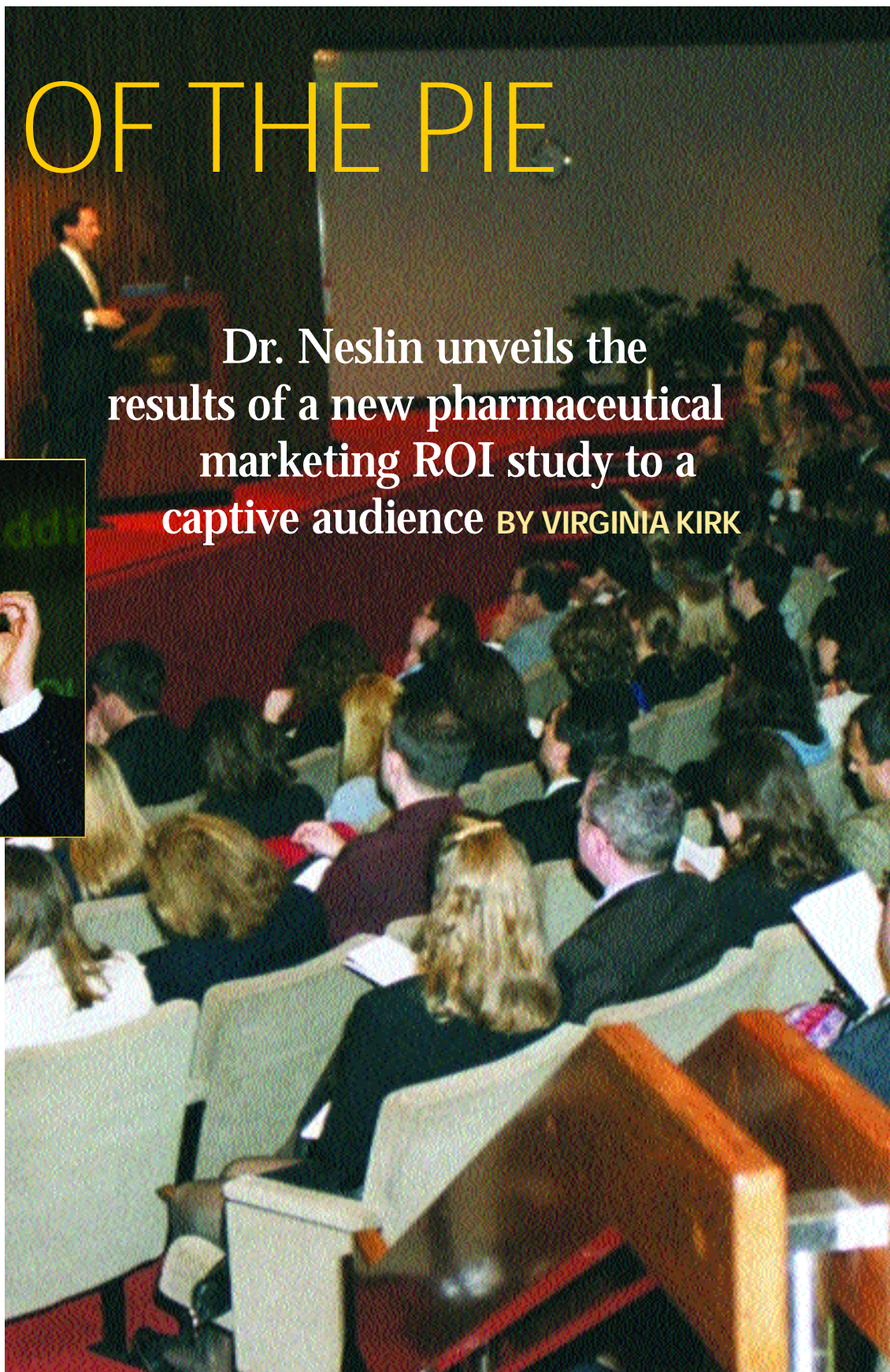
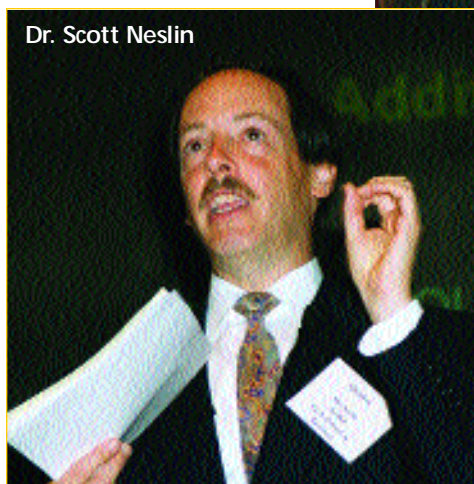


A PIECE OF THE PIE

Dr. Neslin unveils the results of a new pharmaceutical marketing ROI study to a captive audience **BY VIRGINIA KIRK**

Dr. Scott Neslin



Calling all marketers: don't cancel those journal ads just yet, it may be time to evaluate the overall marketing mix for your brand's promotion.

Before brand managers and media directors make their next decision on how to divide up their promotional budget, they should consider the results of a comprehensive new study that measures return on investment in four promotional areas: detailing, direct-to-consumer advertising, medical journal advertising, and physician meetings and events. Medical journals finished far ahead of the rest of the pack in returning the best investment for the advertising dollar, followed by physician meetings and conferences, detailing, and direct-to-consumer advertising.

The independent study, ROI Analysis of Pharmaceutical Promotion, also known as RAPP, was supported under an unrestricted grant from The Association of Medical Publications Inc. (AMP). The data were provided

by Scott-Levin and PERQ/HCI. Despite what may appear to be a conflict of interest, the AMP was uniquely positioned to execute this study, as there are no other trade associations for the other leading tactics, nor would any individual pharmaceutical company ever undertake an entire industry overview.

In addition to measuring ROI for the four

tactics, Dr. Scott Neslin, Albert Wesley Frey Professor of Marketing, Amos Tuck School of Business, Dartmouth University, had a second objective: to understand how the ROI changes according to brand size and launch date.

This is the first study to evaluate all four activities on the same footing to determine the productivity of marketing expenditures.



"I came into this study with an open mind, and these are my objective findings," Dr. Neslin says. "As an academic without a vested long-term interest in one form of advertising, I did not feel pressured to find in favor of one mode of advertising versus another. The data, not the sponsorship, are the driving forces of the results. Additionally, we included all

brands with sales greater than \$25 million in 1999; we did not preselect brands that we thought were good or bad candidates for high ROIs."

Dr. Neslin reviewed 391 branded drugs and 127 generics from 1995 to 1999, and looked at 16,696 monthly observations for those products. He then calculated the ROI for overall brands and for median brands according to sales and the date of product launch. A least-squares regression analysis was used to evaluate how much was spent on marketing each month compared with how many prescriptions were written.

"The derivation of this study began a few years ago as medical journals — like all promotional/educational vehicles — were asked to provide solid ROI data," Dr. Neslin says. "While there had been extensive research in this area, this latest request also included an appeal to provide medical journal advertising's ROI in relation to the other major promotional tools. This had never been done before."

Journal advertising, which overall has the smallest share of the total promotional pie, returned \$5 for every \$1 invested. The ROI for journal ads was even better when evaluated for brands with sales of more than \$200 million and launched before 1993. Detailing (which includes one-to-one contact and small group meetings) had an ROI of \$1.72, physician meetings and conferences had an ROI of \$3.56 and DTC (television, radio, print and outdoor) returned only 19 cents per \$1 of investment.

Detailing is the dominant marketing expenditure and has increased at about 10.7% per year over the five-year period studied; almost \$5 billion was spent on detailing in 1999. Expenditures for direct-to-consumer advertising have increased by more than 50% per year. DTC grew from \$200 million in 1995 to \$1.5 billion in 1999. Physician meetings and events also has been growing, but not as fast — 23.6% a year. Journal advertising has lagged, with just 9.8% growth per year.

"Over a period of time looking at the whole promotion pie, which has been getting bigger and bigger as a result of DTC over the last five years, it became clear that in real dollars, journal ad spends are flat, roughly \$500 million," says Joetta Melton, current president of The Association of Medical Publications. "The pie is getting huge, so relatively speaking, our percentage has declined."

Response to the study from marketers and advertising agency executives has been positive so far.

"I thought it represented a study that needed to be done," says Mike Temple, executive director of management science at Wyeth-Ayerst. "I was surprised that the ROI was so high on journal spending in relationship to everything else. Although it's conceivable that the reason the ROI for journals turned out that way is because so little is spent on journals that even a modest impact would result in a large ROI."

I was surprised that the ROI was so high on journal spending

MIKITEMPLE, Wyeth-Ayerst

Mr. Temple is in the process of relaying the study results to Wyeth-Ayerst's marketing teams.

"I've communicated with several of the marketing teams about this study," Mr. Temple says. "I've done my own research in this area and there are several areas where the results from Dr. Neslin's study confirm what I've found. My only concern is that when evaluating ROI typically we're interested in the return to the company, not necessarily the retail value of those prescriptions."

Maureen Regan, managing partner at Regan Campbell Ward in New York, was impressed by the findings and happy to have some solid data.

"I've always been a big believer in journal ads," Ms. Regan says. "Journal ads deliver the biggest bang for the buck, have great reach, and provide a great opportunity for branding a product. Our clients have been constantly

asking for more ROI data, so I think this study is going to be very valuable.”

Because journal advertising has been underutilized compared with detailing and DTC, especially for older, more mature brands, the study is expected to have significant impact and prompt marketers to reassess their spending.

Charlie Santangelo, chief financial officer for Dorland Sweeney Jones in Philadelphia, says he found the study exciting because it evaluated the different variables to measure their effectiveness.

“This study economically evaluates which variables produced which results in the marketplace over time — it’s the real world,” Mr. Santangelo says.

Mr. Santangelo, as well as others in the industry, believe that DTC needs further analysis because the medium is so new.

“DTC is new compared with the other marketing variables, which have been used for a much longer period of time,” he says. “If the DTC for more successful brands were analyzed, there might be different results.”

“This study will make our industry stand up and take notice,” says Risa Bernstein, president of Accel Healthcare Communications. “This study is generating a tremendous buzz. Because there is so much data in the databases that can be dissected, it will have value beyond the initial findings.”

Now that 2000 data are available, Dr. Neslin will continue the study. He will explore the ROI for specific drug brands and gather more details on the direct-to-consumer variable, such as TV ads and consumer print media, and look at recent ROIs versus earlier ROIs.

“As the database continues to grow, we will have the opportunity to mine the data and look at specific therapeutic areas or specific products for ROI and efficiency,” says Charlie Hunt, president of PERQ/HCI, which provided a portion of the data to Dr. Neslin. “It’s a good idea to look at case studies where marketers can see actual successes; this will drive the point home to an even greater degree.”

Rita Sweeney, president of Dorland Sweeney Jones, says the newly released study results already are being used by medical publication representatives.

“I checked whether publication representatives were using the study and yes, they are,” Ms. Sweeney says. “I think this is a great first step. If I were trying to justify journal placement versus something else, I might say we have proof or a model that shows in certain circumstances journal ads work. But I don’t think it’s a one size solution.”

Ms. Melton agrees, and the AMP is not suggesting that other forms of promotion are not good choices.

“We’re saying that marketers should examine their allocation,” Ms. Melton says. “The

new study is a nice complement to what PERQ/HCI’s Marshall Paul and Charlie Hunt have been saying for years, that until a company maximizes its current journal ad spend,

don’t add anything else because the journal spend supports the company’s sales reps. And that message was not getting through to the pharmaceutical companies.”

FAQs by marketers regarding the study

MORE THAN **500 INDUSTRY EXECUTIVES** GATHERED IN MANHATTAN FOR THE RELEASE OF THE **ROI ANALYSIS** OF PHARMACEUTICAL PROMOTION, ALSO KNOWN AS THE RAPP STUDY. IN ADDITION, MORE THAN 25 PHARMACEUTICAL COMPANIES AND HEALTH-CARE AD AGENCIES PARTICIPATED IN A VIDEO CONFERENCE AS THE RESULTS WERE UNVEILED BY DR. SCOTT NESLIN. SOME OF THE MOST **FREQUENTLY ASKED QUESTIONS** REGARDING THE STUDY’S RESULTS ARE BELOW. ANSWERS WERE PROVIDED BY DR. NESLIN, PERQ/HCI, AND SCOTT-LEVIN. TO REVIEW THE **RESULTS OF THE STUDY** AND FOLLOW-UP QUESTIONS, LOG ONTO WWW.AMPONLINE.ORG.

Q: Please define the variable “detailing.”

A: Details are defined as each product discussed during a sales call. A sales call is defined as a face-to-face meeting between a pharmaceutical representative and a physician (or group of physicians).

Detail dollars are based on the average cost of a sales call, including fixed costs associated with keeping a rep in the field (salary, car allowance, travel, bonus, etc), but none of the variable costs (samples, marketing materials, etc). The average estimated cost of an office-based physician call was \$142, and for hospital-based physicians, \$179.

Q: Would samples and marketing materials increase ROI?

A: It’s difficult to predict exactly how these factors would affect ROI. I would expect that quantifying the cost of samples would decrease ROI, because currently, the full sales impact of detailing is in the data, but not the full cost. However, this can’t be guaranteed.

Q: Aren’t the data “threatening” to those who believe mainly in detailing?

A: The results for detailing shouldn’t be seen as threatening at all. The fact that detailing did so well, despite the huge amount of money spent on it, is very encouraging, and certainly would suggest

that companies continue to spend money on detailing. By no means could we guarantee that journal advertising or physician meetings and events would be as profitable if similar amounts of money were spent on those activities. And by no means is the implication of this study that one should no longer use detailing. What the study says is on average, from 1995 to 1999, journal advertising and physician meetings and events were attractive, yet underutilized investments. Companies that are expanding their marketing budgets should strongly consider these activities.

One should also keep in mind that the results of these studies are average ROIs over a five-year period. They suggest that the average brand manager consider journal ads and physician meetings and events for additional funds. However, individual brand managers know more about their particular brands and the particular context they face, so that information should greatly influence their final budget allocations. What this study does is provide general guidance, across all brands and within the nine cells we looked at, on how successful various activities were.

Q: Why is it that DTC has such a lower ROI compared with other activities?

A: There are many possible explanations:
(a) DTC is not as easy to target, since it is primarily done over mass media;
(b) a DTC ad affects the medication of only one patient, whereas detailing, journal ads, and physician meetings and events affect the pre-

Despite the low return from dollars spent on DTC, no one has any illusions that DTC spending will drop.

“DTC is here to stay and will grow,” Ms. Regan says. “I’ve been in this industry almost

20 years and there are just so many more elements required now to launch or maintain a successful brand. I can’t imagine this study will decrease the number of meetings to sustain a product or that DTC will change. But

the study really confirmed what I’ve always thought about journal advertising.” ♦

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scribing behavior of one physician, who has several patients. These activities thus have a multiplier effect that DTC does not have; (c) DTC advertising strategy has changed over time since companies are learning how to use the medium. Companies have changed creative, message, and scheduling strategies and are in the process of learning how best to do DTC. The other activities have been around a long time so companies know how to optimize them. So whatever effect we read out for detailing, journal ads, and physician meetings and events represents the best companies can do, whereas the DTC results reflect probably a lot of campaigns that were far from optimal.

Q: Is there a “threshold” below which DTC advertising isn’t a good investment? How might this impact the results?

A: The analysis did not explicitly measure threshold or saturation levels. However, if there is a threshold effect, this might explain the statistically insignificant ROI for the average overall brand, which is a \$50 million to \$200 million brand launched before 1994. Brands with this profile might not be investing in DTC beyond the threshold level for DTC.

Q: Why is DTC shown to have a higher ROI for larger brands?

A: The regression model estimates ROI by examining how much sales increase per dollar increase in advertising. The larger ROI for DTC for bigger brands simply means that the incremental dollar spent on DTC for a larger brand generally generated more sales than an incremental dollar spent for a small brand. It is true that larger brands are generally spending more on DTC than smaller brands, so the incremental changes in expenditures the regression observes for larger brands are generally off a larger base. It could be that there is a base threshold before DTC has any effect, and small brands are just not above that threshold. Also, it

could be that at larger expenditure levels, brands pay more attention to the quality of the ad campaign — the copy, the schedule, and targeting — so do better.

Q: Is it possible that the low ROI on DTC is due to the fact that DTC expenditures sometimes swing wildly from month to month, but sales don’t tend to?

A: Yes that is possible, but remember the regression also considered that DTC might increase sales in future months. So it is possible, and in fact this was the general finding, that only about 10% of DTC’s total effect is felt in the first month in which the money is spent. It took about two years for virtually all of DTC’s effect to accumulate.

Q: Does the analysis assume that journal advertising expenditures are put toward the “most effective” journals for a given brand?

A: In this evaluation, one gets an “average” view. For the average brand, this is the way that brand spent its money, and here is the ROI that is seen. It’s an aggregation over many brands, covering an average quality of decision making. What can’t be inferred is the capacity to do better or worse for any specific brand.

Q: Were the meetings and events “promotional” as well as “educational” meetings?

A: Yes, they were both types of meetings.

Q: Are physician meetings and events only those organized by individual companies, or are they also association meetings?

A: The physician meetings and events that are tracked by Scott-Levin include those events that are sponsored by individual companies as well as associations.

Experts on this topic

RISA BERNSTEIN. President, Accel Healthcare Communications, New York; Accel Healthcare is a healthcare advertising agency

CHARLIE HUNT. President, PERQ/HCI Research Corp., Princeton, N.J.; PERQ/HCI is a market research company

JOETTA MELTON. President, The Association of Medical Publications, Westfield, N.J.; The AMP is an organization composed of publishing firms in the medical field

DR. SCOTT NESLIN. Albert Wesley Frey Professor of Marketing, Amos Tuck School of Business, Dartmouth University, Hanover, N.H.

MARSHALL PAUL. Chairman, PERQ/HCI Research Corp., Princeton, N.J.; PERQ/HCI is a market research company

MAUREEN REGAN. Managing partner, Regan Campbell Ward, New York; Regan Campbell Ward is a healthcare advertising agency

CHARLIE SANTANGELO. Chief financial officer, Dorland Sweeney Jones, Philadelphia; Dorland Sweeney Jones is a healthcare advertising agency

KELLY SPORLINI. Associate director of promotional audits, Scott-Levin Co., Newtown, Pa.; Scott-Levin is a market research company

RITA SWEENEY. President, Dorland Sweeney Jones, Philadelphia; Dorland Sweeney Jones is a healthcare advertising agency

MIKE TEMPLE. Executive director of management science, Wyeth-Ayerst Laboratories, St. David’s Pa.; Wyeth-Ayerst Laboratories is a division of the pharmaceutical company American Home Products Corp.