

THE PROMISE OF THINGS TO COME



NORMAN SELBY

Marketers who understand
Internet opportunities
and can translate those opportunities into clear business
strategies can capitalize on Web-based initiatives

The full impact of the Internet's capability to create strategic marketing and selling tactics in the pharmaceutical industry has yet to be realized. The Internet's impact on pharmaceutical marketing and sales has been negligible to date, but when used to complement traditional tactics, the future potential of the Internet is in its infinite ability to allow marketers to develop personalized messages.

For the most part, pharmaceutical companies have been cautious about embracing Inter-

net-based marketing and sales tactics. And for good reason, says Norman Selby, who served as a senior officer of Citigroup from 1997 to July 2000. Before leaving Citigroup, Mr. Selby created and led the company's Consumer Internet Business, which was responsible for central consumer Internet initiatives. Mr. Selby now sits on the board of Medsite Inc., an Internet marketing and pharmaceutical services company, as well as on the board of Millennium Pharmaceuticals.

"In the core pharmaceutical business, the Internet is still pretty unimportant," Mr. Selby says.

Mr. Selby offers several reasons for the slow adoption of the Internet by pharmaceutical marketers.

First, traditional detailing methods still work. Pharmaceutical sales representatives who are on the road are still very effective. Companies, such as Pfizer, have proven that they can really build blockbuster products with huge salesforces.

Second, a number of Internet companies that began hyping their services a few years ago either aren't around anymore or have had to restructure so many times that big pharma is wary; the industry is not sure that Internet companies are sustainable.

And third, many of the companies that were trying to develop Internet capabilities didn't know or understand the pharmaceutical industry very well.

Adding to tradition

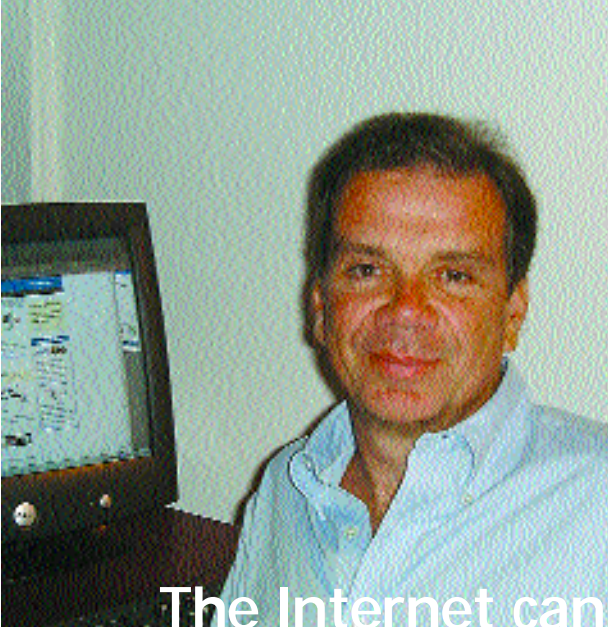
"Traditional selling practices work for big pharma, so there hasn't been a big drive to do other things," Mr. Selby says. "The major expense in pharmaceutical marketing and sales is by far the salesforce, the men and women who drive the highways."

Going forward, Mr. Selby believes that Internet-based marketing and selling tactics will best succeed when they are used to supplement or complement what big pharma already is doing.

A Web-based tactic that is expected to experience growth is e-detailing, which thus far has been limited to pilot programs.

"E-detailing is a very, very small piece," Mr. Selby says. "But e-detailing should grow, not as a standalone or separate activity, but as a supplement to traditional selling activities. E-detailing provides an opportunity for marketers to be more efficient and to be more targeted."

For example, the salesforce calls on high prescribers, and uses the Internet to get to low pre-



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scribers. The salesforce holds dinner meetings, and uses the Internet to follow up with physicians a couple of days later. Another example: sales people drop off samples then follow up with targeted messages via the Internet.

Mr. Selby believes pharma companies are going to need to address the issue of salesforce productivity, as such the Internet will become more important to their selling efforts.

"Recent data show that pharma companies are growing their salesforces much faster than the physician population is growing," he says. "Companies are growing their salesforces faster than the number of sales calls is growing. In aggregate, salesforce productivity is decreasing. As salesforce productivity becomes more of a concern for big pharma, which it will, the attractiveness of doing things on the Internet should grow."

Building relationships

As fast as the Internet boomed, the crash came just as quickly. Many of the Internet companies that were started a few years ago, claiming to have marketing and selling prowess, are no longer in business. The volatility of this sector has left in its wake unease and skepticism.

"If I were a big pharma executive and some Internet hotshot executive came in and said, 'I'm this cool guy with new technology,' I might be cynical," Mr. Selby says. "I would spend a lot of time trying to figure out if the company would be around in a year."

Pharmaceutical companies need to be cautious. Each pharmaceutical company really only has a few big drugs. They are crown jewels and companies are not going to fool around

with unproven tactics unless they are 100% sure that the service the vendor is providing is bullet-proof. "A lot of the companies that were trying to develop Internet capabilities frankly didn't know the pharmaceutical industry very well," Mr. Selby says.

There is now a second generation of medical Internet companies, which will have a much better chance of succeeding, because we know what doesn't work, Mr. Selby says. And, the companies that survive are going to be more stable, more solid, and better managed and know how to work with physicians better.

In the beginning, one of the problems with the way the Internet was applied was that companies were trying to change the way doctors function. "Doctors are creatures of habit, like the rest of us," Mr. Selby says. "Doctors are busy as hell. They are not going to sit down with a patient, and say 'excuse ma'am, let me get on the Internet and look up something.'"

The average patient visit lasts 15 minutes and physicians are not going to take five minutes out of that precious time to search the Internet. What they might do is take 10 minutes before their day starts and go through the detail at their convenience. According to Mr. Selby, the mistake many of the initial Internet companies made was trying to build a model that assumed physicians were on-line all day.

"Only about 50% of doctors use the Internet, and mostly for e-mail," Mr. Selby says. "However, I'm quite convinced that the Internet will become much more important in pharmaceutical marketing and sales."

The future

"I can tell you from my experience in financial services that one of the great things about the Internet is that a company can experiment and learn, and the next day based on what was learned, try another iteration," Mr. Selby says. "The Internet can be used to constantly fine-tune the message and measure what the results are in a way that is much more immediate than any other marketing practice that I've ever seen. Results can be obtained over night or in a week. And it is incredibly specific; you can know which doctors did what."

As the industry moves toward developing personalized medicines through genomics and proteomics, there will be a need to personalize communications in a much more targeted way. "One of the great advantages of the Internet is that a company can do incredible personalization of the marketing message," Mr. Selby says. "It's a glorious concept that's not going to happen tomorrow, but that notion of

personalized medicine will happen over time. The same thing could be said in terms of selling and marketing to big pharma."

Product pipelines are evolving slowly toward these personalized medicines, and marketing practices will change very evolutionarily for at least the next five years. The Internet will be a much more important arrow in the quiver than it is today.

When Mr. Selby first got involved in the industry, 18 years ago, the marketing information that pharma companies had on doctors was very limited. All IMS data could show were what happened at the local pharmacy; there were no data pertaining to prescriptions by doctor. Before laptop computers, there was no field-force automation, so the call reports that physicians filled out went into a big database, which wasn't very user-friendly.

"The only people who really understood the doctor were the detail reps, which is probably how they became so important," he says.

Over time, data from companies such as IMS have improved and pharmaceutical salesforces have access to a lot of automation. Pharmaceutical companies are investing more resources in their own databases and know a lot more about every individual doctor.

Most marketing is about creating customer segmentation, whether it's consumer marketing or industrial marketing, Mr. Selby says. Pharmaceutical marketers need to identify who their various customer segments are, what they want, how they behave, and what are the various products they have for them.

"But companies still can't send individualized messages," Mr. Selby says. "The message is not for Dr. Smith versus Dr. Jones. Using the Internet, however, the message can be targeted to Dr. Smith. With very little incremental money, companies can define the targeted physician population into 15 or 20 segments. And a company can get very specialized messages to each one of those segments."

Pharmaceutical companies will be able to determine how Dr. Jones or Dr. Smith got to a Website. For example, if a doctor is doing a lot of research on cardiovascular drugs, then the company can try to promote a cardiovascular seminar, or a cardiovascular drug, or maybe a symposium.

The Internet is not without its disadvantages. The most glaring is the lack of face-to-face contact. Mr. Selby says, however, the advantages far outweigh the drawbacks. ♦

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