

Contributed by Ron Pantello

THE HEALTHCARE COMMUNICATIONS INDUSTRY: ON THE BRINK OF FINANCIAL DISASTER?



RON PANTELLO

As many of us are witnessing, the healthcare communications industry is under siege. Economic constraints are so severe that the very existence of the industry as we know it is threatened. Yet it appears that many of our customers are completely unaware or perhaps just don't care about the damage they themselves are inflicting on the industry that serves their economic interest.

One of our colleagues was recently quoted as saying, "When the pharmaceutical industry gets a cold, the healthcare communications industry gets pneumonia." Clearly this is the case, as well as the root cause for the economic pressure being placed on the healthcare communications industry by our good customers.

PHARMACEUTICAL MANUFACTURERS UNDER SIEGE

Pharmaceutical manufacturers also are under economic pressure from their customers, particularly governments and government-related pricing authorities all over the world. It seems every corner of society is angry about the cost of pharmaceutical products, notwithstanding the pharmaceutical industry's public-relations efforts. It seems not to matter that the innovations created by the pharmaceutical research industry — in terms of cures for disease, avoiding surgery, reducing or eliminating hospital admissions, and increasing the quality of life for patients — contribute to society in more than simple economic terms.

As government influence on healthcare increases, the pharmaceutical industry is forced to offer rebates and discounts to attract and retain government business. Generics and requirements for prior authorization, for example, have affected the commercial performance of research pharmaceutical manufacturers, who nevertheless must answer to Wall Street as public companies organized to return value to their shareholders. As though that were not enough, the pharmaceutical industry is faced with class-action lawsuits and other litigious actions, many frivolous, which redirect corporate resources and adversely affect the industry's commercial performance.

The consolidation of the pharmaceutical industry over the last 10 years in an attempt to face these challenges has not proven to be the economic or research answer to the industry's woes. New product pipelines, so vital to the success of the pharmaceutical industry and the related healthcare communications industries in the past, are thinner than ever, making everyone nervous.

These issues, coupled with Wall Street's pressure on continued performance, makes our good customers seek economic savings in new business models to support the bottom line. There appear to be no safe harbors in the search for cost-effective models that will improve performance, which brings us to the healthcare communications industry's current financial crisis.

HEALTHCARE COMMUNICATIONS INDUSTRY UNDER ATTACK

No matter what the healthcare communications discipline — advertising, medical education, public relations, interactive, medical publishing — we are being targeted by customers to cut our costs. In essence, our good customers — like the pricing authorities pressuring them — want "more" at less cost.

In pursuit of this goal, pharmaceutical manufacturers are employing tactics to delve into our business models and examine our costs, with the ultimate objective of lowering the fees that we charge for our intellectual property. Customers have hired consultants, for example, in search of a better understanding of the advertising business' costs, and they use such individuals to "standardize" costs and negotiate "more favorable" fees. More disconcerting, some customers have turned the responsibility for engagement of communication services over to procurement departments, as though healthcare communications were a "generic" industry. Moreover, some of our good customers have resorted to impersonal Internet competitive bidding on projects — a medical communications e-bay if you will — adding insult to injury.

The venerable medical publishers are approached to provide discounts deeper than their rate cards and live under the threat of reduced business. Public-relations firms providing brand support are budget-cut targets as the ROI on PR efforts are often "soft," notwithstanding the efficiency of this important discipline; and aspects of medical education are often thought of as mechanistic, generic and, as such, low-cost providers are acceptable. In reality, all healthcare communications must have a sound strategic foundation integrated across disciplines to maximize commercial impact. This all-important strategic planning component is where we in the healthcare communications industry make our greatest contribution. The irony of this is inescapable: much of what the healthcare communications industry produces is intellectual property and the pharmaceutical industry has always — and justifiably so — defended itself based on its intellectual property.

THE CONSEQUENCES OF ECONOMIC PRESSURE

The economic pressure on the healthcare communications industry has resulted in both positives and negatives. Admittedly, we have been forced to become better business professionals in terms of managing our own costs. Many weak companies have disappeared or have been forced to merge with stronger partners.

However difficult, we have had to learn to say "no" to customers when their demands become unreasonable, don't make

economic sense, or negatively affect our intellectual property. We have learned to better use our resources in applying them to customer needs, and to establish lower cost centers for the production of work. That said, it is imperative that the industry maintains the very best quality in the work we produce, be it advertising, medical education, PR, or medical publishing. We must never sacrifice quality for cost, yet we are at a point of diminishing returns on cost vs. quality. So, given the economic constraints we now live under, how do we survive as an industry? I offer the following suggestions.

SUGGESTED PRINCIPLES

- **The Product:** We should treat our product as the intellectual property it is. We often give lip service to our creativity as intellectual property but don't act as if it truly were. In treating our work with the dignity it deserves, it will be better valued by our customers, command a fair price, and set the tone for better customer relations.

- **Financial Transparency:** It is important that we, as an industry, share appropriate financial information with our customers. It is important for customers to better understand the costs associated with developing our intellectual property. Through a better understanding of our costs, customers can better determine what they want to buy from the industry. For example, if a customer prefers or expects the very best talent, then he or she must understand the cost associated with employing such talent. At that point, it is simply a matter of how much the customer wants to buy. If the service we provide is valued, the customer will pay. After all, who wants to sell on price or to be known as the best of the low-cost providers?

- **Partnership:** This means development of behaviors (by both customers and communications companies) whereby we treat each other as partners with similar objectives. Simply stated, communications companies should not view customers as a bank to rob and customers should not view communication companies as a variable expense, expendable or interchangeable. By having shared goals and values, lasting relationships can be forged and better commercial results will follow.

- **Industry Unification:** Unfortunately, the healthcare communications industry is a loose confederation of various communication disciplines. It operates without a set of guiding business principles or leadership and without a single voice. No wonder many healthcare communication companies are falling victim to financial pressure from customers; they do not have the necessary industry support to effectively defend themselves. At some point, we, as an industry, must unite and develop an infrastructure to address the myriad new demands of our shared customers. Please consider this a call to healthcare communications leaders to step forward and take some formal control of our destiny as an industry.


FINAL NOTE

It was with some trepidation that I addressed this subject in this fashion. Clearly, it is a subject of some sensitivity, yet endemic to the very survival of an industry that is not only dear to all our hearts, but plays an important role in delivering the benefits the pharmaceutical industry makes possible.

Ron Pantello is the CEO of Euro RSCG Life network, the executive in charge of day-to-day operations. He was previously chairman of Euro RSCG Healthview, the parent company of a number of U.S.-based healthcare communications companies: LM&P Group, Managed EDGE, Sales Machine, Noonan Russo Presence, and Nethod Circle. Mr. Pantello also served as co-chairman of the Euro RSCG Healthcare network. ♦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmavoice.com.

Register Today!
 For PharmaVoice Readers Only:
 Save 10% on registration costs by mentioning this ad. Use code XEPVADCTC to obtain this discount.



The 2004 CLINICAL TRIALS CONGRESS

Cutting-Edge Insights and the Best New Ideas in Clinical Drug Development

February 25-27, 2004 • **Loews Hotel, Philadelphia, PA**

Create a roadmap for clinical process optimization, process quality and productivity - from design to patient recruitment to management of clinical trials

FIVE DIFFERENT FORUMS ALL AT ONE EVENT!


- Patient Recruitment
- Clinical Technologies
- Clinical Trials Design and Management
- Global Clinical Trials
- Contracts, Budgets and Negotiations

CHAired BY:



Ira Katz,
 Vice President, Drug Evaluation, Clinical Operations,
 Johnson and Johnson



and


Sanj Patel,
 Vice President, Clinical Research,
 Genzyme Corporation



- Over 60 Vice President and Director level perspectives on increasing clinical ROI
- 10 incisive panel discussions on the most controversial topics facing clinical decision-makers
- 10 problem solving roundtable discussions

Supporting Partners



Associate Partners



Official Publication


Download the Conference Brochure for more details

www.clinicalevent.com