



Donal Daly: Given the myriad controversial issues they face, one would think that pharma firms would be quick to answer questions and improve their overall communications with the public, potential customers, and suppliers as well as business partners.



Pharmaceutical, Healthcare Products, and Services Industries Need to **IMPROVE** **ONLINE CUSTOMER SERVICE**

The Customer Respect Group's Spring 2003 Online Customer Respect Study has revealed that more than one-half of pharmaceutical, healthcare, and healthcare wholesale companies don't respond to Website inquiries, but, 80% of medical product and equipment companies do.

The two highest scorers in overall customer respect among all surveyed companies were Dade Behring Holdings and St. Jude Medical. The highest scoring firm in the pharmaceutical sector was Wyeth; the healthcare leader was Express Scripts; and the top scoring healthcare wholesaler was Henry Schein.

Nearly 64% of pharma companies were found to not respond to online inquiries. Of the 36% that do respond, 80% respond within 48 hours, and 20% respond within 72 hours.

Only 36% of these pharmaceutical companies use Autoresponder technology, in which e-mails are automatically sent back to confirm the receipt of the inquiry and let them know when they should expect a response. Of these, 20% did not follow-up with a full response.

About 53% of pharmaceutical companies surveyed provide e-mail forms for online inquiries and 26% provide e-mail addresses. The survey also found that 21% only provide offline contact information. And 68% of pharmaceutical companies in this study provide a keyword search function on their site.

Pharmaceutical sector firms received the best overall rating, 7.5, for privacy and the worst, 3.7, for responsiveness. About 89% of sector firms have privacy policies on their sites explaining how customers' personal data are used.

"It's difficult to conceive why, outside of medical products and equipment, more than half of surveyed pharmaceutical and healthcare-related firms don't respond to online inquiries put to them," says Donal Daly, CEO of The Customer Respect Group.

Study Suggests Physicians Want to Hear from **REPS WITH OBJECTIVE INFORMATION**

A study from J. Scott International Inc. suggests that doctors are more likely to write prescriptions if they are persuaded they are using the best product — and that objective information about the product is the most persuasive tool a sales rep can offer.

A survey of almost 2,000 physicians conducted during the first quarter of 2003 for J. Scott International's Qualitative Detailing Analysis shows that physicians actually look forward to seeing reps who have extensive knowledge of the disease state treated by the drug they are detailing; who know the complexities of the use of the drug, especially for patients being treated for multiple conditions; who not only answer but also

ask knowledgeable questions about doctors' experience with the drug, including questions about alternative dosing and minimizing side effects; and who can give concise accounts of the drug, backed up by objective studies and with journal reprints, especially for new drugs or new indications.

"Too often, the pharmaceutical industry is accused of trying to buy physicians' prescriptions in one way or another," says Joy Scott, founder and CEO of J. Scott International. "But physicians are seldom taken in by hype. Our results show that knowledge is the best way to influence physicians."



Joy Scott says the sales rep helps physicians understand the differences between products and provides them information on disease states.

THE PHARMACEUTICAL SECTOR'S SPRING 2003 RANKING	
Company Name	Overall Ranking
Wyeth	8.1
Forest Laboratories Inc.	7.9
Abbott Laboratories	7.5
Allergan Inc.	6.8
Merck & Co.	6.8
Amgen	6.6
Barr Laboratories	6.5
Biogen Inc.	6.4
Johnson & Johnson	6.1
Schering-Plough Corp.	6.0
Genzyme Corp.	5.6
Bristol-Myers Squibb Co.	5.5
Watson Pharmaceuticals Inc.	5.4
King Pharmaceuticals Inc.	5.3
Chiron Corp	5.1
Pfizer Inc.	4.2
Eli Lilly & Co.	4.1
Ivax Corp.	2.7
Industry Average	5.9

Note: Due to its recent acquisition by Pfizer, Pharmacia was not included in this study.
Source: The Customer Respect Group, Bellevue, Wash. For more information, visit customerrespect.com.

The Customer Respect Index is a qualitative and quantitative in-depth analysis and independent measure of a customer's online experience when interacting with companies via the Internet. By looking at more than 1,000 Websites across a spectrum of industries in detail, The Customer Respect Group has determined 25 different attributes that combine to create the entire online customer experience. These attributes have been grouped together and measured as indicators of privacy (respects customer privacy), principles (values and respects customer data), attitude (customer focus of a site), transparency (open and honest policies), simplicity (ease of navigation), and responsiveness (quick and thorough responses to inquiries). Combined, they measure a company's overall customer respect.

Clinical-Trial Cost Estimates Indicate **RAPIDLY RISING R&D EXPENSES**

The fully capitalized cost to develop a new drug, including studies conducted after receiving regulatory approval, averages \$897 million, according to an analysis by the Tufts Center for the Study of Drug Development.

"Drug development remains a time-consuming, risky, and expensive process," says Tufts Center Director Kenneth I. Kaitin. "To mitigate rapidly rising R&D



"Many factors are driving up clinical-period related costs. Among them are a greater emphasis on developing treatments for conditions associated with chronic and degenerative diseases, increasing clinical-trial sizes, rising subject recruitment costs, and more procedures performed per subject," says the study's senior author, Dr. Joseph A. DiMasi.

costs, pharmaceutical firms, over the past decade, have aggressively sought to identify likely drug failures earlier in the development process. These efforts appear to be paying off, as the rate of late-phase terminations in the 1990s declined, compared with the 1980s."

In 1991, the Tufts Center estimated that the average cost to develop a new drug was \$231 million (in 1987 dollars), equivalent to \$318 million in year 2000 dollars.

During the 1990s, clinical development times were a major source of the growth in drug-development costs. From the 1980s to the 1990s, clinical period out-of-pocket costs grew five times as fast as pre-clinical period costs, according to the Tufts Center study.

The Tufts Center study was based on an analysis of data covering 68 drugs from 10 multinational, foreign- and U.S.-owned pharmaceutical firms during the 1990s.

Included were products that won or failed to win marketing approval, as well as products still in development.

FINDINGS FROM THE TUFTS CENTER ANALYSIS

Average out-of-pocket cost per approved drug for post-approval research and development is **\$140 MILLION**, but when capitalized to the point of marketing approval, using a discount rate of **11%**, discounted out-of-pocket research and development costs are **\$95 MILLION**.

Average capitalized cost for post-approval R&D was **10.6%** of the total capitalized cost. While total average (preclinical plus clinical) costs increased **5.8 TIMES** in constant dollars between the 1970s and 1990s, clinical costs increased **8.6 TIMES**.

Only **21.5%** of drugs that begin Phase I human trials are eventually approved for marketing.

Source: Tufts Center for the Study of Drug Development, Boston. For more information, visit csdd.tufts.edu.

Pharmaceutical Companies' IT Spending To Shift to Support **INTEGRATION OF ENTERPRISE-WIDE BUSINESS PROCESSES**

Executives at Intrasphere Technologies Inc. say pharmaceutical companies will increasingly shift their IT spending from systems that support a single function or department to systems that will help them integrate business processes and share data across the enterprise. The new focus is expected to help companies better control global expenses, manage all dimensions of their clinical trials, track performance, and create a truly global supply chain.

"During the next few years, we will see more global pharmaceutical companies leverage the significant investments they've already made in ERP and other financial systems, clinical-data systems, and other operational systems by integrating these systems and the data that resides in them," says Bill Karl, CEO of Intrasphere. "There's no shortage of information, but the information assets are all too often hidden in data silos specific to a department or function. The legacy of distinct silos of information within the organization does not support information integration and analysis at a strategic level. The ability

to analyze data across departments, functions, business units, and international operations will be the next strategic imperative for many companies."

Intrasphere predicts that pharma companies will focus on data warehousing, data marts, business intelligence, and any other technologies that allow companies to stretch their data beyond the typical operational use. More companies are expected to invest in technologies that allow senior management to view summary level information across the organization, and to analyze performance trends and identify opportunities for improvement.

With the emergence of standards such as XML, SOAP, and WSDL, Web services are predicted to begin to offer a new level of inter-operability and collaboration between businesses. This will challenge the application developers, since they will be required to evolve from developing application silos to a collaborative programming model.

Intrasphere researchers say the shift to a more unified corporate structure will result in the creation of global supply-chain organizations, global sourcing organizations, and the integration of the manufacturing sites with the rest of the operational systems. The next big integration hurdle is projected to be consolidating the commercial and R&D organizations. Companies also are expected to explore ways to facilitate the transfer and integration of data that resides in laboratory information systems and clinical data

management systems. "Connectors" may prove to be the answer to providing a secure and consistent means of transferring and updating data across various development phases and clinical programs, thus improving the overall efficiency of the research process.

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Bill Karl
CEO, Intrasphere

Follow up

THE CUSTOMER RESPECT GROUP, Bellevue, Wash., is an international research and consulting firm that uses its Customer Respect Index methodology to help companies improve how they treat their customers online. For more information, visit customerrespect.com. **INTRASPHERE TECHNOLOGIES INC.**, New York, is a leading technology consulting and systems integration firm, providing a broad range of services to help its Fortune 100 clients build powerful knowledge-driven enterprises. For more information, visit intrasphere.com.

J. SCOTT INTERNATIONAL INC., Newtown, Pa., provides a broad range of syndicated and custom research services for pharmaceutical companies around the world. For more information, visit jscott-intl.com. **TUFTS CENTER FOR THE STUDY OF DRUG DEVELOPMENT**, Boston, is affiliated with Tufts University and provides strategic information to help drug developers, regulators, and policy makers improve the quality and efficiency of pharmaceutical development, review, and use. For more information, visit csdd.tufts.edu.