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Word-of-Mouth Among Doctors Bumps Up New Drug Prescription Rates

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Word-of-mouth marketing proves effective in convincing physicians to adopt and prescribe new prescription drugs, says a new University of Michigan study.

ANN ARBOR, Mich.—According to the study forthcoming in *Marketing Science* by Puneet Manchanda, associate professor of marketing at Michigan's Ross School of Business, your next prescription from the doctor could have been a product of peer influence.



Puneet Manchanda

Manchanda and colleagues Ying Xie of Washington University and Nara Youn of the University of Washington found that even while accounting for other influences on consumer adoption of new products, word-of-mouth communication between physicians (called "contagion") about a new prescription drug contributed to a significant increase in a physician's likelihood of prescribing the drug.

The study found that the impact of word-of-mouth communication about a new drug on a given physician by other physicians in close geographical proximity (within a 20-mile radius of the primary physician studied) leads to a "social multiplier" of 11. This multiplier represents the average increase in the probability of the physician's first-time prescription of the drug that arises purely due to contagion. They also find that this effect really begins to kick in about four months after the introduction of the drug onto the market and in fact, becomes the dominant effect at the adoption decision around the 17th month.

"Our results show that an individual physician's decision to adopt is influenced positively by contagion," Manchanda says. "In other words, a physician's probability of adoption increases as more physicians near him or her adopt, over and above, the direct and immediate impact of the marketing effort (of the drug company)."

Manchanda and colleagues used Manhattan as their primary research market, as well as Indianapolis to provide a contrasting demographic. They found similar results in both regional markets.

The researchers also successfully ruled out other potential causes of the new drug's adoption, such as local salespeople's promotion of the drug, insurance companies' decisions to cover the drug, advertising directed at consumers and local physician meetings and events that may endorse the drug.

In terms of implication for companies, the authors note that the obtained social multiplier is likely to be economically significant. This is because companies could reduce their marketing expenditure in the presence of the word-of-mouth effect and still see similar sales results.

Although Manchanda and colleagues did find significant positive correlations between word-of-mouth communication and first-time prescriptions of a new drug, they also acknowledge the study's limitations. Consistent with much past research in this area, they use geographic proximity to proxy for word-of-mouth interactions.

"Although we have included the direct-to-consumer advertising in the model, we acknowledge that this variable might not be able to fully capture the impact of patient-to-patient and patient-to-physician contact," Manchanda says.

To address this, they recommend future research focus on obtaining data on actual physician

interactions, as well as patient-level data to track interaction among patients and physicians.

The paper can be found at <http://www-personal.umich.edu/~pmanchan/Published.html>

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