

# Pharmaceuticals: Addicted to Ads?

U.S. pharmaceutical sales hit an estimated \$252 billion last year, according to industry consultant IMS Health. At the same time, *The Wall Street Journal* reports the nation's drug companies registered the highest growth rate among advertisers. Puneet Manchanda, associate professor of marketing at the Ross School, studies resource allocation and other strategic issues in pharmaceutical marketing. Having observed the industry's apparent addiction to mass media spending, Manchanda contends drug firms get a better return on investment by appealing directly to physicians.

**P**ushing a steady dose of little purple pills and sleep-inducing lunar moths, the U.S. pharmaceutical industry became one of the fastest-growing advertising categories in just one decade. *The Wall Street Journal* reports pharmaceuticals were the 10th biggest advertiser in 2006, spending \$5.3 billion in direct-to-consumer ads alone.

But while direct-to-consumer advertising may be the most visible use of the pharmaceutical industry's marketing dollar, it is not necessarily the most lucrative, says

Manchanda. A few unique restrictions on the category negatively impact the industry's return on investment. And while he doesn't expect drug companies to withdraw cold turkey from mass media, Manchanda speculates the dependence on direct-to-consumer drug ads finally may have peaked.

"Unlike other product categories, a pharmaceutical purchase

has to be made through an intermediary physician, breaking the link between advertiser and consumer," Manchanda says. "From a behavioral standpoint, the only robust research finding we have is that direct-to-consumer advertising drives more traffic to the physician's office and increases the number of people participating in the category, but does not change a physician's preference in terms

of which drug to prescribe."

Other limitations on the category reduce the ROI of consumer advertising. For example, the FDA requirement to list a drug's negative side effects creates a quandary for advertisers looking to accentuate the positive. Some 55 percent of pharmaceutical ad dollars were spent on television in 2006. Among the options that exist for TV advertisers: Talk about a medical condition, but don't mention your drug. Talk about your drug, but don't mention the condition. Or talk about the medical condition *and* your drug, but then allow enough time for the litany of caveats, which could nullify your otherwise effective sales pitch.

Advertisers get around this in many ways, some of which are borderline psychedelic. Talking beavers hawk sleep aids. Swirling rainbows push mood enhancers. Puffy clouds promise, well, pretty much anything.

"In one TV program you may see an ad about acid reflux, fully awash in purple, but no mention of Nexium," Manchanda says. "In the next break you may see an ad for the 'purple pill' in which they say, 'Try Nexium,' but never mention acid reflux. So the hope is that the consumer gets the purple reinforcement two or three times and puts it together in her head. This allows the advertiser to get away from listing all the negative side effects to the point where no one wants to take the drug anymore. But it also requires drug companies to buy more advertising time."

But buying more time does not always sell more drugs. When the FDA asked Pfizer to pull Viagra ads in 2004, sales were not impacted during the six-month

hiatus. (The ads did not meet FDA regulations.) Meanwhile, Wyeth's Protonix, hardly a household name, has managed to obtain a 20 percent share in the competitive Protom Pump Inhibitor category with virtually no consumer push. Both Pfizer and Bristol-Myers Squibb now are eschewing direct-to-consumer advertising for six to 12 months after product launch, says Manchanda.

These scenarios, coupled with the fact that some blockbuster drugs (Claritin, Zolofit and Flonase) have gone off patent over the last three to four years, have medical marketers honing in on their most effective strategy to date: direct-to-physician sales calls, or "detailing." Research does reveal a definite link between the quality and quantity of sales efforts directed to doctors and their prescribing behavior, Manchanda says, citing the aforementioned Protonix. Pharmaceutical companies are beginning to codify their "relationship management" techniques with doctors, monitoring the impact of specific marketing efforts on prescribing behavior—and using that data to customize future appeals on a doctor-by-doctor basis, he says. (See <http://www.bus.umich.edu/NewsRoom/>.)

"It is not clear yet whether such strategies will yield an incremental lift in sales, but it is clear that pharmaceutical firms are looking to 'extract as much juice' as possible via such targeted mechanisms," Manchanda says.

They're still looking at consumers, too, but with less fervor than before. "The industry was very excited about this prospect of talking directly to consumers and has spent quite a bit of money on it," says Manchanda. "But I think they overdid it and are now realizing direct-to-consumer advertising is not the 'magic pill' they once thought it was."

The most addicted advertisers likely will rely on the Internet to solicit consumers in the future. Internet display ads only counted for about three percent of total spending last year, reported *The Wall Street Journal*. But dollars are shifting toward sponsored chat groups and other consumer-generated media, Manchanda says, as targeted communication and pre-announcements for experimental drugs are tailor-made for small and restrictive brands. **M**

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