

OPINIONS

Preferred-provider status

Increasingly, companies that provide services to the life-sciences industry are required to be on a preferred provider list. In the November issue of PharmaVOICE, we asked are innovative/new ideas being overlooked in some cases because a service supplier is not a preferred provider? Will an idea even be given a hearing if your company is not on the "A" list? How can a new company get past the red tape?

PharmaVOICE wanted to know, is preferred provider status a boon or a bust?



Competitiveness breeds innovation

Preferred agency agreements limit the number of companies to a small group and essentially limit the range of ideas that can build a company's brand. Why would a company want to eliminate true competitiveness? While the premise for preferred agencies is based on creating many levels of efficiencies, both process and financial (better prices, familiarity with working with the company, and best practices), in fact, these may actually work against them in the end. Agencies and their clients are dynamic organizations, constantly evolving and changing. What is true one year may not be another. Marketing is not a static field and selecting only a handful of agencies to work with limits the openness to hearing other companies and what they are doing to drive brands forward.

The reality for agencies that are "locked out" of companies is that it becomes a hard road to climb to get in with your new approaches to building brands, working with the salesforce, gaining access to physicians, or developing new marketing programs. The number of presentations required to a multitude of people to even be considered for a pro-

ject is daunting. As an agency head, you have to ask yourself if your resources are better spent somewhere else, because in the end the business will go to one of their preferred agencies.

The sad fact for large companies with these agreements in place is that innovative medium-sized agencies don't even want to try. If you're not in the top 10, or on the list, then you are not seriously considered.

Draw the parallel to the U.S. economy, which is No. 1 in the world and how did it get there? Through capitalism. Capitalism has, at its core, competitiveness in a free market. A free market provides for all to compete — and the best win. If you limit your selection to only a handful, then you can't get the best all the time.

While the arguments given for preferred vendor arrangements have been made, they pale in comparison to the real needs of a brand — the best ideas to grow it, regardless of where they come from. Companies that allow free competition among the best agencies out there will win in the future.

Charlene Prounis
PRESIDENT
ACCEL ADVERTISING

The good, the bad, and the red tape

I actually think that preferred-provider status can help cut the red tape in some instances by making it easier to process requests and invoices. On the other hand, sometimes the mountains of paperwork required severely impede the efficiency preferred relationships are intended to foster. It all depends on how well it's handled.

Preferred-provider status becomes damaging to creativity and innovative thinking when price controls and rigid restrictions are placed on the providers who make preferred status. That's like flogging a starving sailor to provide a map to buried treasure.

Daria Blackwell
PRESIDENT
WHITE SEAHORSE INC.

It's going to be a bumpy ride

As the pharmaceutical industry continues to mature and consolidate, it places by necessity significant emphasis on overall cost containment. This is because it has become more difficult, if not impossible, to maintain historical growth patterns. Therefore, advertising agencies, medical-communication and information companies, market-research organizations, and consultancies all have been and will continue to be in peril of being swept into the large file folder labeled, "Commodities." I sincerely believe that senior management at many pharmaceutical companies view these support organizations precisely this way.

And because pharma companies no longer need 50 ad agencies or 20 medical-communications

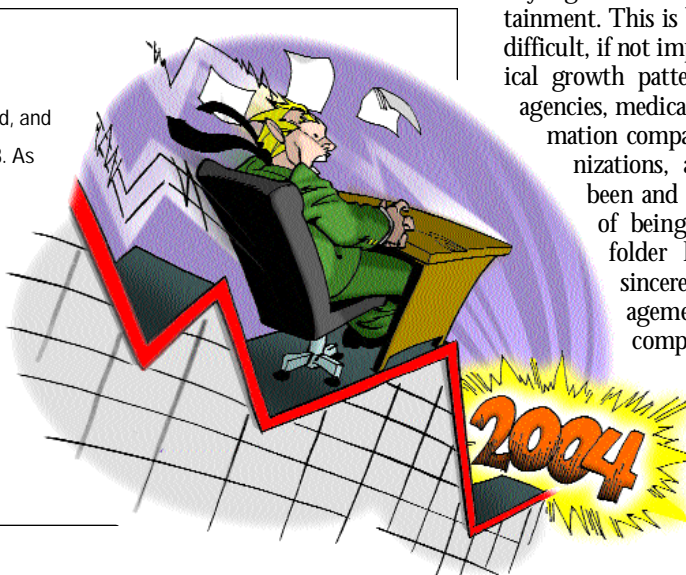
What's Your Opinion?

YEAR IN REVIEW

Continuing regulatory scrutiny, an economy yet to rebound, and evolving world events were some of the hallmarks of 2003. As 2004 approaches, PharmaVOICE wants to know how the trends and challenges of 2003 have impacted your business and how will these marketer influencers shape your business strategies and plans for the coming year?

WHAT'S YOUR OPINION?

Please e-mail your comments to feedback@pharmavoices.com.



companies (or any of the other aforementioned organizations) sprinkled disjointedly across their organization, but rather a modest, manageable amount of providers that will demonstrate strategic brilliance, flawless execution, and pricing sensitivity, we will now see exactly what happened on the manufacturer side over the past decade happen to providers: more consolidation, displacement, and an incredible premium on new product development. The notion that easy vendor growth can be maintained only through relationships, historical performance, and acquisitions is severely misguided.

Life in the future as we will know it will be dictated by innovation in new product/ser-

vices development and the capacity for service providers to invest in and use knowledge management. Hang on all ... it's going to be a bumpy ride.

Neil H. Gray

MANAGING PARTNER

HEALTHCARE TRENDS AND STRATEGIES LLC

Caliber of work still most important factor

Preferred-provider status has always governed who works with whom in this industry. In the past this status was usually inferred and

typically governed by senior-level relationships between client and supplier. Right or wrong, with today's emphasis on ethical neutrality, corporate governance, and procurement-lead efficiencies, this status had become increasingly formalized and administered by process and procedure.

Either way, the caliber of the work remains the single most important factor to access, value, and success. And, as always in the world of business, personal relationships and politics trail not far behind.

Matt Giegerich

PRESIDENT AND CEO

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