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## Doctors under the Influence of Peer Pressure when Prescribing Drugs?

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*Physicians' prescription choices may be affected by social interactions with influential peers, says new research from Ross marketing professor.*

ANN ARBOR, Mich.—New research from the Ross School finds that physician behavior is significantly affected by influential peers in the physician's reference group, called "opinion leaders."

Puneet Manchanda, associate marketing professor at Ross, along with colleagues Tulikaa Bhatia of Rutgers Business School and Harikesh Nair, of Stanford University, found that 91 percent of physicians reported being influenced by at least one opinion leader.

"The opinion leaders play an important role in the adoption and usage of new products by practicing physicians," says Manchanda. "These opinion leaders are typically believed to be physicians who have an academic title and have contributed peer-reviewed publications. Both these characteristics are believed to lend credibility and authority to their opinions and beliefs about various products."

Manchanda and his colleagues collected data from physician surveys and studied behavioral patterns in the pharmaceutical industry. Their analysis of this data revealed significant evidence for peer effects, persisting even after controlling for endogenous group formation (doctors with naturally similar tastes as their opinion leaders), targeted marketing activity (targeted sales-force activity directed at physicians by drug companies), correlated unobservables (such as trends in overall prescriptions rates across all physicians), and simultaneity (the concept that opinion leaders influence physicians while physicians simultaneously influence opinion leaders). Interestingly, the study found that the effect was asymmetric—nominating physicians were influenced by opinion leaders but not the other way around.

"Our research adds to the small but growing literature that documents peer effects using individual consumer level data," says Manchanda. "Our key contributions can therefore be seen as providing evidence for peer effects in physician prescription decisions via the use of our novel dataset from the pharmaceutical industry."

The result of Manchanda's research may have significant impacts on the pharmaceutical industry or any other industry that is trying to leverage direct interactions between consumers using word-of-mouth marketing. Targeting opinion leaders via marketing could effectively increase the return-on-investment of any marketing strategy (called the "social multiplier effect").

"Our paper provides validation of the practice of targeting opinion leaders by showing that there is indeed a causal link," says Manchanda. "Thus, we would recommend that other companies also try and identify the opinion leaders for their customer base and use this information to compute the social multiplier for these leaders. The size of this multiplier can then provide a direct estimate of how many of the current marketing dollars can be reallocated to other initiatives while not compromising the ROI of current campaigns."

Manchanda explains that without the proof of a causal link between one customer's behavior and another's, there is nothing companies can do to leverage and use social networks for their own marketing programs. Manchanda's and his colleagues show evidence of this causal link for the first time, giving marketers license to use social multiplying effects to their advantage. The paper can be found at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=937021](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=937021).



Puneet Manchanda

--Leah Sipher-Mann

For more information, contact:

Bernie DeGroat, (734) 936-1015 or 647-1847, [bernied@umich.edu](mailto:bernied@umich.edu)

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