

Healthcare Marketers Trend Report **2013**

A benchmark study of the shifting budgets,
challenges, opportunities and perspectives
of an industry undergoing transformation

MIM&M

MEDICAL MARKETING & MEDIA

Agilvy **CommonHealth**
Worldwide

The BIG Shift

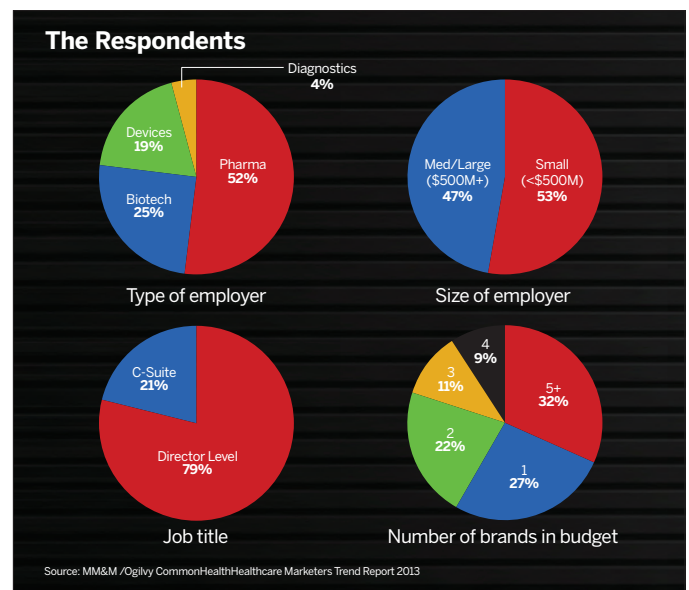
Don't be fooled by flat overall spend. Big changes are happening right below the surface. **James Chase** discusses some key insights from this exciting new study with six industry marketing execs

There's no question that the healthcare sector is in transition. For the past few years, a well-documented "perfect storm" of converging pressures of trends and events—such as the patent cliff, regulatory scrutiny, pipeline issues, healthcare reform, digital evolution, patient empowerment, the economy—has pounded the industry with maximum force. And drug manufacturers are bearing the brunt.

"The era of Big Pharma, and marketing the magic of a pill, is gone," says Kate Cronin, global managing director at Ogilvy CommonHealth PR. "Now it's about everything that surrounds a pill, including services, disease awareness, education and prevention."

As a result, companies have been forced into changing the way they develop products, the way they do business and the way they interact with customers. These changes are already manifesting themselves into the marketing functions, as companies begin shifting priorities, retooling resources and reallocating investment between brands, channels, tactics and audiences.

The objective of the MM&M/Ogilvy CommonHealth Healthcare Marketers Trends Report is to measure these changes, to tap into the mindset of the healthcare marketing director as well as



documenting the industry's journey through this perfect storm.

For the inaugural study, we fielded an online survey of 200 qualified senior executives—director level and above—employed at pharma, biotech, devices and diagnostics companies, requesting details of marketing budgets and various attitudes towards industry challenges, trends and opportunities. Just over half of respondents were from pharma, with 25% representing biotech and 19% devices.

One in five were C-suite execs (almost half of these were presidents/CEOs) and the remainder director level or equivalent. Around half were employed by companies with less than \$500M in annual revenues. One in four had sole responsibility for marketing budgets (one in three for biotech), and the number of brands for which respondents were responsible varied from just one (27%) or two (22%) to “10 or more” (12%).

The results reveal that while overall marketing budgets remain fairly flat this year, there has been significant movement between the tactical buckets—namely an increase in digital spend at the expense of some of the more traditional channels. There is also evidence of some withdrawal from unbranded communication.

In terms of their biggest challenges, marketers are concerned about the effects of FDA regulations and pressure from payers, while looking ahead they overwhelmingly agree that the industry has to transform itself in order to remain viable and competitive.

Fig. 1: Average Total Marketing Budgets

(n=117)

	Mean (\$M)		Median (\$M)	
	2013	2012	2013	2012
All	16.8	17.6	3.2	2.4
Pharma	23.0	24.8	4.5	4.0
Biotech	7.7	7.3	2.7	2.2
Devices	14.4	14.6	0.6	0.8
Small (<\$500M)	3.8	3.6	1.2	0.9
Med/Large (=> \$500M)	31.6	33.5	9.0	8.8

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Marketing Budgets

The mean average total marketing budget in 2013 (Fig. 1) fell slightly from \$17.6M to \$16.8M for all companies, with pharma and devices both down slightly, but with biotech showing a marginal gain. Interestingly, small companies (<\$500M) showed a gain in mean total budget, while medium/large companies (\$500M+) posted a loss.

However, the median average budget tells another story, rising from \$2.4M to \$3.2M overall, with pharma up from \$4.0M to \$4.5M and biotech up from \$2.2M to \$2.7M.

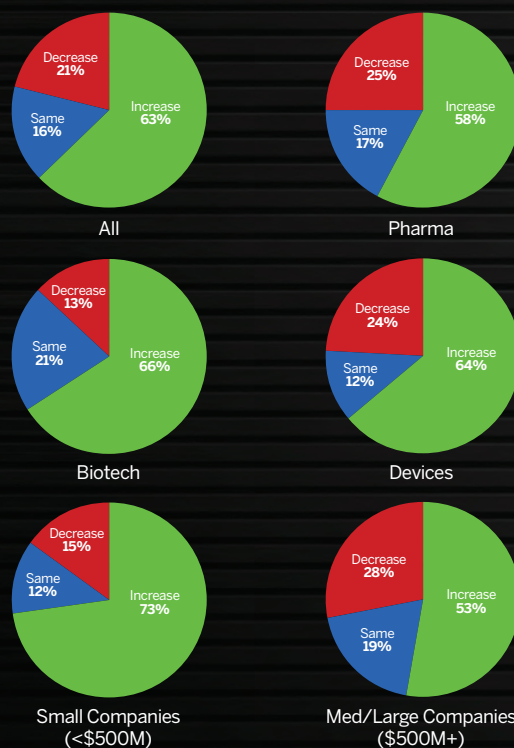
With the mean and median heading in different directions, it is likely that we are seeing the result of a handful of big-ticket brands having gone off-patent, which has changed the shape of the budget distribution curve. This is backed up by the fact that almost two-thirds of respondents reported an increase in marketing budgets this year (Fig. 2), with just one in five reporting a decrease. Size of organization again seems to play a significant role, with 73% of small companies posting an increase in budgets versus 53% of Medium/Large companies. Similarly, 28% of Medium/Large companies reported a decrease, versus just 15% of small companies.

Overall, marketing directors allocated around 75% of their total budget to healthcare professionals and 25% to the consumer space. Broken down by specific audiences, Physicians scored highest, with 40% of respondents reporting an increase versus just 12% reporting a decrease (Fig. 3). Patients fared next best (36% reported an

Fig. 2: Shift in Total Marketing Budget, 2013

% of respondents reporting shift

(n =119)



Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

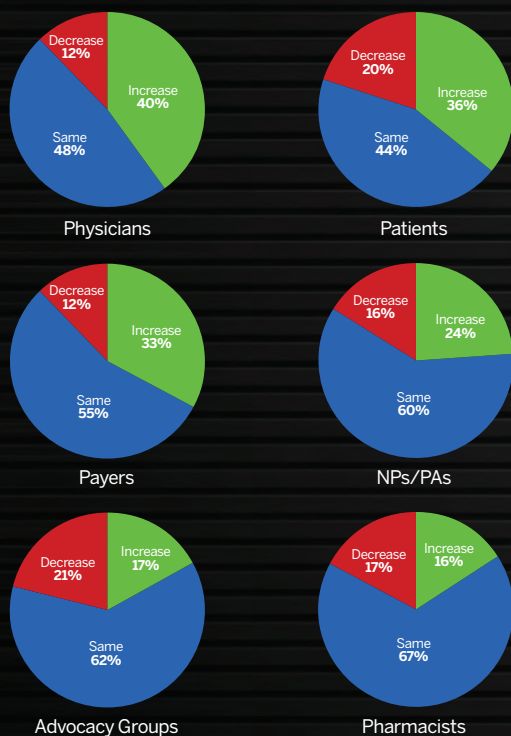
increase) followed by Payers (33%) and NPs/PAs (24%). Advocacy Groups and Pharmacists saw little increased investment.

“You hear a lot of talk about such as, ‘It’s all about the consumer’ or ‘It’s all about payers’” says Mike Luby, founder, president and CEO at BioPharma Alliance. “Well these guys are saying that, really, it’s much more about the physician than either of those other two.”

Steven Walker, director, cross-franchise initiatives and marketing strategy at MedImmune, is not surprised at this either, but expects to see a growing focus on NPs and PAs. “People are realizing that there is a different educational need for that group of professional, there’s different targeting that has to happen and a different language that needs to be spoken,” he says. “When the Affordable Care Act (ACA) comes online in 2014, with the lack of supply of primary care physicians, you’re going to see other HCPs having to step up to fill the void. Over the next five years I could envision seeing that group jump up to first or second place.”

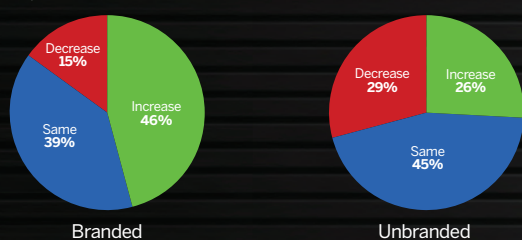
Luby agrees with that statement. “Consider the spending on samples, copay cards and patient support programs,” he says. “Those are all things that non-physician staff members on the front line

Fig. 3: Budget Shift by Audience
% of respondents reporting shift
(n=200)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Fig. 4: Budget Shift, Branded vs. Unbranded
% of respondents reporting shift
(n=200)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

handle. That’s an opportunity that the industry could tap into more. But they don’t get shown a lot of love here.”

Luby also sees an opportunity in reaching out to the pharmacist. “They don’t want to be in a brand advocacy position, choose A over B. But where they could play an enormous role is in adherence. They are right there, they are handing you the Rx.”

Branded trumps unbranded

Branded communications seem to be winning over Unbranded this year, with 46% of marketers reporting increased Branded budgets, and just 15% reporting decreases (Fig. 4). However, only 26% report-

ed increases in Unbranded spending, while 29% reported decreases.

“This says you put your money where you see bang for the buck,” says Luby. “More pharma companies are realizing that, like a lot of the scattershot DTC, it’s not the most efficient thing. In tough times, when you have to make choices, unbranded is giving way to branded.”

Michael Fath, senior director, global marketing, pulmonology and thrombolysis, Grifols, endorses that view. “When times are flush, you look for lots of creative ways to expand the market, and unbranded work often falls into that category, but when times are a bit tighter, you rally around the brand focus on the core message. You’re going to give up dollars for unbranded campaigns, generally speaking, before you give up dollars for branded campaigns.”

Despite the increased focus on digital channels (which we’ll get to in a moment) the overall marketing mix (Fig. 5) still has, at first glance, a rather traditional look to it—the largest buckets are Meetings/Conferences (18%), Direct Marketing (14%) and Print/TV/Radio (14%). With 75% of budgets being allocated to HCP audiences, traditional vehicles still feature prominently. Digital Ads (10%) and Websites (9%) are not far behind, though. Social Media clocks in at 4%.

But if you look at which budgets had the most increases, digital wins out; 35% of marketers reported increase in Digital Ad spend, followed by Social Media (31%) and Websites (29%).

Fath plays devil’s advocate: “We have a very small budget focused on these areas,” he says. “To say it increased, say, from \$100K to

Fig. 5: Marketing Mix by Channels
(n=200)

	% of Budget		% Reporting Budget Shift in 2013	
	2012		Increase	Decrease
Meetings/Conferences	18		24	22
Direct Marketing	14		25	9
Print/TV/Radio Ads	14		14	19
Content development	13		22	11
Digital Ads	10		35	8
Websites	9		29	7
Public Relations	7		17	11
Advocacy Relations	5		18	10
SEO Marketing	4		19	4
Social Media	4		31	4

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

\$150K—‘wow, a 50% increase’—but if your promotional budget beyond that is, say, \$5M... well it’s still small potatoes.”

Walker still sees this as a positive. “Digital channels are emerging channels,” he says. “Traditionally they have either been underfunded or not funded at all. There’s a heightened realization that these are emerging ways in which we need to engage our customers, whether that’s physicians or patients, and the investment is worth it.”

The prevalence of different marketing tactics tells a similar story about the emergence of digital. Looking first at the Healthcare Professional audience (Fig. 6a), 60% of all marketers reported a budget for Digital Sales Materials (vs. 49% in 2012) and 53% reported

Fig. 6a: HCP Marketing Tactics

(n=200)

	% Using Channel		% Users Reporting Budget Shift in 2013	
	2013	2012	Increase	Decrease
Meetings/Events	84	84	31	29
Printed Sales Materials	76	76	21	35
Websites	74	73	38	12
Research/Data/Analytics	70	71	42	17
Direct Marketing	67	66	35	28
Patient Education Materials	62	58	45	13
Digital Sales Materials	60	49	68	10
Journal Print Ads	60	60	21	34
Mobile/Tablet Apps	53	35	72	5
Digital Ads	52	47	58	17
Advocacy Programs	52	46	40	16
Social Media	50	37	70	7
CME	41	42	43	29

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

spend on Mobile/Tablet Apps (vs. 35%). Meanwhile another 52% reported investment in Digital Ads (vs. 47%) and 50% in Social Media (vs. 37%).

Of those investing in Mobile/Tablet Apps, 72% reported an increase this year, with just 5% reporting a decrease. Similarly, of those with Social Media budgets, 70% reported increases, while only 7% decreased spending. Digital Sales Materials (68% increased, 10% decreased), Digital Ads (57%, 17%) and Websites (38%, 12%) all showed far more upswings than downswings.

On the other side of the coin, 35% reported reducing spending in Printed Sales Materials, with similar stories for Journal Print Ads (34%) and Meetings/Events (29%).

“You’re seeing more reps with tablets in their hands,” says Luby,

“so there’s some movement around what’s been a pretty static model.”

Michael Huiras, director of global marketing at Ibis Biosciences, Abbott’s diagnostics unit, sees a huge benefit to using iPads. “If you can do something instantaneously in front of a customer,” he says, “regardless of the stakeholder, it’s much more impactful.”

A marketing director for a pharma company specializing in women’s health agrees. “Having a product with a complicated MOA, having that technology there... well, pharma is geared towards that kind of selling.”

But you have to get internal approval first. “You have to get your MLR group to go along with it,” says Fath. “They’re used to seeing pages, but when you start to say ‘Let’s do an algorithm’ or ‘Let’s let [physicians] choose their own adventure,’ they get a lot more heartburn.”

Fig. 6b: Consumer Marketing Tactics

(n=200)

	% Using Channel		% Users Reporting Budget Shift in 2013	
	2013	2012	Increase	Decrease
Websites	67	65	49	13
Social Media	50	37	74	7
Research/Data/Analytics	46	44	47	16
Public Relations	45	45	39	15
Advocacy Programs	45	38	50	14
Print Ads	42	43	20	35
Digital Ads	42	36	64	16
Direct Marketing	35	36	40	32
Mobile/Tablet Apps	31	18	83	13
TV	19	15	45	30
Radio	10	9	35	35
Outdoors	7	8	17	44

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Big changes, bigger opportunities



Over the last decade, many industries have gone through major shifts to remain competitive in an ever-changing economic environment, and the healthcare industry is no different. Turned on its head by patent expirations, challenged pipelines, clinical development outsourcing, FDA regulations and healthcare reform, the majority of healthcare industry executives we interviewed agreed that the “industry will need to

change its business model to remain viable in the future.”

This new model is taking a page from the growth in outsourcing, with eight in 10 executives reporting that “much like trends in the utilization of CROs, healthcare companies will continue to look for ways to optimize resources and profitability.” Many find that the rapidly transforming healthcare landscape has driven the consolidation of marketing services, with seven in ten executives reporting that “marketing service companies must integrate their offerings and become more dynamic to serve the changing needs of the healthcare industry.”

While this transition and integration will take time, “greater consultation and collaboration across the marketing service spectrum” will be the cost of entry for agencies moving forward, with six in 10 executives reporting that “agencies that offer integrated services, including Advertising and Public Relations, will be in greater demand in the future.” Significant opportunities that have arisen through clinical development, Big Data, emerging markets and the digital realm have fostered an expectation in the healthcare industry for a more nimble and cross-functional partner in marketing services.

More than half of executives expect their company to consolidate its marketing services under fewer agencies in the future. This expectation may be fueled by a heightened need for efficiency and innovation, with many executives reporting that “healthcare companies are consolidating marketing services to ensure expedited access to expertise.” With half of all executives reporting being satisfied with the varied marketing service agencies with which they work, room exists for greater collaboration and innovation in the industry.

Kate Cronin, Global Managing Director, Ogilvy CommonHealth Public Relations

A similar digital push emerges with Consumer tactics (Fig. 6b), with 50% of all marketers using consumer Social Media channels (vs. 37% in 2012) and 31% of them investing in Mobile/Tablet Apps (vs. 18% in 2012). Of those Mobile/Tablet spenders, a whopping 83% reported having larger budgets this year, while only 13% of them decreased spending in this area. It is the same story for Social Media (74% increased, 7% decrease) and Digital Ads (64%, 16%). Advocacy Programs also showed a promising number of increases and few decreases (50%, 14%). The biggest losers were Print Ads and Radio, with 35% of users reporting budget reductions for each.

“The number of growing social media budgets is interesting,” notes Walker. “It’s not a very well defined area in healthcare – there is no historical precedent or benchmark for what good looks like – but it’s an emerging area in which we all need to have a footprint. We need to dedicate a little more time to understanding the opportunities and driving the market opportunities, even if it’s not clearly identified how we need to play there.”

Again, the regulatory environment poses a huge challenge. “How do you put a med-reg-approved piece on Facebook? It’s frightfully difficult,” says Fath. “It’s hard to be cutting-edge in the regulated pharmaceutical industry.”

Approval is a non-starter at the specialist women’s therapy company. “Our company has a very, very conservative med legal department – the most conservative I’ve ever worked with,” says the marketing director. “I know that we will not be allowed to move forward with anything on social media until there is a definitive guideline.”

Findings Partners

Our marketing directors use a variety of methods for sourcing and hiring marketing partners, agencies, vendors and suppliers (Fig. 7). Overall, Recommendations ranked first, used by 61% of respondents, followed by Inviting Existing Partners to Pitch (54%) and Industry Relationships (54%), Preferred Partner Lists (51%) and then Procurement Services (33%). However, if you break this out by size of organization, there are some startling differences: Just 10% of Small Companies use Procurement versus 54% of Medium/Large Companies. Similarly, while only 28% of Small Companies follow Preferred Partner lists, 73% of Medium/Large Companies source partners in this way.

“I do think the procurement pendulum has swung a little too far in the big companies,” says Luby. “To me, you see a lot of the more

Fig. 7: Approaches to Sourcing Marketing Partners
(n=200)

	% Using Approach		
	All	Small Cos. (<\$500M)	Med/Large Cos (\$500M+)
Recommendations	61	77	52
Invite Existing Partners	54	52	60
Industry Relationships	54	64	49
Preferred Partner Lists	51	28	73
Procurement Services	33	10	54

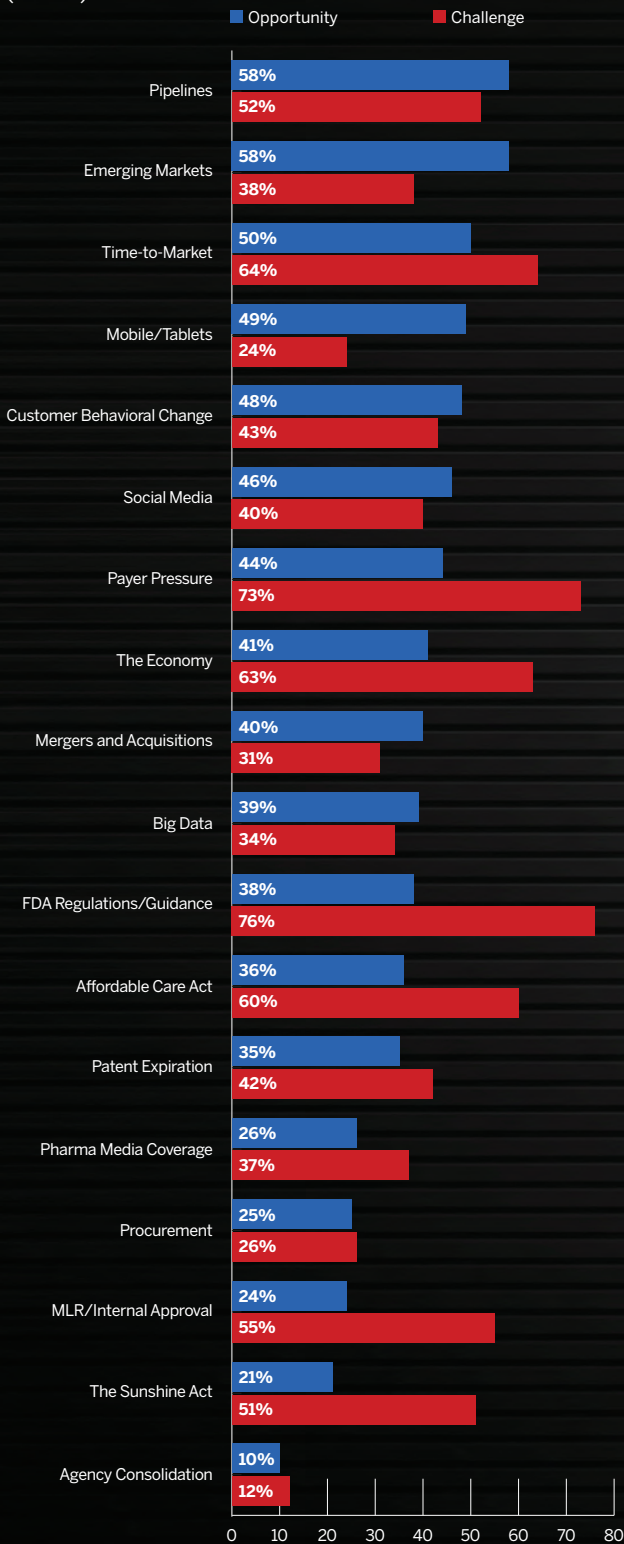
Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Fig. 8: Audience Ranked by Perceived Importance
(n=200)

	Ranked Top 3	Ranked #1
Physicians	92	64
Patients	56	16
Payers	56	7
NPs/PAs	38	1
Pharmacists	23	3
Shareholders	21	8
Advocacy Grps	16	2

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Fig. 9: Perceived Challenges & Opportunities
(n=200)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

innovative stuff in the smaller companies, so you have to ask: ‘Is procurement inhibiting innovation?’ But when you’re running a behemoth, you’ve got to have some sort of control.”

Perception and Opinion

Respondents were asked to rank seven healthcare audiences in order of perceived importance to them and their organizations, regardless of their actual budget allocation to those audiences (Fig. 8). Overwhelmingly, Physicians was the number one choice cited, ranked first place by 64% of marketing directors and ranked in the top three by 92%. Staying with the “top three” result, Patients and Payers (both 56%) shared the second spot, followed by NPs/PAs (38%).

We then asked respondents to look at 17 different pressures, trends and events affecting the industry and instructed them to give each one a grade according to what they perceive to be its level of challenge, and another grade for its perceived opportunity (Fig. 9). Pipelines and Emerging Markets emerged as the biggest perceived opportunities, with 58% scoring each in the top two grades. Mobile/Tablets and Social Media also did reasonably well, in fourth and fifth places, respectively. Conversely, FDA Regulations/Guidance (76%) and Payer Pressure (73%) were rated as the greatest industry challenges.

“I feel for the regulators, but I think they’re forced to work with obsolete guidelines and guidance,” says Fath. “A risk-averse approach has been instilled into the FDA, and as long as that’s the approach that they’re judged by—zero risk and zero tolerance—then it’s going to be a very difficult pass.”

According to the women’s health marketing director, the regulations get stricter every year. “I think we have a good product but it almost seems sometimes like you’re being penalized for promoting something that has a long history of safety and efficacy because of various restrictions and guidelines.”

Although Payer Pressure was also scored as a big challenge, not everyone agrees. “Pressure from payers is exactly what I want,” says Huiras, whose companion diagnostic product, which launches next year, has the potential to save the healthcare system money. “It will help us, no question.”

Walker believes it depends which side of the coin you are on. “If you feel that you have a better clinical proposition and associated pharmacoeconomic data,” he says. “Then you’re good, and managed care can play to your strengths.”

One force that, perhaps surprisingly, was not deemed by respondents to be an overwhelming challenge was the Sunshine Act. “It’s a bit of a headache, it’s outside of the normal processes of doing business and managing things,” says Walker. “Then there’s the challenge of how physicians may respond to this and does that change our level of access and interaction with these healthcare professionals?”

According to Huiras, it’s no big deal these days. “In this environment, and the examples and pain we’ve gone through,” he says, “we have a fair bit of investment in compliance and monitoring and things like automating our expense and tracking system. So we’re just learning to live with it.”

Interestingly, the Affordable Care Act was rated as way more of a nuisance than an opportunity. “If you’re a big player with a big product, I think the price that you lose is going to be more than the patients you gain,” says Fath. “But the companies that play in the

Fig. 10: The Future of the Industry



Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2013

Methodology

- Survey link was sent by email to approximately 10,221 healthcare marketing executives—director level and above—who reside in the United States and are employed in the pharmaceutical, biotechnology, medical device and diagnostics industries. Respondents were offered an array of incentives, including: a drawing for one of three \$250 gift cards, \$50 AmEx gift card or an opportunity to donate \$50 to either the American Cancer Society or the American Diabetes Association.
- A total of 200 responses were collected between April 8 and April 27.
- Results are not weighted and are statistically tested at confidence levels of 90% and 95%.

very high price categories and the orphan categories... I see that as an upside. The removal of the lifetime cap is a huge opportunity to allow patients with rare diseases to continue therapy without a deadline in front of them."

Fath doesn't see Accountable Care Organizations (ACOs) as causing too many problems on the pharma side. "I see ACOs being more of an issue with the delivery of care, the hospital costs, the surgical costs," he says. "I think they have bigger fish to fry."

Industry outlook: more change ahead

Finally, respondents were asked to rate how strongly they agreed or disagreed with various statements pertaining to the future of the industry.

At the top of the pile 86% agreed or strongly agreed that "The healthcare industry will need to change its business model to remain viable in the future." Other popular statements included, "Digital media has forever changed the way the healthcare industry needs to communicate and engage with its constituents" and "The healthcare industry will quickly need to become more nimble to remain competitive in the current business landscape."

Respondents seem to agree that more change is required if the industry is going to survive. Does this mean that the era of Big Pharma over?

"Yes, but I think you're going to see the emergence of big biotech or big biopharma," says Walker. "The operating model is shifting and evolving to be more inclusive of large molecule, personal medicine and innovative delivery devices."

Fath agrees that it will be more of a shift than a disappearance. "I don't think it's over, it's just going to evolve like it always does," he says. "There's still going to be big companies that can leverage R&D and you need scale to do R&D. There's still value to be gleaned from multinational companies that can drive good R&D and come out with a good product."

Fath is pleased that 61% of marketing directors think manufacturers could be doing more to put patients first. "Patients are ultimately our biggest partners," he says. "Patients want effective therapy, we want to deliver it to them ... and so the more we can collaborate with patients, the more success we'll have in the industry. In communities like cystic fibrosis or hemophilia, where it's a chronic disease, lifelong, genetic... you really feel a close relationship with your patient. Providing care to that patient base is much more than just marketing. It's a commitment."

Cronin believes the industry could sometimes communicate in more patient-friendly tones. "Pharma companies are being held accountable on their spend, and on demonstrating ROI," she says, "but they also need to be showing—in the way they speak, in the way they use the different platforms—they need to show a human side, speak in an audience language and learn how to engage with different customers in a more gratifying way for their stakeholders. It's about going beyond a product and building a long-term relationship with their customers. I know they know this, but the partners that they work with need to understand that it's not about what you build, it's how you're developing the content and reaching out to your customers.

"Pharma has spent the past 20 years defending why it should charge what it charges for products. Now they need to spend 20 years showing customers that they understand them and that they are giving them what they need." ■