



Healthcare Marketers Trend Report **2014**

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

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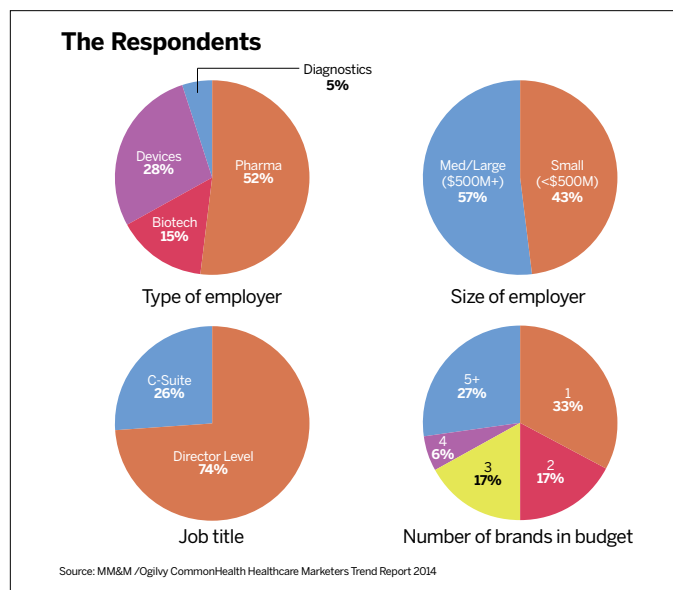
TURNING TIDES

One year on from the inaugural Healthcare Marketers Trend Report and the industry is continuing its transformation. Our exclusive survey of director-level execs benchmarks the manifestation of change on the healthcare marketing function. **James Chase** reviews the key trends

Exactly one year ago, the inaugural *MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report* drove a stake into the ground to begin measuring some of the fundamental changes that are taking place in the industry. In essence, the purpose of this study is to tap into the mindset of the healthcare marketing director and document the industry’s journey through the perfect storm.

We called last year’s report “The Big Shift”—after all, the coming transformation would eventually encompass not only products, functions, budgets and resources, but also shifts in mindset and it might even necessitate a willingness to take a bit of a risk here and there. Big? Yes. Fast? Of course not. Measuring the pace of change in pharma is like watching the tide—there’s not much to see in real time, but if you take your eye off it for even a second, it’s sure to sneak up on you.

For the second annual edition of this study, we fielded an online survey of 202 qualified senior executives—all director level and above—employed by pharmaceutical, biotechnology, devices and diagnostics companies. We requested details of their marketing budgets and responsibilities, along with their attitudes towards



various industry challenges, trends, forces and opportunities. Just over half of the survey respondents (52%) represented pharma, with 15% from biotechs, 28% in devices, and the remaining 5% at diagnostics companies (see box opposite).

One in four respondents were C-suite execs (including 36 president/CEOs) while the remainder were director-level or equivalent. Regarding their organizations, 57% were employed by companies with \$500M or more in annual revenues, rendering the remaining 43% “small companies,” by the definition of this survey. This year, 37% of respondents claimed sole responsibility for marketing budgets (vs. 25% last year), and the number of brands for which they were responsible varied from one (33%) to “5 or more” (27%).

As with last year’s survey, the top-line numbers might look a little flat at first glance. However, a quick delve below the surface confirms that many of the encouraging trends that were uncovered last year are continuing to build momentum (read: increased digital budgets). Some of the data also suggest that a few of marketers’ big-ticket fears from 2013, such as the Affordable Care Act, have either yet to unleash their full force, or that perhaps their threat level was overblown.

Fig. 1: Average Total Marketing Budgets

(n=138)

	Mean (\$M)		Median (\$M)	
	2014	2013	2014	2013
All	13.5	12.9	2.5	2.0
Pharma	19.4	19.1	3.8	4.5
Biotech	14.7	11.9	4.5	3.3
Devices	4.2	4.1	1.0	0.7
Small (<\$500M)	2.9	2.3	0.9	0.6
Med/Large (\$500M+)	22.2	21.4	5.3	6.5

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Marketing budgets

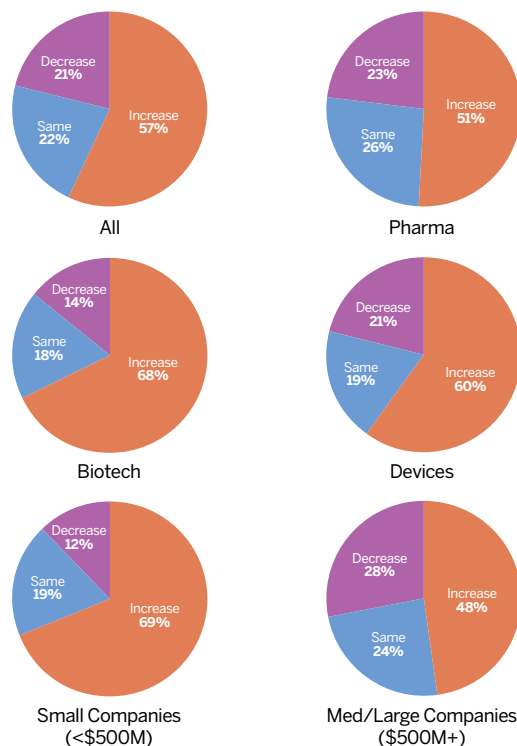
The mean total marketing budget this year (Fig. 1) showed a marginal 5% gain, to \$13.5M for all companies. And while the budgets for pharma (\$19.4M) and devices (\$4.2M) both remained flat, mean biotech budget shot up by 28% to \$14.7M. Small companies (<\$500M) reported an encouraging 26% increase in mean total budget to \$2.6M, while medium/large companies (\$500M+) remained flat at \$22.2M. (Note that comparisons with last year’s budgets are based on the data reported by the current respondents for the previous fiscal year, and do not represent the data collected in 2013 from the 2013 respondents.)

The median total budget rose 25% to \$2.5M overall, with small companies and non-pharma companies faring rather better than medium/large companies (down 18% to \$5.3M) and pharma (down 16% to \$3.8M). These median decreases might hint at (but not prove) the loss of one or more big-budget brands, resulting in a possible redistribution of the budget curves for these categories.

When it comes to budget allocation across key audiences, the order of the “3Ps” remained well established, with physicians again accounting for the lion’s share of the overall budget (55.7%, down slightly from 58.7% last year), followed by patients (23.6%, up slightly from 22.0%) and payers (15.8%, up from 14.5%). It’s noteworthy

Fig. 2: Shift in Total Marketing Budget, 2014

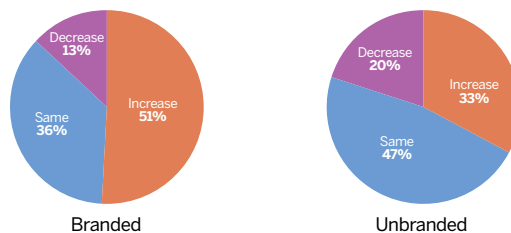
% of respondents reporting shift
(n=202)



Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Fig. 3: Budget Shift, Branded vs. Unbranded, 2014

% of respondents reporting shift
(n=202)



Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

that medium/large companies allocated a significantly larger slice of their budgets to payers this year (18.3%) than did small companies (10.4%).

Overall, 57% of respondents reported an increase in total marketing budget this year compared to last year (Fig. 2), only slightly (and negligibly) down from the 62% reporting increased budgets last year. However, there was again a significant difference according to company size—69% of small companies reported increased marketing budgets in 2014, compared to just 48% of medium/large companies. Conversely, 28% of medium/large companies reported a

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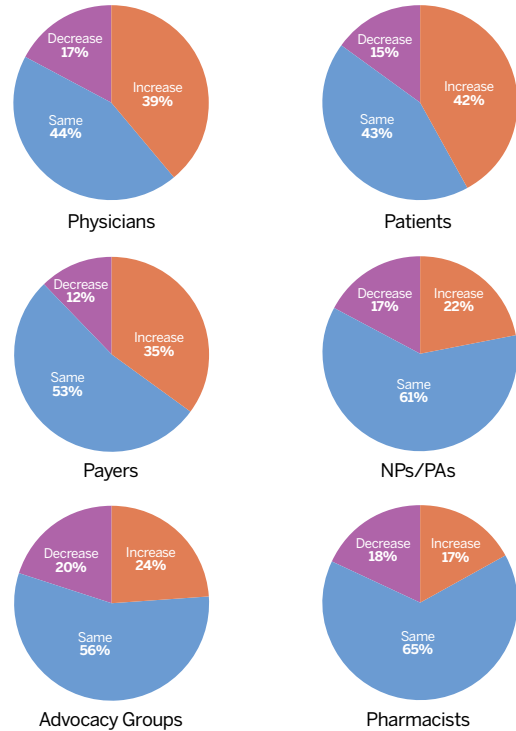
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Fig. 4: Budget Shift by Audience, 2014
% of respondents reporting shift (n=202)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

reduction in budgets this year, whereas only 12% of small companies lost marketing dollars.

Those numbers don't come as any surprise to Kate Cronin, global managing director, Ogilvy CommonHealth Public Relations. "Smaller-sized companies are able to commit budget to marketing because they are so streamlined," Cronin says. "We see it firsthand when we work with them. They are more nimble and agile, they don't have a lot of layers and their marketers are often jacks of all trades. But what we're seeing from the larger companies is more consolidation and trimming costs, and marketing budgets are a part of that."

Equally unsurprised is Walt Sandulli, VP, marketing at Akrimax Pharmaceuticals—and likely one of the aforementioned jacks of all trades. "Most [smaller] companies like Akrimax are growing rapidly," says Sandulli. "For us, the greater question is not whether to increase promotional support for our brands from year to year, but how to focus our spending in areas where we can achieve the greatest positive impact on sales and profit. But even with significant budget increases, the promotional budgets of smaller companies are still constrained relative to big pharma companies which, for the most part, are trying to rationalize all spending initiatives. I think the differences in spending plans are reflective of where various companies stand relative to the life cycle of the products in their respective commercial portfolios."

When respondents were asked whether or not budgets had increased according to particular audiences, the data gets interest-

Fig. 5a: HCP Marketing Tactics

(n=202)

	% Using Channel		% Users Reporting Budget Shift in 2014	
	2014	2013	Increase	Decrease
Meetings/Events	85.1%	86.1%	26.3%	32.4%
Websites	77.7%	74.8%	48.2%	12.8%
Printed Sales Materials	77.2%	79.2%	18.7%	42.2%
Sales Reps	73.8%	73.3%	28.8%	21.2%
Research/Data/Analytics	66.3%	63.9%	41.2%	10.3%
Patient Education Materials	65.3%	62.4%	41.0%	12.9%
Digital Sales Materials	64.4%	56.4%	62.0%	7.3%
Direct Marketing	57.4%	55.0%	33.3%	21.7%
Social Media	54.5%	42.6%	63.4%	7.1%
Journal Print Ads	53.0%	53.5%	22.4%	40.5%
Advocacy Programs	50.5%	43.1%	53.2%	15.6%
Digital Ads	48.0%	46.5%	50.9%	15.1%
Mobile/Tablet Apps	47.5%	37.6%	62.5%	11.5%
CME	43.6%	39.6%	38.7%	16.1%

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

ing (Fig. 4). Last year, the audience with the greatest number of reported budget increases was physicians. This year, it's patients (42%), followed by physicians (39%) and payers (35%). Although lacking enough statistical significance to even think about declaring it a "changing of the guard" moment, it is at least refreshing to see patients ranking first.

"The doctor's decision-making role is getting smaller," notes Cronin. "The whole world is turned upside down—while the doc is still an important audience for all of the companies, decision making is increasingly at the payer level."

Half of all respondents (51%) reported increased budgets for

branded marketing efforts (46% in 2013), while 33% declared increased budgets for unbranded campaigns (26% in 2013) (Fig. 3). Note these particular year-on-year comparisons are not statistically significant.

When you look at the overall marketing mix (Fig. 6), things get a lot more interesting. Note, the table is sorted with the largest "buckets" (2013 budgets) at the top, and yet the channels with the most increased budgets for 2014 are towards the bottom. On the other hand, the "decreases" column largely follows the original order of the table. Broadly speaking, the marketing mix appears to be turning on its head.

Fig. 5b: Consumer Marketing Tactics

(n=202)

	% Using Channel		% Users Reporting Budget Shift in 2014	
	2014	2013	Increase	Decrease
Websites	74.3%	67.8%	55.9%	9.2%
Social Media	55.4%	46.5%	69.2%	7.7%
Research/Data/Analytics	51.5%	53.0%	42.1%	14.0%
Public Relations	51.0%	44.6%	42.1%	11.2%
Advocacy Programs	50.0%	44.1%	53.3%	15.0%
Digital Ads	46.0%	37.6%	63.6%	11.1%
Print Ads	44.6%	42.6%	33.3%	27.5%
Direct Marketing	42.6%	38.1%	40.4%	24.5%
Mobile/Tablet Apps	31.7%	22.8%	71.0%	13.0%
TV	20.8%	20.8%	42.3%	34.6%
Radio	14.9%	11.9%	48.6%	32.4%
Outdoors	8.4%	6.9%	42.9%	23.8%

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Fig. 6: Marketing Mix by Channels
(n=202)

	% of Budget	% Reporting Budget Shift in 2014	
		2013	Increase
Meetings/Conferences	15.7%	21.8%	25.2%
Sales Reps	14.4%	18.3%	12.9%
Sales Materials	11.6%	17.8%	17.8%
Content development	10.0%	27.7%	13.4%
Websites	9.3%	35.6%	10.4%
Print/TV/Radio Ads	8.1%	17.8%	13.9%
Direct Marketing	7.9%	26.2%	8.4%
Public Relations	4.6%	19.3%	10.4%
Advocacy Relations	4.6%	20.8%	11.4%
Digital Ads	4.2%	30.2%	6.4%
SEO Marketing	4.1%	33.7%	5.4%
Social Media	4.1%	32.7%	5.4%

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Fig. 7: Approaches to Sourcing Marketing Partners
(n=202)

	% Using Approach		
	All	Small Cos. (<\$500M)	Med/Large Cos. (\$500M+)
Preferred Partner Lists	58.9%	36.3%	78.3%
Recommendations	58.4%	61.3%	58.5%
Invite Existing Partners	58.4%	48.8%	70.8%
Industry Relationships	52.5%	62.5%	46.2%
Procurement Services	37.1%	18.8%	55.7%

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Fig. 8: Audience Ranked by Perceived Importance
(n=202)

	Ranked Top 3	Ranked #1
Physicians	91.6%	54.4%
Patients	57.4%	17.3%
Payers	58.4%	12.4%
NPs/PAs	39.1%	3.5%
Pharmacists	17.3%	2.0%
Shareholders	20.3%	8.4%
Advocacy Grps	15.8%	2.0%

Source: MM&M/Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Of course, what's actually happening is a continuation of the trend away from traditional marketing, and towards digital channels. Right now, the biggest buckets have a somewhat old-school look to them with meetings/conferences (15.7% share of budget), sales reps (14.4%) and sales materials (11.6%) occupying the top

three spots. However, the channels for which marketers report the most increased budgets are digital all the way: websites (35.6% of them reported an increase), search engine optimization marketing (33.7%), social media (32.7%) and digital ads (30.2%). And it will come as little surprise that the channels with the most decreased budgets were meetings/conferences (25.2% reported a decrease), sales materials (17.8%) and print/TV/radio ads (13.9%).

Among other significant insights is the fact that in 2013 medium/large companies allocated almost twice as much budget to digital advertising (5.4% of budget) than did small companies (2.8%). They also allocated more to content/materials development than did small companies (11.5% vs. 7.4%).

Concentrating for a moment on only those tactics that are targeting healthcare professionals (Fig. 5a), the ongoing shift in spend from traditional marketing tactics towards digital channels is apparent here, too. While once again, meetings/events (85.1% usage), printed sales materials (77.2%) and sales reps (73.8%) are near the top in the adoption stakes, they also tend to be the channels with the

Do patients really come first?



Last year's open enrollment under the Affordable Care Act stirred up apprehensive feelings among healthcare marketers about its impact on patient care. Yet, in this year's Trend Report, more than four in 10 marketers believe that ACA will have a positive impact on patients, despite its rocky start. Unfortunately, more than half of these marketers think ACA will negatively impact healthcare professionals (HCPs).

Over the past year, the industry made some inroads to meet patient needs better. But more work is needed. For example, nearly three-quarters of the respondents said the industry still lags behind patients in digital engagement. And only four in 10 believe healthcare companies are adequately prepared to embrace social media. We know that people are already digitally-connected to healthcare information. And with the FDA's recent draft guidance, the industry has tools to navigate the social media waters and keep up with their patients' changing needs.

While healthcare companies claim to be patient-centric, the reality is that few operate this way, according to 78% of respondents.

In terms of HCP communications, 80% of respondents believe that restrictions on how sales representative communicate will impact prescribing knowledge and, ultimately, patient outcomes. With the era of marketing the "magic pill" gone, companies need to demonstrate a drug's value proposition—a key indicator of whether an innovation will be approved, reimbursed and welcomed by stakeholders, and ultimately, serve patient needs. But 63% feel the industry is not doing this well enough.

So how can marketers improve communication to patients, HCPs, and other stakeholders? Integration may be the key. More than eight in 10 agree that marketing service companies "must integrate their offerings and become more dynamic to serve the changing needs of the healthcare industry" – an increase from 69% last year.

Kate Cronin, Global Managing Director, Ogilvy CommonHealth Public Relations

lowest rates of budget increases and the highest reported decreases. For example, printed sales materials (18.7% reported increased budgets vs. 42.2% decreased budgets) and journal print ads (22.4% vs. 40.5%) were both examples of this trend. Rising channels, on the other hand, included digital sales materials (62.0% vs. 7.3%), social media (63.4% vs. 7.1%) and mobile/tablet apps (62.5% vs. 11.5%).

The corresponding inventory of consumer channels (Fig. 5b), reveals a similar, albeit more established, swing towards digital. Digital channels already top the consumer channel adoption standings, with both websites (55.9% vs. 9.2%) and social media (69.2% vs. 7.7%) also reporting high numbers of increases.

Sourcing partners

The survey showed little change in the overall ways that marketers search for marketing partner agencies (Fig. 7), compared to 2013. However, there were some significant differences based on company size. Medium/large companies were more than twice as likely to use preferred partner lists as were small companies (78.3% usage vs. 36.3%). They were also significantly more likely to deploy procurement services (55.7% vs. 18.8%) and to invite existing partners to pitch (70.8% vs. 48.8%). Small companies, however, were more likely to use their industry relationships to find partners (62.5% vs. 46.2%).

Perception and opinion

Regardless of the way in which marketers apportioned their budgets and prioritized their audiences in their roles, we asked them to rank seven key stakeholder groups according to their perceived importance to them (Fig. 8).

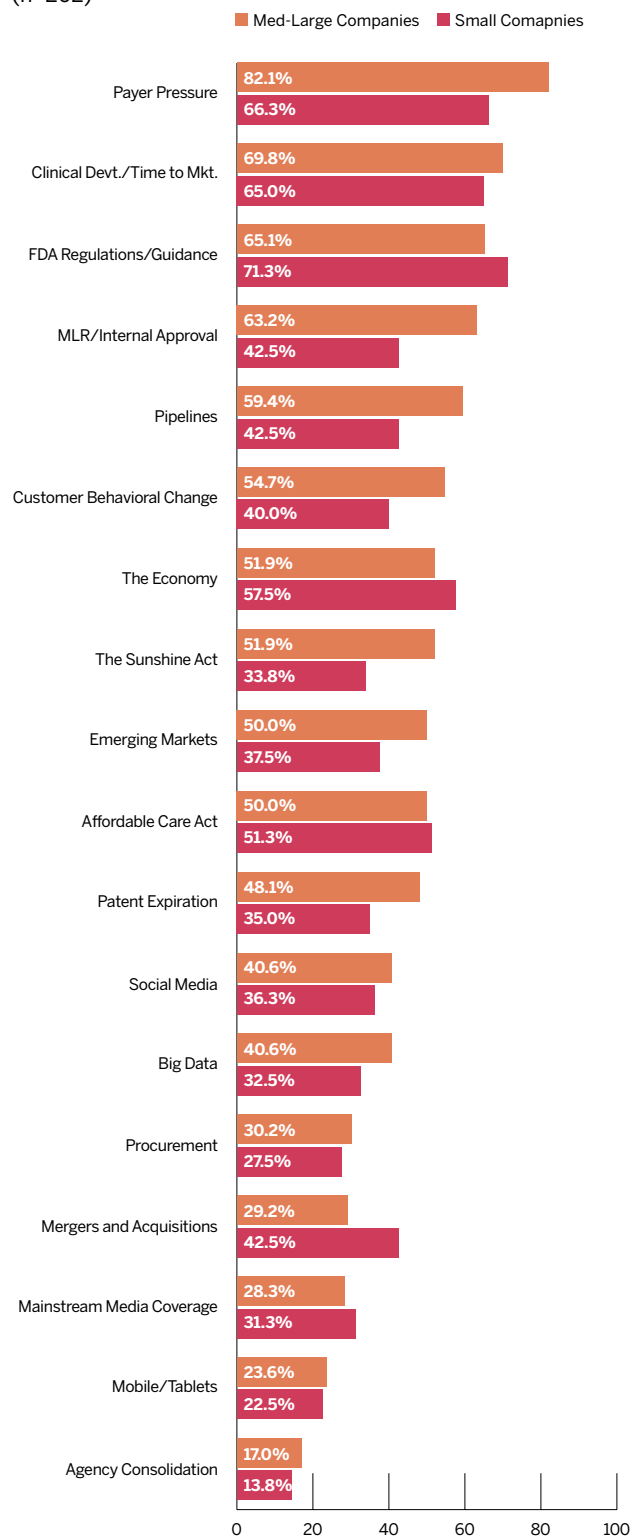
Looking at only the number-one ranking first of all, physicians took the expected top spot, with 54.5% of marketers having ranked them at the top (vs. 63.5% in 2013 – as exciting as this looks, it’s not quite statistically significant enough to predict the downfall of docs just yet.). Next on the list come patients (17.3%) and payers (12.4%). Interestingly, these three scores are remarkably close to the actual overall budget allocations to the three P’s.

Also of note are two clear insights defined by company size. Respondents at medium/large companies ranked payers the most important stakeholder 18.9% of the time vs. just 3.8% for those at small companies. The latter are more focused on investment, with 11.3% ranking shareholders number one and 21.3% placing them in the top three.

“While physicians remain the most important stakeholders, payers and patients have become even more critical players,” says Akrimax’s Sandulli. “Payers, through formulary controls like prior authorization, high patient co-pays and other pharmacy management tools, are increasingly determining what drugs are dispensed to whom. Patients have a growing influence in helping new therapies gain formulary access and shaping payer behavior. The pressure from patients to gain access to innovative therapies is, in some cases, at odds with payer desires to control inappropriate use of drugs. The outcome of these potentially opposing forces will be critical to determining the future of pharmaceutical innovation.”

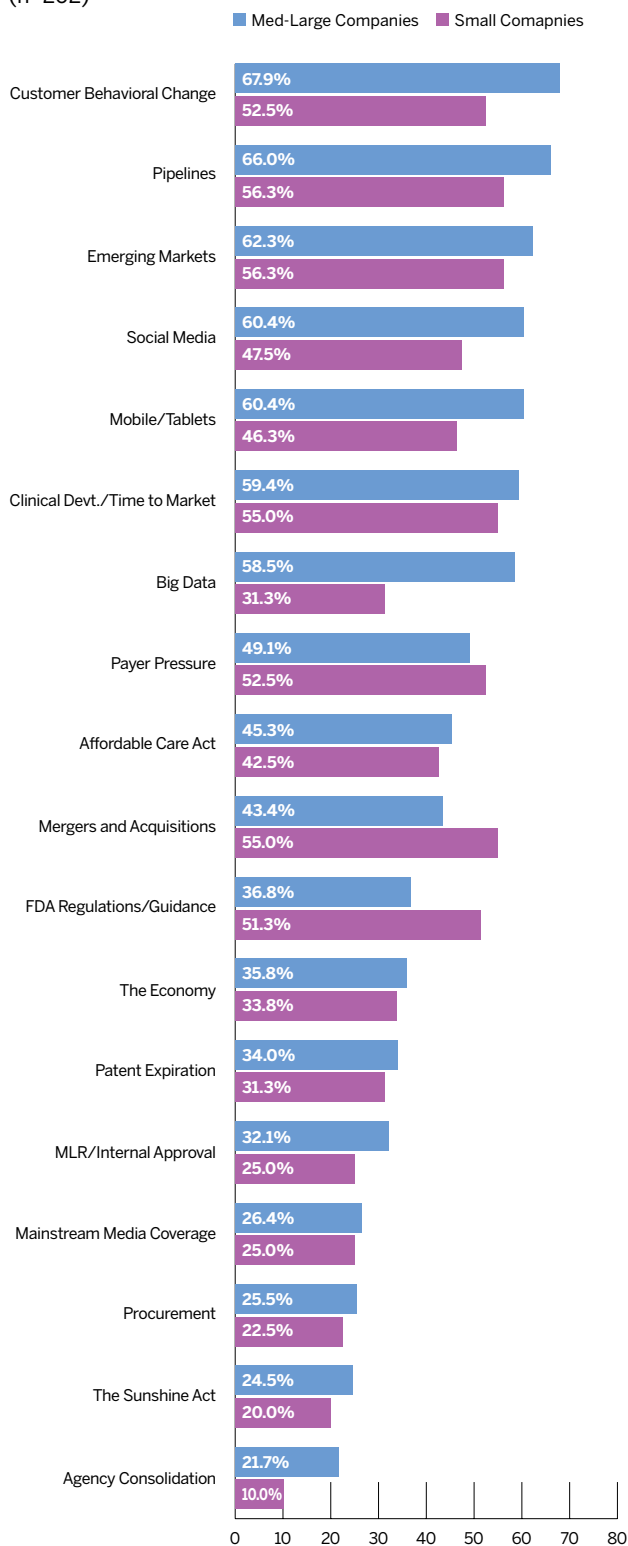
Finally, our marketing execs were asked to score 18 industry trends, challenges, forces and events according to both the perceived degree of challenge and the perceived degree of opportunity. In terms of challenges (Fig 9a) payer pressure was voted the biggest challenge by a long stretch, followed by clinical development/time

Fig. 9a: Perceived Challenges
(n=202)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

Fig. 9b: Perceived Opportunities
(n=202)



Source: MM&M /Ogilvy CommonHealth Healthcare Marketers Trend Report 2014

to market and FDA regulations/guidance. On the whole medium/large companies appeared to be more challenged by these issues than their small company counterparts.

But when it came to perceived opportunities (Fig 9b) using the same list, med/large companies again often posted higher scores than the small companies, particularly in areas like social media (60.4% vs 47.5%), mobile/tablets (60.4% vs. 46.3%) and big data (58.5% vs. 31.3%).

“To me, the biggest challenge, and opportunity, is to demonstrate value on an everyday basis,” says Cronin. “It’s not just about the product you are taking, but how is it actually going to affect outcomes? And so what you’re seeing in the survey is some frustration in terms of reaching that ROI, reaching the value that you are looking to show. Because the reps aren’t able to see the docs directly and take it to another level. And there are challenges with leveraging big data. Everyone knows you have to show value, but no one has really figured out how to get there.”

Methodology

- Survey link was sent in an email to approximately 9,241 healthcare professionals who reside in the United States. Respondents were offered \$25 in the form of a gift card.

- A total of 202 healthcare professionals completed the online survey between March 25 and April 15.

- Results are not weighted and are statistically tested at confidence levels of 90% and 95%.

“And even with social media, it’s like, yes we get it, that’s where our patients are going, but it’s still a little unclear about how we can communicate with our audiences in a way that demonstrates value, whether it be disease awareness programs or initiatives that surround a product, so I think that’s the value story—and we’re seeing it with all our clients. And it needs to start earlier in the process, when you are designing the studies. Everyone agrees that regulations inhibit innovation, but innovation can also be designing clinical trials in a different way so that when the product is available you can actually see how it’s making an impact in a different way.”

Industry outlook: more change ahead

While Cronin thinks the year ahead will largely see “more of the same,” she is appreciative that marketers are at least optimistic about where the industry is going. “Maybe that optimism will translate into innovative marketing campaigns,” she says. “Just because an initiative is innovative doesn’t always mean it’s going to be risky. Innovation does not equal risk.”

She also sees a continuation of the trend toward an increasing degree of collaboration. “Most of the businesses that we go after are now alliances,” she says. “I remember 20 years ago it would be unusual to have two companies together. Now the trend seems to be collaboration and you see a lot of agreements such as swapping out oncology for a different category, figuring out how to maximize on a specialty area of focus. So we’re seeing more collaboration, which I think is ultimately going to benefit the patient and help demonstrate value.” ■