very different."

Equally interesting — and less challenging to pin down or explain — were the responses to a question

figure 2. **SHIFT IN TOTAL MARKETING BUDGET**



about budgets for branded and unbranded programs. As might be expected from an audience of marketing execs who ply their trade primarily in the U.S., branded budgets saw sharp increases over 2014 levels. Fifty-six percent of respondents noted that those budgets increased in 2015, while only 7% reported a decline. Unbranded budgets experienced no such spike: 31% of respondents said these budgets increased and 19% said they decreased (see figure 3, Budget Shift, Branded vs. Unbranded). The easy explanation for this? U.S.-oriented marketers do branded programs because they can. (For more detailed analysis, see Guidemark's Matt Brown on the Numbers, p. 33.)

TACTICS AND CHANNELS

Not that any results from the Healthcare Marketers Trend Report were preordained, but one was close: It was a safe bet that the trend toward a greater use of digital channels would continue. The so-called digital doctor isn't just a figment of some pharma marketer's imagination: Eighty-six percent of survey respondents said they used digital channels to reach HCPs during 2015, up from 82% in 2014. The use of websites (78% of respondents used them in 2015 versus 71% in 2014), digital sales materials (57%/46%), social media (51%/43%), digital ads (50%/44%) and mobile/tablet apps (40%/30%) to reach this coveted audience all surged (see figure 5a, HCP Marketing Tactics).

"News flash: Doctors like digital," deadpans Guidemark Health CEO Matt Brown.

Still, marketers targeting HCPs didn't exactly abandon their support of non-digital approaches. Eighty percent said they turned to meetings/events in 2015, the same percentage that did in 2014. In fact, at least 50% of respondents devoted significant attention to printed sales materials (64% used this channel in 2015), sales reps (64%), research/data/analytics (58%), patient-education materials (57%) and paid speaker programs (50%).

Even journal print ads — supposedly enjoying their eighth straight year on the pharma-marketing endangered species list — received a reasonable amount of play from survey respondents, with 48% using them in 2015. Twenty-six percent of respondents reported using them more in 2015 than in 2014; 32% said they use them less. Schiaparelli, however, says that the impact of journal ads may have been overstated when they were a go-to tactic for pharma and healthcare marketers — and that they pale beside the digital tactics currently surging in popularity.

"Journal advertising has never been cost-effective," she argues. "I've been doing this 20 years. Never once has a clinician told me that they were compelled to do something because they read it in a journal. For something like 'visit us at trade show X,' it's fine. But by and large, journal ads aren't compelling."

By way of comparison, Schiaparelli talks about her increasing satisfaction with digital events like

figure 3. **BUDGET SHIFT, BRANDED VS. UNBRANDED**

(% of respondents reporting shift)

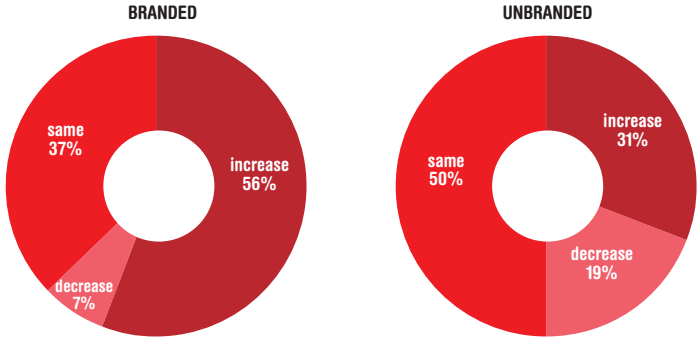
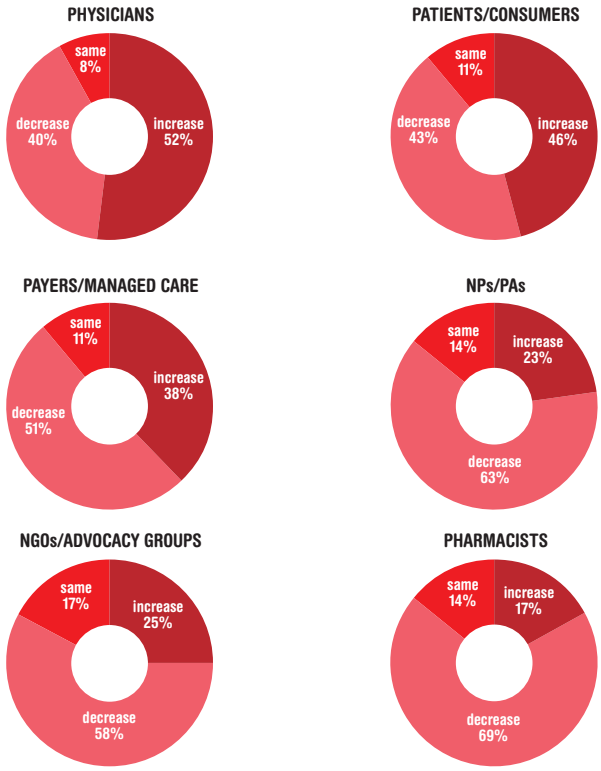


figure 4. **BUDGET SHIFT BY AUDIENCE**

(% of respondents reporting shift)



METHODOLOGY

- Survey link was sent in an email to approximately 12,964 healthcare professionals who reside in the U.S. Respondents were offered either a $25 or $50 gift card.
- A total of 181 healthcare professionals completed the online survey between November 25th and January 10th.
- Results are not weighted and are statistically tested at confidence levels of 90% and 95%.

*All data: *MM&M*/Guidemark Health Healthcare Marketers Trend Report 2016

figure 5a. HCP MARKETING TACTICS

	% using channel 2015	% using channel 2014	% reporting shift increase	% reporting shift decrease
Digital total	86	82	73	27
Websites	78	71	44	12
Digital sales materials	57	46	52	6
Social media	51	43	59	8
Digital ads	50	44	53	18
Mobile/tablet apps	40	30	53	5
Meetings/events	80	80	36	23
Printed sales materials	69	67	29	25
Sales representatives	64	61	45	16
Research/data/analytics	58	56	51	13
Patient education materials	57	54	42	9
Paid speaker programs	50	48	39	23
Journal print ads	48	49	26	32
Direct marketing/direct mail	47	44	37	24
Advocacy education programs	44	36	52	10
Continuing medical education	35	33	41	20
Point of care	29	27	36	17

figure 5b. CONSUMER MARKETING TACTICS

	% using channel 2015	% using channel 2014	% reporting shift increase	% reporting shift decrease
Net: traditional advertising	40	38	18	17
Net: digital	76	72	52	13
Websites	66	67	38	10
Social media	49	39	69	7
Research/data/analytics	45	46	49	10
Public relations (earned media)	41	43	39	23
Advocacy education programs	37	32	51	11
Digital ads	35	32	54	18
Direct marketing/direct mail	35	34	33	23
Print ads	34	33	30	28
Mobile/tablet apps	31	24	57	5
TV	18	17	39	24
Radio	10	12	22	43
Outdoors	6	4	42	17

figure 5c. PAYER MARKETING TACTICS

	% using channel 2015	% using channel 2014	% reporting shift increase	% reporting shift decrease
Market research and advisory engagements	56	48	49	10
Discounts and rebates	46	40	41	7
Value communications*	45	38	52	11
Conventions and non-personal promotion	44	41	28	13
Co-pay support	40	37	54	8
Reimbursement support staff and programs	38	33	49	11
Regional and field force pull-through programs	35	28	48	3
Disease management programs	23	23	33	27

*includes publications, economic tools, and calculators

webcasts. "You get a much better return. You can count how many people attended and then you can benefit from the information they gave you when they signed up."

She believes that as such tactics evolve, however, the current one-size-fits-all model needs to be further refined. "When we do a webinar and invite a bunch of people, we get mixed results — they get on, they get off," she explains. "When I make it more exclusive — saying there are only so many slots, ask people to do some pre-reading, make it invitation only, it works much better. Make it clear that certain people are being courted."

FOCUSING ON THE CONSUMER

When it comes to consumer marketing tactics (see figure 5b, Consumer Marketing Tactics), digital is similarly surging. Seventy-six percent of respondents said they used digital channels to reach consumers in 2015, up from 72% in 2014. By comparison, 40% of respondents reported using traditional advertising to reach consumers in 2015. While that percentage is up two points from 2014, the bottom line is that the gap between digital and traditional continues to widen.

For the first time, the Healthcare Marketers Trend Report asked respondents about payer marketing tactics (see figure 5c, Payer Marketing Tactics). The results were less than remarkable. Market research and advisory engagements (used by 56% of respondents in 2015) proved most popular, trailed by discounts and rebates (46%), value communications like publications and economic tools (45%), and conventions/non-personal promotion (44%).

The one place where the increasing digital dominance wasn't reflected was in the data about channel marketing mix (see figure 6, Marketing Mix by Channels). Respondents devoted the greatest percentage of their marketing budgets — 13.7% — to professional meetings/conferences. Sales reps sponged up 13.3% of budgets, sales materials 10.3%, and content/materials development 9.8%. Digital channels lagged behind: Respondents assigned 8.8% of their budgets to websites/microsites, 4.5% to paid digital advertising (versus 7.4% to print/TV/radio ads), and 4.0% to social media.

The obvious explanations? That it costs a whole lot less to create a website than it does to stage a major-league industry get-together and that digital ad rates are much lower than traditional ones. Look for the latter to become more expensive, but not to catch up with anytime soon, traditional marketing costs, although our findings show that digital continues to rise. Twenty-seven percent of respondents increased the amount of budget devoted to paid digital ads in 2015, while only 16% increased the amount devoted to paid traditional ads (and 13% decreased their budget allocations there).

While the pharma and healthcare industries have notoriously been reluctant to share specific details

Guidemark's Matt Brown on the Numbers

When Guidemark Health CEO Matt Brown looks at the results of our 2016 Healthcare Marketers Trend Report, several numbers jump out at him — but none more so than the nearly 60% of respondents carping about smaller launch budgets.

He finds it interesting — ironic, even — that no matter how many dollars healthcare and pharma marketers have at their disposal, they're still hoping to assign more of them to launch campaigns. Yet he isn't entirely surprised by the finding.

"It used to be that clients would throw a ton of money at these launches," he explains. "There would be a significant amount of spend at their disposal to blow these launches out, so to speak. Now you have a lot of products that are sort of me-toos. It's a different financial environment."

That's why, Brown believes, marketing dollars allotted for big-bang launches are harder to come by than they were in years past. "Companies are dialing down their launches, clearly, but once they see sales they're dialing them back up," he continues. "It used to be, 'Enjoy all the money now, because after launch you'll see that budget cut in half.' Now it's the opposite. Once a brand has some traction, in year two or three you see more budget put behind it. That's something that hadn't happened until recently."

Surveying other report findings, Brown takes similar note of the discrepancy between 2015 budgets for branded communications and unbranded ones. Fifty-six percent of respondents reported that their branded-communications budget went up in 2015; for 7% it decreased; 37%, it was flat. By contrast, only 31% of respondents reported an increase in their unbranded-communications budget; 19% noted a decrease and 50% said it stayed the same.

He attributes this, in large part, to DTC pharma bans in pretty much every country not named the United States. "Globally, you're seeing a lot more unbranded campaigns," he explains. "In most of the world, there's no DTC and so many restrictions around [pharma] marketing, so they do unbranded by default."

Brown believes many brands and organizations could benefit from going the unbranded route in the U.S. "With fewer blockbuster drugs, you have less differentiation — and that's where unbranded can take off," he says.

But he also understands why branded communications dominate the U.S. market. "Companies do branded here because they can. In their mind, putting money into branded campaigns works," Brown shrugs. "With an unbranded campaign, fairly or not, it's harder to tie the investment back to product sales. Marketers still believe they can tie [investments in branded campaigns] more directly to sales."

To Brown, this is "a bit of a shame." He thinks unbranded communications can, and should, play a big role in the postblockbuster era. "A lot of categories really need unbranded. They need the education you get with it," he says. "You can redefine a category and create engaged customers — then, later, you can attempt to give them a branded solution. Here in the U.S., it seems like some people are intent on banging [patients] over their heads with brands."

figure 6. MARKETING MIX BY CHANNELS

	% of budget	% reporting budget shift increase	% reporting budget shift decrease
Professional meetings/conferences	13.7	25	14
Sales representatives	13.3	22	9
Sales materials	10.3	23	13
Content/materials development	9.8	30	13
Websites/microsites	8.8	27	12
Paid traditional advertising (print/TV/radio)	7.4	16	13
Direct marketing	6.8	19	8
Public relations (earned media)	4.6	20	11
Paid digital advertising	4.5	27	9
Search engine optimization/marketing	4.5	28	11
Advocacy relations	4.2	25	8
Social media	4.0	28	6
Video	3.4	19	10
Point of care	2.0	10	6

figure 7. APPROACHES TO SOURCING MARKETING PARTNERS

	% using approach All	% using approach <$500 million revenue	% using approach >$500 million revenue
Recommendations from others	63	67	56
Industry relationships	62	75	42
Inviting existing partners to pitch new work	57	53	67
My company's preferred-partner lists	48	31	77
Consulting reference sources*	31	33	30
My company's procurement services	27	17	45

**The PMD, MM&M's Agency Issue*

figure 8. AUDIENCE RANKED BY PERCEIVED IMPORTANCE

	% Ranked Top Three	% Ranked First
Physicians/specialists	93	62
Patients/consumers	56	15
Payers/managed care	55	9
Nurse practitioners/physician assistants	39	2
Shareholders/investors	24	9
Pharmacists	17	3
NGOs/advocacy groups	16	1

figure 9a. **PERCEIVED CHALLENGES**

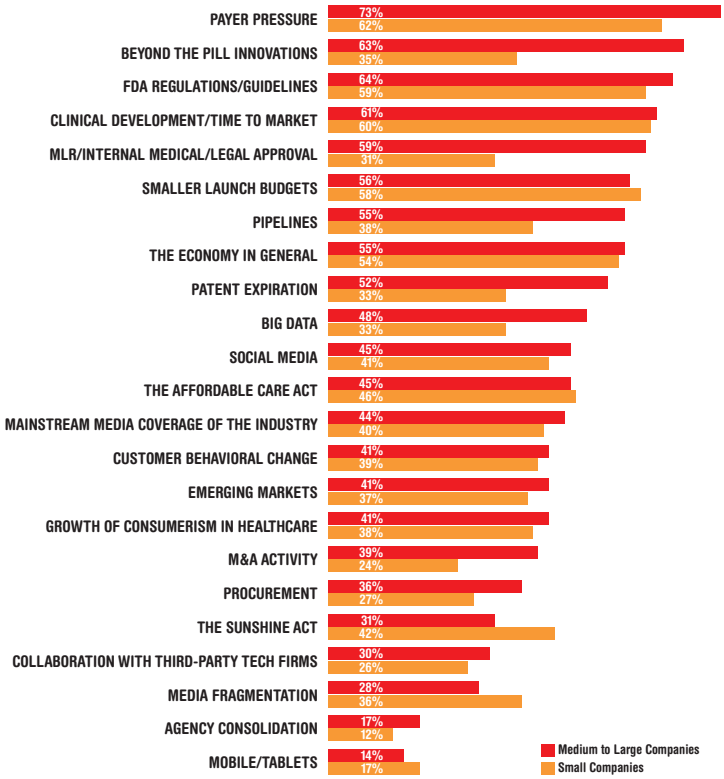
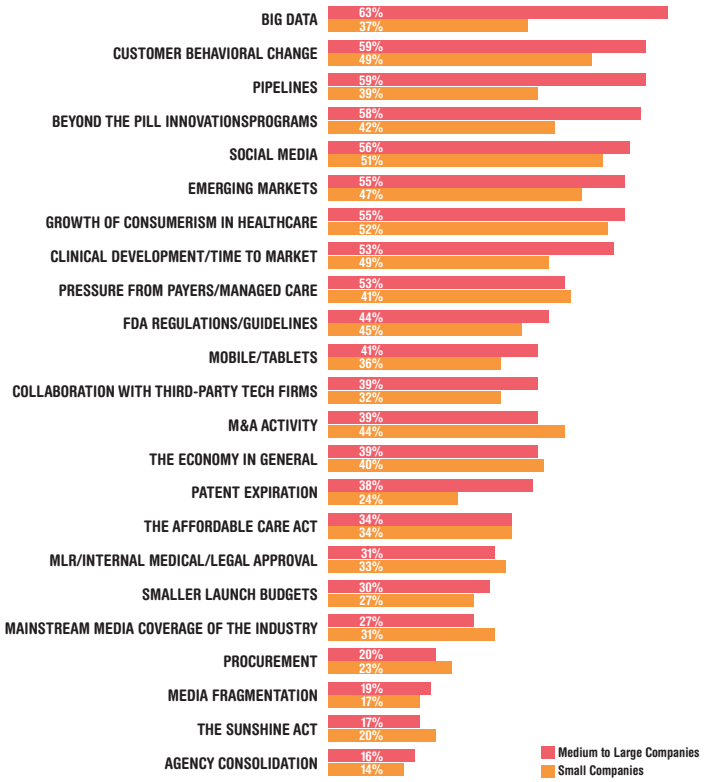


figure 9b. **PERCEIVED OPPORTUNITIES**



about their marketing programs — both the effective ones and the stinkers — executives have always been willing to speak freely about the challenges confronting them. That holds double for the top challenge identified by this year's survey respondents, the intensifying pressure from payers/managed care (see figure 9a, Perceived Challenges). Seventy-three percent acknowledged feeling this pressure, making it the top concern among execs from companies medium or big (with more than $500 million in revenue) and small (less than $500 million in revenue).

This was to be expected, especially in the wake of the very public pharma–payer contretemps over the pricing of hep.-C drugs and PCSK-9s. What's slightly surprising is that, despite feeling payer-related strains, 51% of respondents reported decreasing the amount of budget allocated to payers/managed care audiences. No one is suggesting that the best way to solve a problem is to throw money at it indiscriminately, but one wouldn't think that decreasing budget devoted to an area of intensifying concern makes a lot of sense.

CHALLENGES AND OPPORTUNITIES

The other challenges respondents reported mostly fell in line with expectations. After payer–managed care pressures, the most-reported challenges were delivering innovative beyond-the-pill programs (66% of respondents from companies with more than $500 million in revenue, 35% of respondents from companies with less than $500 million), FDA regulations/guidelines (64%/59%), clinical development/time to market (61%/60%), MLR/internal medical/legal approval (59%/31%), and smaller launch budgets (56%/58%).

If there was any surprise in the challenge data, it's that media fragmentation was only cited by 28% of respondents from big and midsize companies and 36% of respondents from respondents from small ones. And a slightly greater percentage of respondents pointed to the economy in general as a challenge (55% big–midsize companies/54% small companies) than they did the last time *MM&M* surveyed healthcare marketers (52%/57.5%); this ranks as a surprise because, by most measures, the economy was stronger at the dawn of 2016 than it was in early 2014.

As for opportunity potential, a few likely areas topped the list for respondents from firms with greater than $500 million in revenue (see figure 9b, Perceived Opportunities). Big data was cited by 63% of respondents, customer behavioral change by 59%, pipelines by 59%, delivering innovative beyond-the-pill programs by 58%, and social media by 56%. Neither big data (37%) nor pipelines (39%) ranked among the top 10 opportunities cited by respondents from small companies, who sense more promise in social media (51%) and M&A activity (44%). ■