The MEDICINE Cabinet

Compounds have a one in nine chance of making it through development, according to statistics, but even after reaching the market, each compound faces a whole new set of hurdles: physician adoption, reimbursement, and exposure to supply chain vulnerabilities.

ADVERTISING/ CONSUMER PROMOTION

The pros and cons of direct-to-consumer (DTC) advertising have been debated since marketers began using the medium in full force in the mid-1990s. DTC spending has significantly increased year over year, totaling almost $4.5 billion in 2004, a record-high for a single year. Recent events have led regulators, legislators, consumers, as well as pharmaceutical companies and industry trade groups to reassess the use of DTC.

MARK BARD
Manhattan Research

J. LEVY. I am hopeful that in 2006 the industry will redirect the content of DTC ads to provide more information on the medical conditions that are being addressed by new drugs, stress the need to treat these diseases, and provide information about the benefits of successful treatment. In keeping with doctors' reactions to DTC — that it should be delayed for a reasonable amount of time — the pharma industry should respond appropriately. An industrywide moratorium on DTC ads for new products would be good for the industry, good for physicians, and good for consumers. The reasons are clear. The industry, whose image with the public is badly in need of a boost, will benefit by demonstrating that it acts responsibly. Physicians will benefit because they will have more time to evaluate new drugs before they have to deal with patient pressure to prescribe the new drug that the patient just saw advertised on TV. And consumers will benefit because their physicians will have adequate time to gain experience with a new product before DTC creates pressure to prescribe it.

WINIGRAD. Consumers today are smarter and savvier than ever. Informed consumers must engage in dialogues with their physicians and

The industry needs to educate physicians early, and often, about upcoming consumer advertising and marketing campaigns. While most companies have made an effort to let physicians know about campaigns in advance of the actual launch, most do not have a formal period of time or process in place that is standardized across all brands.

ADVERTISING TRENDS

- **WHILE NOT AS EFFECTIVE** as recommendations from family members, friends, or coworkers, recommendations from fellow consumers — specifically individuals who author blogs, participate in chat rooms, or post to Web boards — are gaining influence in the market.
- **MORE COMPANIES ARE MOVING TOWARD** implementing mandatory waiting-periods before advertising new products through television and print advertisements. As a result, disease-focused and online promotional campaigns will grow in importance and influence.
- **PHARMACEUTICAL COMPANIES ARE MOVING DRUG ADS** off of network television and onto other channels, such as the Internet. The clearest disadvantage to television is that it is an extremely expensive marketing platform. In addition, advertisements placed on television are more open to attack from regulatory and consumer-advocacy organizations.

Source: Datamonitor, New York.
For more information, visit datamonitor.com.

healthcare providers about what is right for them and how a treatment fits into their lives. Before pharmaceutical marketers make decisions about DTC concerns, they should understand what information "consumers" value, how they gather information, and other factors relating to healthcare. Only then can they strike a balance between both physician expertise and consumers' need to understand their options, solicit opinions, and take responsibility for their own treatment.

PHILLIPS. Demographic and cultural trends are shaping a growing number of empowered patients and caregivers. They are hungry for health information, whether it's pushed through DTC or pulled through branded and unbranded Websites. DTC communications, in this scenario, should be used to enhance the understanding of disease and encourage compliance and persistency. DTC and direct-to-patient (DTP) manifested in this manner will restore a sense of value that could go a long way to assuage physician concerns and restore trust in the industry.

GIEGERICH. The notion of prohibiting direct-to-consumer advertising for a brief period of time has some merit, since we believe it is important for the medical community to have the chance to become familiar with a new brand before a DTC campaign is initiated. The notion that this blackout period should extend beyond one year suggests that consumers should be intentionally shielded from health innovation — a draconian concept at best and a first amendment issue, regardless.

BARD. The industry needs to educate physicians early, and often, about upcoming con-

DOCTORS STRONGLY SUPPORT POLICING OF PHARMA INDUSTRY'S ADVERTISING INITIATIVES

While pharmaceutical companies attempt to determine appropriate protocols for advertising their new prescription medications directly to consumers, physicians have voiced their opinions on the issue.

"There is a correlation between pharmaceutical companies marketing directly to consumers and those consumers initiating a discussion with their physicians," says Marianne Stephen, president of HRA Research. "The disconnect occurs when the patient's request for the medication is rebuffed by the doctor."

An online survey conducted by HRA Research of doctors' attitudes on direct-to-consumer (DTC) advertising of prescription drugs found that:

- **81% OF THE 2,015 PHYSICIANS SURVEYED** believe it is a good idea to prohibit DTC advertising for new prescription drugs for a period of time after the FDA has approved a new drug so that physicians have time to gain familiarity with the medication.
- **MORE THAN FOUR OUT OF FIVE** physicians favored some type of ban on DTC advertising for all new prescription drugs, but there was less agreement on the type of ban that they would be most likely to support.
- **43% PERCENT FAVOR A MANDATORY BAN** for some limited period of time, one-third favor a voluntary ban with each pharmaceutical company deciding when to begin advertising to consumers, and 24% believe it is not necessary to place either type of ban on DTC advertising.
- **56% OF THE DOCTORS STATED** that they get one to five calls a week to discuss a DTC-advertised drug or schedule an appointment to discuss a DTC-advertised drug.
- **65% OF THE DOCTORS CONFIRMED** that patients initiate discussions on DTC-advertised drugs between one and five times per week, with 64% of the physicians receiving one to five patient requests per week for DTC-advertised drugs.
- **62% OF PHYSICIANS PRESCRIBED** the discussed medication only one-quarter of the time or less, with nearly 40% writing a prescription 10% or less of the time.

Source: HRA Research, Parsippany, N.J.
For more information, visit hraresearch.com.

Thought **LEADERS**

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RICK ANGELLO. i3 DLN
CECILIA ARRADAZA. Chandler Chicco Agency
JILL BALDERSON. HealthEd
MARK BARD. Manhattan Research LLC
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CHARLES BUCKWELL. Complete Medical Group
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DAVID WINIGRAD. The Hal Lewis Group Inc.
SUSAN WORTHY. ClearStory Systems

We firmly believe that the healthcare marketplace — like the consumer marketplace, generally — continues to evolve away from intrusion-based media and into permission-based media.

sumer advertising and marketing campaigns. While most companies have made an effort to let physicians know about campaigns in advance of the actual launch, most do not have a formal period of time or process in place that is standardized across all brands. That is slowly changing with the recent announcements of companies, such as Pfizer stating that it will hold off on broadcast DTC for six months at launch and allow adequate time for physicians to become experienced with the product and to be made aware of the upcoming marketing campaign.

HESS. Some pharmaceutical companies have embraced physicians' wishes and announced plans to cut back on direct-to-consumer ads or at least delay them for some time after a drug's launch. Bristol-Myers Squibb, for example, announced earlier in 2005 that it would adopt a new policy to not launch any DTC advertising campaigns until after drugs have been on the market for at least one year. Similarly, Pfizer, which publicly revised its DTC policy in August, has stated that it plans to reduce spending on traditional DTC ads to focus on the advertising objectives of physician education and communication. Clearly, there is empirical evidence to support these decisions. In an ideal world, companies would be able to educate the medical community on their drugs before launch through medical publications, congresses, symposia, and the like. But since it is impossible to achieve such robust physician education before launch, it makes sense that companies begin to respect doctors' wishes and provide a short period of time to allow them to learn about new medications before they get an influx of queries from patients who saw TV ads or heard a radio spot encouraging them to talk to their doctors.

CARTER. The industry has always weighed physicians' concerns about DTC against the opportunity to reach out directly to consumers. When DTC promotion began in the 1990s, there was, among doctors, not only considerable apprehension but outright anger about its use. Today, as DTC has become more widespread through its continued use and presence, physicians feel more comfortable with — or at least more accustomed to — it. As always, marketers need to carefully weigh the benefits of DTC, which include providing both quality information to educate consumers and increasing their bottom lines, against its costs and potential risks.

DTC: A SHIFTING PARADIGM

The primary need for information, and the core belief that an informed patient is a more proactive and healthier patient, is as true today as before.

It is the creative and innovative advertising agency that views the current environment as an opportunity to speak with patients in a different way. How can clients better connect with patients, who are still hungry for timely healthcare information, while respecting their needs for balanced and accurate information? How is this done while also respecting physicians' needs to evaluate new products before being asked to prescribe them?

THE PROS AND CONS OF THE CURRENT MODEL

As we all know, DTC advertising typically promotes one brand, reinforces the benefits of that brand, attempts to provide fair balance, and repeatedly drives home the call to "ask your doctor" for more information. Does this system work? Yes, if inquiries is the goal. But no, if the goal is a better-informed, more empowered patient. The current system has led to patients demanding products that they know too little about, and often these are products with which their doctors have not had adequate clinical experience.

The industry needs to rethink the current model. The recent explosion of DTC advertising, primarily television, has caused more than demand for brands. It has left patients and caregivers confused. It is much like the Internet, which offers an avalanche of information, but often little context or true guidance for patients.

The good news? DTC is a powerful tool that has helped millions of people to manage their conditions. It has allowed people to talk about previously unspeakable conditions such as IBS. It has erased stigmas, such as depression. It has empowered patients to seek a better quality of life and to improve their relationships with physicians.

And while DTC is under fire, and in many cases deservedly so, it remains an important tool for pharmaceutical companies to inform and educate patients and caregivers.

People want this information. They demand it. And pharmaceutical companies have an obligation to provide it for them. So, how can DTC work better?

A NEW MODEL OF INFORMATION SHARING

A new model of information sharing means approaching patients and caregivers in a more respectful way, as well as forging a new type of relationship between pharmaceutical companies and the people who rely on their discoveries. We need a more holistic relationship, not one of seller and buyer of goods.

The current model, which primarily focuses on building brand/product equity, is no longer sustainable. Lifecycle challenges, reimbursement issues, patent expirations, and competitive entries put the traditional brand-equity model at peril. Also, it is important to remember that physicians treat patients first and diseases second. By simply communicating a message of disease and product without tak-

BARD. One of the key drivers of DTC spending is the presence of high-profile product launches. In a market, or year, when the launch of innovative products is few and far between, naturally there will be fewer campaigns, which translates into fewer dollars spent. As pipelines improve, DTC and consumer marketing will improve as well. In the near term, another limiting factor is that many companies are rethinking their approaches to DTC from a strategic point of view — from senior management down. In those situations, companies are not typically making significant investments outside continuing their existing campaigns. For that reason, some companies may stabilize or slightly decrease their DTC spend as they work to optimize their approaches in general.

PHILLIPS. DTC, in its current model, has saturated the market, and spending may contract in 2006, more so because of the nature of healthcare trends than any regulatory concerns. The peak of marketing commodity pharmaceuticals has passed. We live now in an era where higher-margin specialty pharmaceuticals are the focus of research. Here the rationale for traditional DTC does not hold up. That noted, the market will not so much contract but shift to more direct-to-patient education models — emphasizing adherence and patient assistance. This shift already is happening as evidenced by the commercials shown during the Sunday morning news programs.

Joe Carofano
CCA Advertising

Many in the pharmaceutical industry are wondering what will become of DTC advertising in the wake of the new PhRMA guiding principles, regulatory pressures, and public debate and concerns.

ing the humanity of the patient into consideration is troubling to the industry's partners in healthcare. It is time to stop trying to build quarterly brand equity. It is time to start building trust.

CREATING A SUSTAINABLE HALO EFFECT

This will take some doing and some undoing. Consumers are willing to give their loyalty but only in exchange for something bigger than an individual product. If one looks outside the pharmaceutical industry, there are iconic corporate brands such as General Electric, Procter and Gamble, Starbucks, and Nike. Consumers have developed relationships with these organizations — not with their GE air conditioners, P&G diapers, venti cappuccinos, or cross-trainers. Customers are loyal to the larger brand — the corporate brand — and this halo effect illuminates a large sphere of influence. In spite of the market challenges a brand may face, consumers typically remain loyal to these corporations.

For savvy pharmaceutical companies and their advertising agencies, this same sustainable model is a likely outgrowth of the new DTC marketing. Rather than leading with a brand, manufacturers will lead with corporate relationship building. Customers deserve to have a relationship with the companies that provide healthcare solutions. And companies and agencies that understand how to connect with patients on a wider level — across disease education, corporate, and individual brand — are the ones who will thrive in this new world.

As an industry, our focus needs to shift to educating people, and we need to reach them by approaching them in a respectful manner. It is our job to educate patients by giving them information that offers a balanced look at a drug's benefits and risks. This will result in a true exchange of information and a respectful relationship that meets people's continuing demands for information.

Does this mean that DTC as we know it is dead? No. Television remains a tool for reaching far and wide but not deep. Smart agencies will counsel their clients to use TV to give people more reasons and ways to dig deeper, which will allow them to connect across other media and to obtain better and more information, tools, and ideas. Engaging patients and caregivers, and inviting them into environments where they will feel respected, is what DTC was always meant to be. With broadband reaching more and more communities, it is a matter of time before rich media tools will be at the disposal of virtually every consumer, allowing people to have an experiential and interactive dialogue about these disease and management issues.

Pharmaceutical companies have the ability to educate, to provide the risks and benefits of various treatment options, and yes, to talk about specific products. When done well, this new focus will support patients and caregivers and will encourage them to speak with their doctors about treatment options on a more intellectual level, a deeper level. The result can be — and should be — a more balanced and equal partnership in meeting patients' healthcare needs.

Therefore, rather than starting with the solution (for example the marketed product as was done in the old model), marketers should begin in the new DTC model by focusing on a disease and building relationships with patients/caregivers at a higher level.

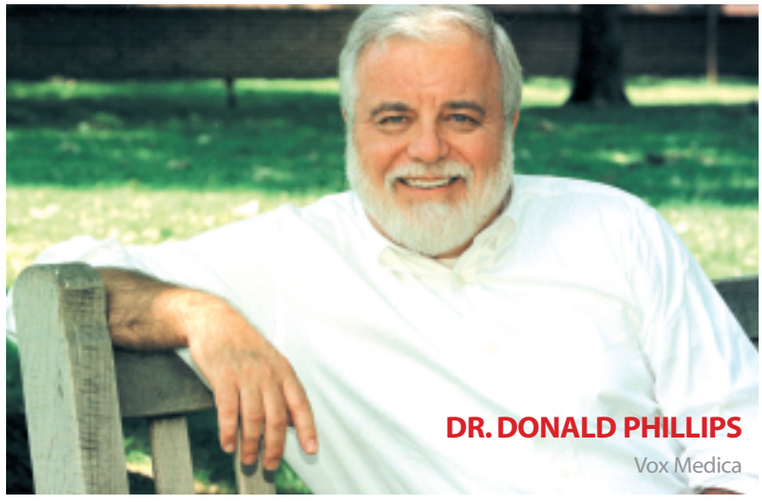
Reallocating resources across different mediums and shifting the emphasis to building relationships between manufactures and patients must be a priority. The answer is not to walk away from this dialogue, but to improve upon it — to invite patients, caregivers, and physicians in and to allow them to help direct the dialogue. We must find smarter solutions to help educate today's curious and thoughtful consumers.

We are an industry that has brought great advances to human health. We should be proud of this accomplishment and also savvy enough to recognize that our world has changed. It is incumbent upon us to lead the charge by demonstrating a real understanding of the value we bring, and the needs we meet.

Source: Joe Carofano, CCA Advertising, New York.
For more information, visit ccaad.com.

CHARLES BUCKWELL
Complete Medical Group

My expectation is that U.S. advertising spend, as a percentage of the total activities, will eventually move closer to that of the European mix.



DR. DONALD PHILLIPS
Vox Medica

Demographic and cultural trends are shaping a growing number of empowered patients and caregivers. They are hungry for health information whether it's pushed through DTC or pulled through branded and unbranded Websites.

PROUNIS. Clients are now asking for DTP, not DTC. Some big players will remain, but since the ROI is not what it was, more companies want to spend their money efficiently by reaching active, involved patients — not just a glut of consumers. DTC will stay flat or decline, as marketers put more money into reaching a specific patient population, through DTP, rather than consumers at large.

BARD. Pharmaceutical and biotech companies must continue to evolve consumer-marketing campaigns from pure promotion to a blend of promotion and patient education. Physicians are not against patient education, they generally embrace empowered patients who become better informed about diagnosis pathways and the range of available treatment

DISPROVING THE MOST PREVALENT MYTHS SURROUNDING PATIENT EDUCATION

MYTH NO. 1

Information equals education.

REALITY

Information is a valuable tool, but to be effective, an educational program or piece must facilitate the process of learning information. In our industry, well-intentioned informational efforts often fall short for people whose ability and desire to learn is compromised by the physical and emotional effects of an illness. Effective patient education enables people with different learning styles and abilities, emotions, and health beliefs to seek help, accept a diagnosis, and adhere to treatments as recommended by healthcare providers.

MYTH NO. 2

Educational initiatives only benefit category leaders.

REALITY

When education is defined as "unbranded, disease-state awareness materials," this myth is often true. But when focused on specific symptoms for which only your brand has an indication or a specific therapeutic advantage — even these "unbranded but brand-beneficial" campaigns can be powerful marketing tools. For new entrants into crowded categories, an innovative and effective educational support program can differentiate the brand with prescribers who realize the combined effectiveness of a "pill and a plan."

MYTH NO. 3

Education is (only) a post-launch activity.

REALITY

Strategically deployed, unbranded educational programs can "soften the market" for a brand launch by raising awareness and understanding of diseases, treatment approaches, or difficult aspects of existing treatments. During Phase III clinical trials, supportive educational materials can play a critical role in increasing adherence among trial participants and may improve patient-reported outcomes.

MYTH NO. 4

ROI for education can't be measured.

REALITY

Many product managers don't bother to measure the impact of educational initiatives because they don't expect them to drive sales. When used as a strategic marketing tool, educational programs can and should be held to the same standard as other marketing communications. Each component can be measured for its performance against the patient and professional behaviors it is designed to influence and the financial impact of those behaviors for the company.

One of the hottest areas for 2006 is redefining how patient education is used in our industry by disproving the most prevalent myths surrounding patient education.

Jill Balderson
HealthEd

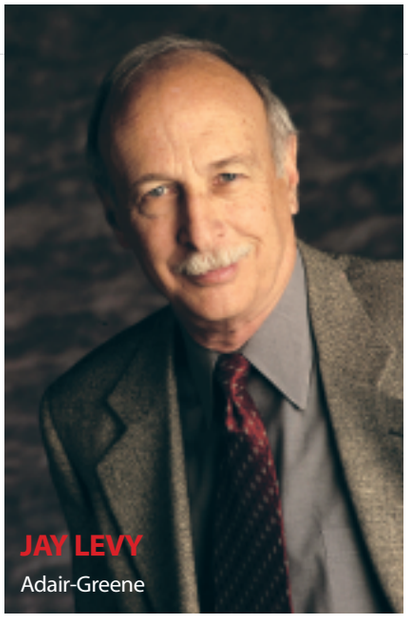
MYTH NO. 5

Education is boring.

REALITY

Education can be boring, but it doesn't have to be. Educational programs can be immersive, interactive, motivational, inspirational experiences that change people's lives. Even basic tactics can be extremely compelling and move someone to act or think differently. If the educational materials are boring, ask more of your agencies.

Source: HealthEd, Clark, N.J.
For more information, visit healthed.com.



JAY LEVY
Adair-Greene

I am hopeful that in 2006 the industry will redirect the content of DTC ads to provide more information on the medical conditions that are being addressed by new drugs, stress the need to treat these diseases, and provide information about the benefits of successful treatment.

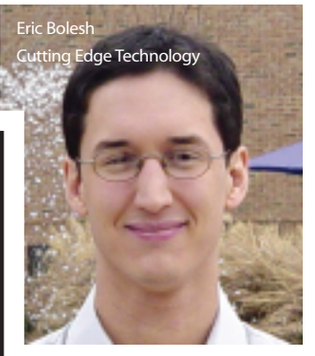
options. But they continue to have issues with ads that may usurp, or put into question, their decision making and personal treatment preferences.

BUCKWELL. There has been much debate about whether true direct-to-consumer advertising will take off in Europe, but if anything regulatory and cultural forces are working more against this than ever before, mirroring patterns emerging in the United States. My expectation is that the U.S. advertising spend, as a percentage of the total activities, will eventually move closer to that of the European mix. European strategies have generally relied more heavily on other parts of the mix. Indeed, in both Europe and the United States, these other parts of the mix are becoming increasingly important, especially those that build professional advocacy and credibility for a brand. Over the coming years, my belief is that market shaping and educational initiatives that are seriously well-grounded in science, but that make a real difference to perceptions, beliefs, and behaviors, will add greater value relative to an increasingly restrictive environment for advertising. Advertising still will be important in driving awareness, but perhaps it will need to be part of a much more integrated approach to pharmaceutical marketing in a broader sense.

PERLOTTO. While the promise of a pan-European approach to marketing to professionals may have been expected with the establishment of the European Union, that hasn't happened to the degree one might think. Because of the lack of uniformity across the EU with respect to cultures, languages, brand availability, government-controlled pricing, and standards of care in delivering medicine, the approach to marketing requires that companies still significantly fragment their marketing dollars. The inability to reach a pan-European professional community results in less efficient advertising spend compared with that here in the United States. While this may seem counterintuitive with respect to the total overall spend difference between the United States and Europe, I would hazard to guess that a much larger proportion of the professional community in the European

U.S. PHARMA BRANDS SPEND SIMILARLY DESPITE SIZE DIFFERENCES

In the dog-eat-dog world of pharmaceutical marketing, the biggest brands work with staggering product-launch budgets.



Eric Bolesh
Cutting Edge Technology

From the beginning of clinical testing to the first year on the market, drugs slated to earn billions will spend hundreds of millions in promotional dollars. Small products, meanwhile, are lucky to cross the **$10 million mark**.

From the beginning of clinical testing to the first year on the market, drugs slated to earn billions will spend hundreds of millions in promotional dollars.Small products, meanwhile, are lucky to cross the $10 million mark.

These spending discrepancies, however, mask underlying parallels in the brands' budgets. Big or small, these brands approached marketing spending in very similar ways.

A recent study from Cutting Edge Information examined marketing budgets for 18 brands split into three groups by annual sales projections: blockbusters (projected annual sales of more than **$1 billion**), midlevel brands (projected annual sales of **$500 million** to **$1 billion**) and niche products (projected sales of less than **$500 million**).

As might be expected, the largest brands spent the most — anywhere from about **$10 million** to almost **$400 million**. With one exception, on the other hand, each small drug spent less than **$20 million** on U.S. launch marketing.

OVER TIME, THE THREE GROUPS OF BRANDS WERE REMARKABLY SIMILAR

DURING PHASE II, each group spent between 2.4% and 3.3% of its total budget.

IN PHASE III, both niche and blockbuster brands spent 10.3% of their budgets.

SPENDING FOR ALL THREE GROUPS peaked in the first year on the market, with marketing budgets claiming between **45.3%** and **62%** of total expenditures.

"No matter how different these brands are — and they are very different — some clear patterns emerge when we look at the aggregate spending," says Eric Bolesh, research team leader at Cutting Edge Information.

Another key trend observed by Cutting Edge is that commercial spending and staffing stays in check in preclinical through Phase I development. Companies tend to be more cautious with staffing and funds during these early stages regardless of whether they are promoting a future blockbuster drug or a small, niche brand.

But once developers begin to feel comfortable with their drugs' clinical performance, commercial outlook, and peak-sales projections, which usually happens around Phase II, spending and staffing rise substantially. At this point it becomes obvious which companies plan to promote a blockbuster and which companies are expecting to release a smaller brand. The difference in commercial spending between average blockbuster and niche brands in Phase II is **$7.29 million**.

Source: Cutting Edge Information, Research Triangle Park, N.C. For more information, visit cuttingedgeinformation.com.

DAVID WINIGRAD

Hal Lewis

Union is written off by companies as "unreachable" or, at the very least, not cost-efficient enough to significantly spend against.

Consumers today are smarter and savvier than ever. Informed consumers must engage in dialogues with their physicians and healthcare providers about what is right for them and what fits into their lives.

▶ E-MARKETING

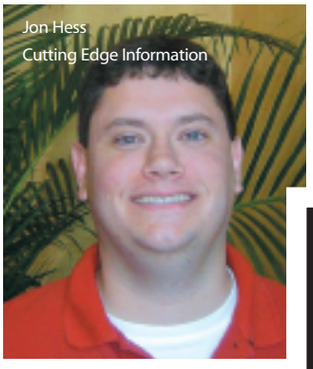
New online and mobile technologies — PDAs, Smart phones, Webinars, Websites — are changing the pharma industry's marketing landscape. Industry experts expect that cutting-edge tactics will soon become part of the fabric of the overall marketing mix.

GIEGERICH. We firmly believe that the healthcare marketplace — like the consumer marketplace, generally — continues to evolve away from intrusion-based media and into permission-based media. Said another way, in the future, good marketing communications will more likely be "pulled" into the lives of our customers, as opposed to being "pushed" upon them by marketers. This ongoing evolution suggests that mobile, digital, and interactive media will continue to grow in significance.

BARD. Perhaps the end users — consumers and physicians — are the the best judges of the value of these new technologies. In that respect, we know that consumers and physicians continue to change and evolve the way they access information in general and learn about products specifically, often incorporating technology as a key component of their information and channel mix. They value these new technologies on many levels, with a key driver being convenient and timely access to a diverse knowledgebase of information that was unthinkable even 20 years ago.

FIELD. The Internet is proving to be a powerful direct-marketing channel for the pharmaceutical industry. Cross-technology platforms have grown exponentially over the last several years. These provide physicians with easy access to information, such as the latest product updates, educational programs, instantaneous and searchable libraries of patient information, and collaborative and real-time thought-leader programs sponsored by pharma companies. The cross-technology platform standards — such as PDAs, Smart phones, portable laptops, Blackberrys, and other emerging Web-enabled technologies — have created a Cyborg-bond between the physician, the device, and the pharmaceutical company/brand providing the information. Equally important is the emerging relationship that pharmaceutical companies are forging with consumers. With rising consumerism in healthcare, the importance of direct-to-consumer contact with this target audience is unprecedented in the pharmaceutical marketing world. Pew Internet Research conducted a study on healthcare and Internet usage among consumers in late 2004 and reported some very impactful results. Analysts reported that 93 million Americans have searched online for healthcare information, and 68% indicated that the Internet information that they found influenced how they decided to treat their illnesses. But only 25% of those seeking information proactively checked that the information was up-to-date

MEDICAL PUBLICATIONS BOLSTER COMMERCIALIZATION EFFORTS



Jon Hess
Cutting Edge Information

Publication strategies are essential to the success of any pharmaceutical product. And according to recent research from Cutting Edge Information, companies have many different reasons for using these strategies.

Medical publications are invaluable to niche drug companies, serving as a crutch to support their brands in the marketplace.

In a recent report, Pharmaceutical Medical Publications: Winning Physicians Support, researchers found that midlevel drug developers — which reap the benefits of favorable clinical profiles, are first-in-class innovators, have strong safety profiles, are more effective than their competitors, and generally are easier to use — tend to use publications as an extra boost to surpass the $500 million mark in peak annual sales.

"These developers leverage publications to inform their respective medical communities about the drug's clinical attributes and to directly challenge the clinically inferior competition for its share of the market," says Jon Hess, project team leader at Cutting Edge Information.

While this strategy helps these developers, research also shows that some niche drugs' developers use medical publications to compensate for their inferior promotional infrastructures, which suffer from a general lack of commercialization experience, inadequate commercialization resources, and/or small salesforces with limited reach.

"These promoters use publications as a crutch, of sorts, to support their brands in the marketplace by targeting specialists through medical literature," Mr. Hess says. "These starkly contrasted strategies demonstrate the dynamic value that medical publications can add to the commercial plans of drugs in any circumstance."

For smaller drug developers, medical publications often compensate for, or supplement, weak promotional infrastructures. These companies may have small salesforces with limited resources and a lack of commercialization experience. Medical publications are invaluable to niche drug companies, serving as a crutch to support their brands in the marketplace.

Source: Cutting Edge Information, Research Triangle Park, N.C.
For more information, visit cuttingedgeinformation.com

Managing the digital media supply chain, from creation to delivery, can have a dramatic impact on business agility.

and accurate. Pharmaceutical companies have recognized an opportunity to use new Web-enabled direct-to-consumer approaches to position existing products so they demonstrate value to consumer.

BARD. Although we will not continue to see the overall rapid growth of the Internet as we did in the past 10 years with the influx of new users, consumers and physicians continue to tell us — in our research — that they plan to increase the allocation of time they give to these new technologies and the online channel in general. As we move from a world where consumers and physicians were "exposed" to information based on the terms decided by content providers to one that is "on demand," we believe the market will continue to embrace interactive tools and technology to satisfy consumers' and physicians' quests for knowledge, education, and the latest clinical news and updates.

VANDERVEER. All of these technologies have the ability to revolutionize the pharmaceutical marketing landscape, but each has a very specific set of functionalities that must be applied against carefully thought-out objectives if it is to be optimally useful. More specifically, it must be understood that physicians, pharmaceutical representatives, and others involved in this landscape have information needs that are either primarily push or pull in nature. One of the most frequent physician needs in terms of information, for example, is the ability to answer a treatment-related question quickly during an actual patient encounter. Such pull programs as Epocrates, carried by many physicians on their PDAs, have been extremely successful because of their ability to meet this need. Another important physician information need is the time-efficient obtainment of updates in "Standards of Care" (SOCs). Here, a push-oriented electronic approach is appropriate, and timeliness needs are much less critical. Thus, e-newsletters, customized to the individual physician's areas of interest and viewed on his or her desktop or laptop computer, meet this need admirably. Pharmaceutical marketers, if they are to ride along on these channels at all, must do so carefully so as to avoid getting in the way of the physician's efforts to benefit from the time-efficiency of these information sources.

WORTHY. For global pharmaceutical firms, branded digital media content — product documents, multimedia, brand-related photography, graphics, presentations, video — is core to business process and critical to marketing success. So managing the digital media supply chain, from creation to delivery, can have a dramatic impact on business agility. As companies gain greater control of this content, with the ability to distribute it on-demand both within the enterprise and out to external audiences, the value of digital media greatly increases. Traditional print and online channels have already created a large challenge for global organizations to manage valuable content. New channels such as cell phones, PDAs, and Podcasting are sure to only add to the complexity, not to mention that these new media types are increasingly expensive to produce and manage.

INCREASING PHARMACEUTICAL MARKETING IMPACT: EFFECTIVE E-BUSINESS AND INTERNET TACTICS

Top pharmaceutical marketing companies have discovered three key techniques that enable them to provide a superior Web presence and focus improvements on growth drivers, such as professional education and clinical content in addition to order-processing capability.

Pharmaceutical marketers should:

1. Deliver value to clinical professionals with current clinical data and product information
2. Develop self-service functionality to increase electronic ordering
3. Evolve systems to capture and convert sales leads and growth information.

TARGETING CLINICAL PROFESSIONALS

In targeting clinical professionals, **89% of benchmarked companies use Web portals** as a tool in facilitating professional education as these companies seek to grow valuable relationships with physicians. In addition to professional education, top companies use their e-business for more nuts-and-bolts order management tasks and electronic billing.

KEY IMPROVEMENT OPPORTUNITIES

Most companies have a significant improvement opportunity for connecting more customers and increasing their electronic order usage. **Top performers average 75% of total customer base connected, with 63% of those customers placing an online order within the last 30 days.** This was three times the benchmark class average, so there is a tremendous upside for companies seeking to increase their electronic ordering capability including electronic invoicing, electronic contract management, and e-reporting services for order management and contracting.

USING E-BUSINESS TO MEASURE CUSTOMER SATISFACTION

Benchmarked companies average five separate measures that track customer satisfaction and communicate the value of the E-business organization internally. These measures include: order status check, e-learning events, downloads, registrations, content views, information requests and completed calls-to-action. But there is significant room for improvement.

Source: Best Practices LLC, Chapel Hill, N.C.
For more information, visit best-in-class.com.

MARKET RESEARCH

The use of Internet market research continues to rise. According to analysts, researchers have different reasons for opting for one methodology over

another, but those most often cited for choosing the Internet were speed and cost.

VANDERVEER. The Internet is now a widely accepted and used method for the collection of quantitative pharmaceutical marketing research data. Its major advantages over telephone and personal interviews, previously used extensively to collect this type of information, include: lower cost; the ability of the physician to complete a questionnaire at his or her convenience, rather than by appointment; the convenience of a respondent being able to complete long and complex questionnaires in multiple sessions if interrupted or fatigued; the capacity to employ complex skip patterns; the ability (versus telephone interviews) to present graphic information without the respondent being able to copy the information; and the ability to collect large numbers of completed interviews in a relatively brief time span. Disadvantages/limitations of the methodology include: relatively high fixed costs, for example programming the questionnaire, making it inefficient if only a relatively small number of interviews are to be conducted; and relatively small groups, in particular of specialists, who are available online in some countries only. For 2006, it should be anticipated that the use of the Internet in pharmaceutical marketing research will continue to expand, both domestically and globally, with physicians, patients, and other stakeholders. Marketing researchers should use this methodology freely any time they need to collect quantitative data for a project in which the advantages listed above are not outweighed by the disadvantages or limitations.

PERLOTTO. Internet research has definitely carved out a role for today's marketer and new technologies continue to expand the potential of research that can be done via this medium. We have seen a significant increase in the use of Internet research by our clients over the last three years, and I would expect to continue to see an increase for select research objectives. Internet research has facilitated a broader geographic reach, potential inclusion of a more diverse population sample, and a way to

MARKET RESEARCH PRODUCTIVITY METRICS

More than 60% of companies spend less than $300,000 in investment per market research professional. Yet, 67% of market research professionals are expected to support up to 10 products, according to a cross-industry benchmarking study of 85 market research organizations by Best Practices LLC.

THE REPORT ALSO FOUND

- **MORE THAN HALF** of benchmarked market-research organizations manage 20 or fewer projects per year. Superior market-research management systems recognize projects vary greatly in complexity and balance the project mix among professionals to optimize group and individual productivity.
- **SAVVY MARKET RESEARCHERS** employ go and no-go decision milestones with early-stage products to trigger market-research staffing reviews and to signal market-research support needs.
- **TO INCREASE EFFICIENCY**, leading market research organizations seek to outsource activities that are lower-value or do not create a product or effect that bolsters the market-research organization's stature among strategic decision makers. Such tasks typically include pricing research and advertising and monitoring.

Source: Best Practices LLC, Chapel Hill, N.C.
For more information, visit best-in-class.com.

THOUGHT-LEADER DEVELOPMENT: $30 MILLION BUDGETS NOT ENOUGH


Elio Evangelista
Cutting Edge Information

Even though the average pharmaceutical company spends $30 million to support its thought-leader development activities, a Cutting Edge Information study indicates that companies may need to spend more to remain competitive.

As more companies recognize the impact thought leaders create in the market, they're supporting them with more sophisticated and integrated programs.

"Thought-leader budgets are on the rise in the pharmaceutical industry," says Elio Evangelista, senior analyst at Cutting Edge Information. "As more companies recognize the impact thought leaders make in the market, they're supporting them with more sophisticated and integrated programs."

Survey data indicate that 31% of companies begin recruiting thought leaders in Phase II, when clinical trial activities get under way. Early thought-leader involvement is especially important for novel treatments that may face high market acceptance hurdles. Although local thought leaders have limited influence compared with regional and national leaders, they are critical and often underused.

Cutting Edge Information's report reveals how to build strong key opinion leader relationships by focusing on several critical strategic components:

1. **INVESTMENT** The average brand allocates nearly $30 million to support thought-leader activities throughout the development cycle.
2. **RELATIONSHIP MANAGEMENT** The most lucrative thought-leader contacts are consistently managed and maintained by developing win-win relationships.
3. **EARLY INVOLVEMENT** In the last two years, more companies have formally begun their thought-leader initiatives earlier in development, some before Phase I.
4. **LOCAL THOUGHT-LEADER VISIBILITY** Recently, local thought-leader usage has been on the rise, indicating more market impact at lower costs across the industry.

Source: Cutting Edge Information, Research Triangle Park, N.C.
For more information, visit cuttingedgeinformation.com.

DR. RICHARD VANDERVEER

GfK

For 2006, it should be anticipated that the use of the Internet in pharmaceutical marketing research will continue to expand, both domestically and globally, with physicians, patients, and other stakeholders.

reduce travel costs associated with traditional market research. While there are many types of research for which the Internet can play a valuable role, there are still some areas that require face-to-face interaction, such as those projects that require witnessing an emotional reaction to information — at least until technology figures a way to capture this information as well.

NOLAN. The use of Internet-based market research has grown considerably in the last few years, and I expect this trend to continue. The Internet provides marketers a vehicle to rapidly reach a large customer base in a very efficient and cost-effective manner when compared with traditional methods. For example, message recall of a new campaign or a new product launch can be conducted quickly, and data generated can be used to modify or reinforce sales-force execution. Additionally, physicians appear to prefer online marketing research because they can complete the survey tool when it's convenient for them rather than having to leave the office and work around schedule conflicts. In the past, the average physician was not online. This has changed significantly. With more physicians online, Internet-based marketing research allows a truly representative national sample to be taken. While there are still some types of research best done with traditional methods, for example, qualitative market research via phone or in person because of the ability to probe and obtain more information than was originally offered, I envision marketers using the Internet more in the future than they have historically.

FIELD. Internet research provides access to more representative target audiences — available 24/7. Most respondents participate after kids are in bed and on weekends and holidays. High-prescribing/busy practice physicians

MARK PERLOTTO

Adair-Greene

Internet research has facilitated a broader geographic reach, potential inclusion of a more diverse population sample, and a way to reduce travel costs associated with traditional market research.

ACHIEVING MARKET SUCCESS: THOUGHT LEADERS DRIVE SUCCESS FROM EARLY STAGE TO POSTLAUNCH

Thought leaders play a critical role in shaping the market success of a drug. In Lipitor's case, Pfizer's articulation of an unmet medical need launched it into the best-selling medicine in history.

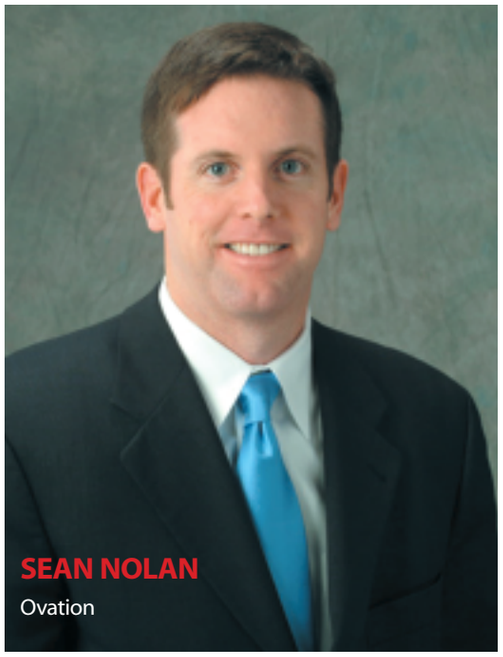
Because of key opinion leaders' critical influence in shaping clinical studies and launch products, understanding crucial lifecycle issues, and anticipating competitor moves, leading pharmaceutical and biotech companies must develop and maintain strong relationships with them.

Best Practices LLC has identified several findings from its research to enable executives to successfully and innovatively manage relationships with key opinion leaders while avoiding potential missteps.

SAMPLE FINDINGS FROM THE REPORT INCLUDE:

- **A LEADING COMPANY EMPLOYS** a formal strategy to balance the number of trials for products in development. If one drug has 10 trial programs under way and a second one has 30, field-based medical specialists work to get additional trial sites for the first product before giving resources to the second product. This strategy ensures that every product has enough resources to provide the economic and medical information required in achieving market success.
- **ANOTHER COMPANY STARTS** its field-based medical program at the local and regional levels, as it is simpler and less expensive than a nationally coordinated effort. A gradual deployment also helped the field-based medical program avoid large mistakes that could potentially drain a budget and negatively impact thought leader relationships.
- **A THIRD BENCHMARK COMPANY CURBS** the skyrocketing costs of clinical trials through careful use of its thought-leader relationships. Field-based medical specialists and market researchers seek their input during clinical trials. Key opinion leaders also recommend good candidates to fill additional spots in the clinical-trial roster who may be high prescribers, up-and-coming thought leaders, or previously unidentified thought leaders. Through this approach, the field-based medical team may fill the clinical trial's needs. If not, specialists can ask chosen physicians which institutions are good targets and also which messages are most effective in convincing physicians to join clinical trials.

Source: Best Practices LLC, Chapel Hill, N.C.
For more information, visit best-in-class.com.



SEAN NOLAN
Ovation

The Internet provides marketers a vehicle to rapidly reach a large customer base in a very efficient and cost-effective manner when compared with traditional methods.

What has held many organizations back from using more Internet-based quantitative research is concern that, because the respondents are self-selecting, the findings will be skewed, failing to reflect accurately the views of the overall physician marketplace.

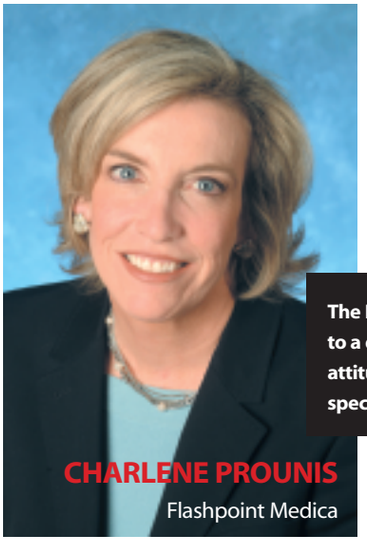
JAY CARTER
Abelson-Taylor

TIM GARDE
Vox Medica

Using the Internet provides real-time and cost-effective results for quantitative research initiatives where results can be tabulated instantly.

SHELLI FIELD
TVG Marketing Research & Consulting

Internet research permits use of multimedia presentations, consistent stimuli, and complex skip logic. It eliminates transcription errors in responses and data-entry errors.



The Internet can help quantify a response to a question or gain perspective on the attitudes of physicians and their usage of specific products.

CHARLENE PROUNIS
Flashpoint Medica

don't always have time during office hours for telephone interviews or the ability to travel to a research facility. As such, they are more likely to participate in Web-based research. Internet research permits use of multimedia presentations, consistent stimuli, and complex skip logic. It eliminates transcription errors in responses and data-entry errors. I predict increased use of the Internet for quantitative research and possibly for some unique online qualitative methods. Competition for respondents among research/Web-based panel companies may escalate, and when possible physicians will look for the more interesting research instruments and companies that provide results of studies back to them.

CARTER. Pharma companies use Internet market research because it can frequently offer speedier and more cost-effective quantitative responses, since tabulating answers is effectively automatic. What has held many organizations back from using more Internet-based quantitative research is concern that, because the respondents are self-selecting, the findings will be skewed and fail to reflect accurately the views of the overall physician marketplace. But as physician use of the Internet becomes more widespread, this concern will wane, and marketers will have more confidence in the accuracy of results gathered from the Internet.

USE OF INTERNET MARKET RESEARCH CONTINUES TO RISE

Findings from a recent study compared how pharmaceutical researchers around the world are using the Internet.

A recent study that compared how pharmaceutical researchers around the world are using Internet research relative to other methodologies found that use of the Internet as a chosen method of data collection for pharmaceutical market researchers continues to rise, with this growth appearing to be primarily at the expense of telephone interviewing.

According to Medefield, researchers have different reasons for opting for one research methodology over another, but those most often cited for choosing the Internet were speed and cost. Other important factors given were accessibility to physician samples, data accuracy, and ease of use.

Market researchers responded that their use of the Internet as a method of data collection would increase if they had access to larger physician samples/panels. This was deemed an especially crucial factor to European respondents, as was proof of Internet data credibility.

The survey results are based on the responses of 150 market researchers/business analysts from around the world.

Source: Medefield America, New York.
For more information, visit medefield.com.

GARDE. The Internet is an excellent methodological vehicle to meet a subset of market-research objectives. Using the Internet provides real-time and cost-effective results for quantitative research initiatives where results can be tabulated instantly. It is best used with closed-ended questions for situations that require agree/disagree or yes/no types of queries. Trends in Internet research include the testing of copy platforms, visuals, or any creative concepts that will provide statistically directional results when target audiences are large in scale.

PROUNIS. Internet use will rise but slowly and generally because it is practical, efficient, and helps users learn what is going on in the market. The Internet can help quantify a response to a question or gain perspective on the attitudes of physicians and their use of specific products. It also helps reach out efficiently to many physicians who are not the typical focus group attendee. Nevertheless, because so much of our business is based on insights, the only way to uncover real gems is through personal, or qualitative, interaction. Because the value received from talking to someone is far deeper and richer than quantitative research, it can give marketers a far greater understanding of their attitudes and behaviors. While there's a place for both types of research, qualitative often offers more important findings than quantitative Internet surveys.

SALESFORCES

The average salesforce budget in the pharmaceutical industry is about $750 million, and investment in the salesforce is still fundamental to driving up product revenue. Some leading companies, however, have begun restructuring and implementing cost-cutting measures.

DELOACH. With 100,000+ sales people in the industry, many companies have multiple sales representatives calling on the same physician with the same message about the same product. These companies have abandoned the science of the product for repetition of calls on a physician with the belief that hearing the message frequently enough will have a positive impact on the physician's prescribing habits. Physicians, however, are getting wise, and with limited time, they are demanding more for the time they offer to sales representatives. The average time that a physician spends with a sales representative today is less than 90 seconds, and of 100 sales calls, only 8% result in a true detail. Physicians' time today is strained by the demands of managed-care organizations, Medicare, and Medicaid, all of which continue to cut reimbursement, thus forcing physicians to see more patients and spend less time with those patients to maintain viable businesses. Additionally, the pharmaceutical industry has recently become more tightly regulated by PhRMA guidelines, as well as AMA and OIG guidelines. With these new guidelines, access to physicians has become increasingly difficult. Finally, with Medicare Part D becoming effective in January 2006, many organizations are starting to rethink their salesforce strategies.

LUBY. In the coming year, more and more companies will modify their salesforce approaches. The CEOs of many of the major pharmaceutical companies have publicly recognized that the existing system is broken, with one CEO even using the words "arms race" to describe the current situation. This is a significant departure from what we have seen, because public commentary from inside the industry was rare before last year. Given the pressures of the current environment, it is more important today to improve effectiveness and move from an "arms race" to a "sharpshooter" approach. A good analogy to use here is, "If you don't speak English, does it help if I speak louder?" Pharmaceutical companies have not had the information they needed to understand which physicians to target, what they need to do to win with each segment they target, how they are performing on an ongoing basis, and most importantly, what they can do to improve performance. Without good information, the lever that they have resorted to pulling hardest has traditionally been salesforce expansion. This worked in the 1980s and 1990s, but it is no longer a viable solution. The key to success now lies in discovering where the opportunity is greatest in terms of physician targets, messages, and salesforce tactics and then marshalling resources toward that opportunity. With this new framework, we believe that many companies will conduct experiments and realize that they can achieve greater gains with a smaller, well-directed salesforce, rather than with a larger salesforce using unproven physician targeting, messages, and tactics. Revisiting the analogy from above, the winners will be the salesforces that stop shouting and work on learning the language of their targeted physicians.

DELOACH. The changing environment in the pharmaceutical industry will force most companies to reconsider their current sales structure and look at ways to increase the productivity of their sales organization without increasing the costs. While the salesforce has always been considered the most effective way to increase market share, it is also the most expensive. While numbers vary from publication to publication, most data show that over the past 10 years the return on investment for the salesforce has declined dramatically. As large pharmaceutical companies fought to keep a leadership role in share of voice, they allowed growth of their sales organizations to negatively impact the return.

LOOMIS. We all know that the number of reps calling on doctors has been a topic of conversation for the past few years. I remember walking into a physician's office to find three of my client's reps all sitting in a row — each detailing a different product. Considering they were all from the same company, just imagine how many reps that doctor was seeing from all of the competitive companies. Similarly, I

AVERAGE PHARMA SALESFORCE BUDGET NEARS $750 MILLION

The average pharmaceutical industry salesforce budget is about $750 million, according to Cutting Edge Information.

Cutting Edge studied sales investment figures of 19 of the top 30 pharmaceutical companies, including all of the top 10. The research reveals that sales investment is still fundamental in driving up product revenues.

Individual budgets range from $168 million to $1.8 billion. The big spenders, those with budgets of $900 million or more, saw 250% more in revenue than their lower-spending counterparts. Since Cutting Edge began studying pharmaceutical sales in 2003, the number of companies spending more than $900 million doubled from four to eight. Even companies outside the industry's top 50 realize strong investment means successful sales.

In contrast to the big spending trend, industry leader Pfizer is restructuring and implementing cost-cutting measures. Top 10 company Wyeth is also making changes by reducing its salesforce. Some observers say this is the beginning of the end of the big spending. But until these strategies prove successful, top-dollar budgeting will most likely continue.

Source: Cutting Edge Information, Research Triangle Park, N.C.
For more information, visit cuttingedgeinformation.com.

know of a company that did a recent salesforce size forecast. The consulting company had a model that increased sales in correlation to the number of reps — ad infinitum. There was not a point at which the market could be oversaturated with reps and diminish returns. This scenario is highly unlikely, but obviously an indication of how the relationship of rep numbers to prescriptions is viewed. Moving forward, specialty pharma companies will still focus on the volume of rep calls as a direct correlation to sales. For large pharma companies, there are a number of blockbuster drugs going off patent in the next few years, which is likely driving perceptions that the industry will reduce the overall number of reps. But prescription metrics continue to show that rep calls equal prescriptions. Real efficiency drivers will be segmentation and tighter targeting — keys to the most effective salesforce deployment. Although physicians complain about the number of reps knocking on their doors, until doctors vote with their prescription pads pharmaceutical companies will continue to see rep calls as having a direct correlation to prescription numbers.

LUBY. For too long, the industry has suffered from a lack of good metrics for the salesforce, and there are two major problems in the current system. First, today's metrics do not allow for sales and marketing to be "unified" in their pursuit of their common brand and company goals, but rather, they often pit the two against each other. Second, today's metrics focus almost entirely on volume of activity rather than quality. It is very common for sales and marketing teams in one company to be buying entirely different, independent sources of information to assess brand performance. This allows them each to find information that can position their performance in a positive light and question or challenge the performance of the other. As a result, these teams often see the other as the enemy in the building, rather than the critical supporting component of a commercial organization trying to expand the market for their drugs. Metrics should be consistent across these two teams so that each can see how they and their colleagues are performing. This lets each team identify the key ways to improve performance and improves the dialogue between teams, as the discussions can now become more fact-based. The use of common metrics has a substantial impact on moving market share. On the second problem, the sales focus today is on volume, with factors such as reach, frequency, and share of promotional voice getting most of the attention. This approach is logical, given the salesforce expansions that have taken place over the past 10 years, but it is also insufficient since these measures have no direct relationship to success in terms of market share and growth. There has been a total lack of metrics focused on quality. For market share, sales growth, and other key measures, everybody can identify a gold standard, and the list for the whole industry would be relatively short. But there are no good standards for determining quality of salesforce effectiveness, which is astounding given the size of the investment. In 2006, we believe that many companies will move toward quality-driven metrics to measure salesforce effectiveness with a focus on unifying the efforts of sales and marketing. We believe efforts will be pointed more directly at how each team can work to drive brand performance and less energy will be spent fighting the enemy in the building.

DUPLAY. Contemplating salesforce reductions inevitably also means contemplating a reduction in rep-delivered samples. And as so much market data already points out, samples are a key driver of new and continuing prescriptions. The need to improve commercial productivity and overcome reach and frequency of reach challenges is understandably attracting greater management scrutiny. With salesforce costs soaring, many pharma marketers are faced with difficult decisions in 2006. In the coming year, one of the main charters for the industry at large will be identifying alternative strategies that, in spite of potential salesforce reductions, ensure a cost-effective means to get samples to the right prescribers at the right time. Online drug sampling is showing promising results. By incorporating an e-sampling strategy that augments sales-rep activity on a brand-by-brand basis,

ACHIEVING SALESFORCE EFFECTIVENESS

As federal policies and corporate budgets tighten, achieving salesforce effectiveness becomes increasingly challenging.

This issue is further compounded by the lack of performance-enabling data in critical areas, such as: salesforce size, optimal reach and frequency metrics, and effective value proposition to key customers.

BEST PRACTICES LLC HAS IDENTIFIED SEVERAL SALESFORCE BEST PRACTICES BEING EMPLOYED BY COMPANIES

- The majority of top sales representatives (top **20%** of total salesforce) spend between **25%** and **75%** of their time interacting with customers and only **10%** to **20%** on administrative tasks.
- **TO INCREASE TRAINING EFFICIENCY** and minimize reps nonfield time, companies are using more e-learning platforms to deliver content.
- **E-LEARNING FOR SALES TRAINING** is growing across all companies.
- **82%** of pharma/healthcare companies provide more than 1 to 2 weeks or more than 2 weeks of training per year; compared with manufacturing industry where **63%** of companies provide only 1 to 5 training days per year.
- **INTERVIEWED PHARMA EXECUTIVES OBSERVED** that in-depth knowledge about medical sciences and disease states is becoming more critical than ever for sales reps to gain access to physicians and conduct relevant and meaningful clinical dialogues.
- **INTERVIEWED NONPHARMA EXECUTIVES** will introduce more advanced training on consultative selling, negotiation, and account management.

Source: Best Practices LLC, Chapel Hill, N.C.
For more information, visit best-in-class.com.

WHAT MAKES A REP HIGHLY EFFECTIVE?

According to a recent GfK Market Measures survey, the following traits were found to be the main messages that make a sales rep effective.

1. Sensitive to time constraints
2. Efficient/concise
3. Provides samples
4. Unbiased/fair/no sales pitch
5. Knowledgeable on studies/data
6. Concentrates on updated/new information
7. Polite/pleasant

Source: GfK Market Measures, East Hanover, N.J.
For more information, visit gfkmarketmeasures.com.

CELESTE MOSBY
Wilson Learning Worldwide

In 2006, sales-training executives will rely on pure e-based sales training to delivery much of the entire knowledge component of product and disease-state specific information.

pharma marketers can: improve marketing efficiencies, expand the market, and grow and maintain market share. By making online sampling a key component of a brand's strategic operations, pharma companies can minimize brand cannibalization; optimize sample distribution levels to limit sampling waste; free up detailing capacity among loyal, low-maintenance physicians; and improve e-detailing response rates for maximum educational and revenue impact. Through e-sampling, pharma marketers can bypass geographical limitations that currently exist to reach typically noncovered physicians in remote locations or traditionally vacant territories. Online sampling can enable pharma companies to maintain revenue among lost coverage prescribers; increase revenue among no-see physicians; hold a share of prescribing among hard-to-see physicians, NPs, and PAs; and accelerate time to market by driving deeper and faster into the target audience when launching new brands.

DELOACH. Many large pharmaceutical organizations are learning from smaller pharmaceutical and biopharmaceutical companies that have had to create a structure that would allow them to compete with larger organizations without competing at the share-of-voice level. I believe that the companies that have been successful in this area have focused on a customer-focused model. In this model, the object is not share-of-voice but value-added services by the sales representative. Many companies have strived to create a value-added model, but in many cases, with multiple representatives calling on one physician, true ownership of the office is very gray. If an office has five to seven representatives from one office calling on that office, who should the office call with questions? In the customer-focused model there is one sales representative responsible for the office, and that representative is responsible for any questions or issues that arise in the office. This could include a variety of situations, including but not limited to: product inquiries, insurance or reimbursement questions, updates on current clinical studies not currently published, and a variety of other issues. With this model, the office relies on the sales representative who becomes the expert for the company, not just a product. Physicians and office staff begin to appreciate the services that this individual provides and thus begin to realize the value that this individual brings to the office. There are a variety of advantages to the customer-focused model. This model will bring the company

SOLUTIONS TIED TO REFERENCES DRIVE INCREASED DETAILING TIME

New pharmaceutical marketing program strategies, such as e-detailing, are changing the pharma industry's marketing landscape, according to a new survey by Skyscape Inc.

John Ryder
Skyscape Inc.

"The marketing advantages of new online and mobile technologies — PDAs, Smart phones, Webinars, Websites — are becoming more and more apparent to pharmaceutical marketers," says John Ryder, VP at Skyscape. "In addition, the ROI from deploying these evolving technologies is gaining value and substance."

When something of value is offered to physicians, such as medical references that can be downloaded to the physician's PDA, it gets the physicians' attention and encourages participation in an e-detailing program or Webinar.

An incentive that is medically relevant and in demand by physicians plays an important role in making these strategies successful by encouraging physicians to find the time to participate.

Mr. Ryder cites results indicating that pharmaceutical sales reps offering physicians a PDA solution tied to trusted medical content increased their detailing time, improved relationships with their physician contacts, and increased overall productivity. According to the study, 62% of the responding sales reps increased detailing time from 5 minutes to 10 minutes, and 58% reported five or more extra contacts. In addition, 77% reported improved access to physicians.

"These results are remarkable and very, very compelling," Mr. Ryder says. "They show a positive return on investment for pharma companies that deploy PDA solutions, demonstrating the value of a PDA program for additional contacts and more time in front of the physician."

While incentives are valuable, the OIG (Office of Inspector General) and PhRMA guidelines have limited their scope, PDA references are medically relevant and are PhRMA and OIG compliant.

In addition, he says studies show PDA usage is rising among physicians.

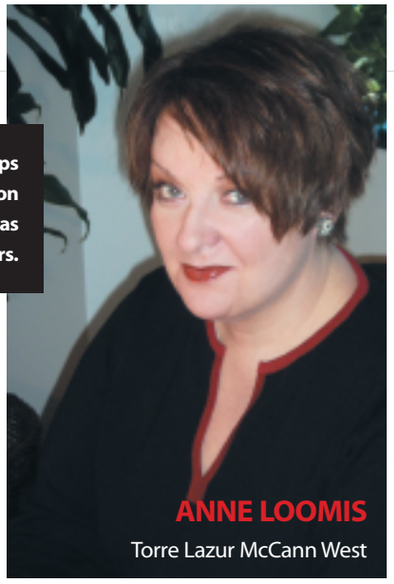
"By accessing medical references at the point of care, practitioners are reducing medical errors and improving the quality of patient care," Mr. Ryder says. "Providing the latest edition of a valued medical reference a month before it comes out may encourage the physician to participate in an e-detail."

Mr. Ryder says the value of a Webinar or e-detailing session is in its content.

"If the program fails to offer something that is compelling or timely or valuable to the physician, then the pharmaceutical company is wasting its money on incentives," he says. "The incentive encourages physician participation by offsetting their time with some form of value, but it must have the content."

Source: Skyscape Inc., Marlborough, Mass.
For more information, visit skyscape.com.

Although physicians complain about the number of reps knocking on their doors, until they vote with their prescription pads pharmaceutical companies will continue to see rep calls as having a direct correlation to prescription numbers.



ANNE LOOMIS
Torre Lazur McCann West

While numbers vary from publication to publication, most show that over the past 10 years the return on investment for the salesforce has declined dramatically. As large pharmaceutical companies have fought to keep a leadership role in share of voice, they allowed growth of their sales organizations to negatively impact the return that increased numbers are offering.

CHARLES DELOACH
Nabi

The days of hard-copy testing have long past. It is now easy to roll out a training manual and have the sales rep log on to take a validated test from his or her own home. The ensuing reports allow managers to gauge results, marketing to monitor areas of concern, and training departments to validate learning objectives.

MANI CHIDAMBARAM
Esprit Pharma

closer to the customer via the sales representative, and a variety of departments within the company will be able to assess the needs of the office through the sales representative. Marketing will be able to better understand the needs of the office from promotional materials to patient education materials. Through the representative, the office will have access to the medical affairs department, either MSLs or home office staff, to receive answers on products or even disease states. With restrictive ACCME guidelines today, the medical affairs group will be able to offer venues for CME for healthcare professionals that would not normally be available through the sales representative. Finally, the model will allow companies to hold a sales representative fully accountable for specific accounts based on a balanced scorecard or other performance tool.

MOSBY. In 2006, sales-training executives will rely on pure e-based sales training to deliver much of the entire knowledge component of product and disease-state specific information. This is where it works well. E-based training also will be used as a resource to reduce, but not eliminate, the time in the classroom. Selling skills will continue to need the interactive component that application offers in the classroom. E-based training can assist in setting the stage for this by delivering some of the content through prelearning events online. E-based sales training that can integrate selling skills with the technical product and disease-state information will serve as the most valuable sustainability tools for those in sales roles. To realize immediate behavior change, instructor-led training (ILT) will continue to emphasize the importance of interpersonal interaction. With measuring the impact of training initiatives becoming even more critical, the use of e-based training to inform and educate managers on how to coach the new skills learned will be an essential component in sustaining ILT. There are still the challenges of making e-based training engaging enough that individuals will use the tool. There also must be an incentive or compelling event that is linked to the completion of the learning experience. Continuing to make skill development and reinforcement highly interactive and observable will be a necessary component.

CHIDAMBARAM. In the past five to seven years there has been a revolution in e-based support to the traditional teaching methods. Web-

PHARMACEUTICAL SALESFORCE STRATEGIES

Continued salesforce growth has resulted in increasingly aggressive promotion to physicians, reducing the average duration of detailing visits and diluting share of voice with the physician.

Changes in physicians' information needs across a product's lifecycle have resulted in requirements for more responsive and flexible promotional efforts. New salesforce tactics are being considered within Europe, United States, and Japan, such as the implementation of new CRM approaches, investment into new technologies, and partnering with commercial alliance partners.

KEY FINDINGS

- **THE USE OF NEW TECHNOLOGIES** such as e-detailing will have the greatest impact on pharmaceutical salesforce effectiveness during the next two to three years.
- **INCREASED USE OF CSOS** and collaborative commercial alliances will result in more flexible and responsive salesforces more able to meet the changing needs of the physician.
- **A PATIENT-CENTRIC APPROACH** to detailing and promotion, using organization-wide CRM techniques, is fast becoming the model of choice for smaller, more flexible companies looking for a source of competitive advantage.
- **WHILE THE NUMBER OF DETAILING VISITS** per sales rep is unlikely to change significantly over the next two to three years, the length of time per visit is set to fall, putting pressure on the traditional three-product detailing model.
- **NONCASH BENEFITS ARE BECOMING** critical levers of salesforce behavior.

Source: AdvanceTech Monitor, Woburn, Mass.
For more information, visit advancetechmonitor.com.

based and CD-based programs are ideal for illustrating body systems, mechanisms of action, and other complex teachings. Two-dimensional images can only take the learner so far. The days of hard-copy testing have long past. It is now easy to roll out a training manual and have the sales rep log on to take a validated test from his or her own home. The ensuing reports allow managers to gauge results; marketing can monitor areas of concern; and training departments are able to validate learning objectives. In this day and age of HIPAA, PhRMA guidelines, PDMA requirements, OIG regulations, and so on, these types of systems allow companies to implement compliance training and validate learning so that internal and government auditors are satisfied. File cabinets of paperwork and recordkeeping are all history. E-based training initiatives have already become a primary tool in enhancing the learning of our field salesforce. Especially at smaller, specialty companies such as Esprit, we need to maximize the use of "windshield time" as much as possible because of the vastness of some of our territories. The use of audio-CD programs to enhance print-based learning modules, or to accentuate key points from a recent launch meeting, are very useful and budget-friendly. Representatives and managers can now use down time to stay mentally stimulated. The thought that e-based training modules would take over the industry by now, a belief held by many a few years ago, has thankfully proven to be false. Traditional classroom and manual-based programs are still the standard. When teaching representatives how to verbalize a message, there is nothing that can substitute for the face-to-face interaction they get in a classroom.

DAVID DUPLAY
MedManage Systems

Contemplating salesforce reductions inevitably also means contemplating a reduction in rep-delivered samples. And as so much market data already points out, samples are a key driver of new and continuing prescriptions.

Additionally, when teaching the clinical aspects of a new drug's pharmacology, most adults prefer the print-based method so that they can highlight, take notes, and easily refer back to sections of interest.

DELOACH. While the role of the sales representative is changing, just as important is the management of the new role of this individual. One situation that will not change is the importance of the relationship between the office staff and physician and the sales specialist. This will demand a new management style that embraces empowerment and building on talents while working to help individuals balance career and family. Many companies are looking outside to consultants who can help them create the entire package so that they can attract and retain the talent that is necessary to successfully implement the customer-focused model. But building on the talents of the sales representative isn't enough. A company must also equip its management team to help create the environment that will allow this type of sales team to grow and thrive. The role of the traditional sales rep in the pharmaceutical industry is quickly changing and companies that have not begun to change their salesforce model will have to quickly make this change or lose to more flexible competitors.

▶ E-DETAILING

The number of U.S. physicians participating in electronic detailing has almost doubled in the past three years.

LUBY. Participation in e-detailing will continue to expand in 2006, but I don't believe it will reach a critical mass of physicians. While there have been many intriguing pilots, the jury is still out on the effectiveness of the approach. According to the data captured by TargetRx over the past few years, e-detailing, as well as detailing with a tablet PC, have proven to be only marginally more effective than traditional detailing at moving physician prescribing. Our

SALES MANAGERS' ABILITY TO CREATE MOTIVATIONAL CLIMATE CRITICAL TO SALES ORGANIZATION SUCCESS

Motivational climate — and sales managers' ability to influence it — are critical to the success of sales organizations, yet many pay inadequate attention to the issue, according to a study by The Forum Corp.

A survey of sales organizations found a substantial correlation between good climate scores and high performance. Further, it found that sales managers' behaviors are the most important factor in establishing a climate that contributes to organizational success.

"Sales organizations can often trace their disappointing numbers to the frequently overlooked but critical area of motivational climate," says Ron Koprowski, head sales training practice, The Forum Corp. "The good news is that organizations can measure, manage, and improve their climate by equipping sales managers with the skills to create a productive work environment."

According to the research, organizations that measure and manage the six elements of motivational climate — clarity, commitment, standards, responsibility, recognition, and teamwork — are rewarded with strong performance.

Of these six elements, clarity, commitment, responsibility, and recognition correlate most highly to success, according to the research.

- **CLARITY.** Reflects how well employees understand an organization's goals and policies and the extent to which they understand the requirements of their jobs.
- **COMMITMENT.** Indicates how strongly the employee is dedicated to goal achievement.
- **STANDARDS.** Reflect the employee's perspective of how much emphasis management places on high standards of performance and the degree to which pressure is exerted to improve performance.
- **RESPONSIBILITY.** Reveals the degree to which people feel personally responsible for their work.

Sales managers can have a significant positive impact on each of these four areas, the research shows.

"By teaching sales managers how to drive performance in part through climate management, organizations can achieve the top-line growth that many are urgently pursuing today," Mr. Koprowski says.

Source: The Forum Corp., Boston.
For more information, visit forum.com.

MIKE LUBY

TargetRx

In the coming year, we will see more and more companies modify their salesforce approaches. The CEOs of many of the major pharmaceutical companies have publicly recognized that the existing system is broken, with one CEO even using the words "arms race" to describe the current situation.

belief is that there is still a novelty effect for some physicians, while others have a preference for the medium. We believe that the magic is in the message, rather than the medium, and that as more companies experiment with these media, the incremental gains will level off and the spoils will go to the brands that are best able to articulate an appealing patient-oriented value proposition to their targeted physicians.

PERLOTTO. I expect the e-detailing trend will indeed continue; it is nowhere near saturation, and the growth of the medium is a clear indication of the likelihood that growth will continue. Physicians are under increasing time constraints. E-detailing offers a unique way for marketers to reach physicians at a time that is convenient for the doctor, which no doubt has appeal for many physicians. While it is still cost-prohibitive for some products/companies, it represents an opportunity for companies with adequate resources to reach physicians in a way that is a hybrid between personal and nonpersonal interaction. We have had several clients warm up to the idea, and I expect that to continue as measures of effectiveness and efficiency become more readily apparent to marketers. The live salesforce is still the dominant mindset in U.S. healthcare marketing; that's why the industry is still in a salesforce arms race. As the ROI efficiency of the live rep plateaus and declines for companies, as it is bound to do, smart marketers will turn increasingly to tactics such as e-detailing. As physicians are beginning to react negatively to today's multiple salesforce strategy and restrict representative access, e-detailing will be increasingly appealing as a way to sustain a competitive share of voice in front of the physician.

GALLOPO. I believe that face-to-face interaction with physicians is the foundation of any sales cycle. Companies are not only selling their products, but they are also in the business of building relationships for both current and future business. E-detailing is an effective tool to increase reach, frequency, and to reach geographically undesirable physicians but should not be a substitute for face-to-face interaction with customers.

VANDERVEER. The pharmaceutical industry is still far short of realizing the full value of e-detailing. Participation in e-detailing remains a poor measure of its value, since many e-detailing programs continue to offer a medically relevant incentive for physician participation that effectively masks whether the physician had any interest in, or paid attention to, the content of the program in which he or she participates. Commonsense and use data continue to support the belief that the big advantage of e-detailing remains its convenient accessibility, with much of the participation in this medium occurring outside office hours. Moreover, the interactivity of the medium is another advantage, since it has the ability to reinforce physicians' learning processes. The challenge in e-detailing, however, remains in finding genuinely new information to provide to physicians. Especially for older products and those in crowded drug categories, reality dictates that simply reiterating information already known to physicians is unlikely to have a positive impact on prescribing behavior. In addition, the time-consuming and labor-intensive step of preparing special details for various physician prescribing and attitude segments is, unfortunately, rarely taken in the industry. Finally, rather than being offered as separate free-standing programs, e-detailing will only reach its full potential when it is fully integrated with other media, including the activities of representatives, in genuine programs of customer relationship management.

MELICK. Pharma companies need to be much smarter and more efficient in capturing physician attention, as well as behavior patterns. The use of Tablet PCs offers a persuasive platform to capture physician attention and deliver a targeted message flow that speaks to each physician's interest. Tablet PCs also can help capture critical data about the brief conversation that transpires, the message pathway that occurs, and the responses to questions that were posed to physicians. Captured data are analyzed and shape the next communication the sales rep has with physicians. In 2005, several pharma companies piloted the effectiveness of incorporating Tablet PCs into their salesforce armamentarium with good success. In 2006, pharma companies will integrate this technology as a standard sales tool. The ability to quickly, efficiently, and effectively incorporate physician interests and needs in a visual platform is where the opportunity to differentiate lies. Companies that incorporate this technology and use the ability to track rep/physician interactions will gain a competitive edge.

VANDERVEER. Placing Tablet PCs in the hands of representatives, thus empowering

TOP FIVE TRAITS OF THE IDEAL E-DETAIL

The number of U.S. physicians participating in electronic detailing has nearly doubled in the past three years.

From 141,000 physicians in 2002 to 246,000 in 2005 — pharmaceutical, biotechnology, and medical-device companies are clamoring to perfect and refine their messaging to physicians.

"Physicians are using a wide range of online resources from life-sciences companies, and frequency is being driven by ongoing improvements in the breadth, depth, and quality of these offerings," says Meredith Abreu, VP of research at Manhattan Research LLC. "Although a number of leading companies are designing their e-detailing programs to align with market demand, many have yet to incorporate a basic understanding of what their physician audience wants from an electronic-detailing experience today."

TOP 5 CHARACTERISTICS OF THE IDEAL ELECTRONIC DETAIL AS RANKED BY U.S. PHYSICIANS

1. Short (less than 5 minutes)
2. Available 24/7
3. Contains fresh information (not redundant with information from detail rep)
4. Interactive or self-guided learning
5. Has an incentive attached

Source: Electronic Detailing: Trends in Adoption and Use of Web-based Applications, Manhattan Research LLC, New York.
For more information, visit manhattanresearch.com.

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DR. ELIZABETH MANN
Esprit Pharma

Online CME has demonstrated excellent utility in the armamentarium of options for healthcare practitioners to obtain fair, balanced medical education.

MARSHA MEYER
CME LLC

Some growth is expected from the Internet as a stand-alone continuing medical education channel, but most of the growth will arise from the Internet's core strength as a supplement to live CME.

them to make in-office electronic details, is an idea that has been raised several times in recent years. While the technology is readily available to permit such marketing efforts, simply scanning a traditional detail piece into such equipment will not fool a physician into paying attention to old or irrelevant information; and most pharmaceutical companies are unwilling to spend the time and effort necessary to employ this technology on a customized, customer relationship management basis. Thus, while an intriguing notion, the use of Tablet-based computers to deliver details in physicians' offices largely remains just that.

MEDICAL EDUCATION

Online CME now delivers about 12% of accredited continuing medical education, a significant increase of 50% in two years; while print CME opportunities maintain the balance of CME hours earned. Experts anticipate that while e-CME will continue to gain in popularity, in-person CME events will dominate the landscape.

ANGELLO. I believe that live events will continue to dominate the CME scene in 2006. Although online CME continues to increase and will most likely maintain a high-growth rate in 2006, live events still will make up more than 60% of all CME activities. Live CME includes: association and society meetings and their associated sponsored activities; live satellite broadcasts, which continue to grow in reach, frequency, and popularity; live online activities; and dinner meetings, grand rounds, and other small group activities.

CHRISTMYER. We are truly at a crossroads for CME. The future holds intriguing opportunities to innovate and nothing holds more potential than electronic CME. All we need to do is to look at the statistics. Typical primary-care physicians need to see 40 or more patients a day to survive, and they are very reluctant to take time off during the week to attend CME programs. Physicians are spending less time traveling to fewer meetings. For the first time, there are more women in medical school than men; women physicians want careers that can balance family life and are more reluctant to take valuable time away from practice and home. Tomorrow's physicians grew up on the Internet and routinely use it daily in medical school. Finally, the technology for "point-of-care CME" is a soon to be a reality.

MEYER. There's no doubt that participation in online CME activities increased in 2005. But the channel was quite successful even earlier. A 2004 Manhattan Research/Elsevier study, for example, found that 73% of physicians access CME programs on the Internet. But continuing medical education providers aren't going to abandon live meetings, print partnerships with leading clinical publications, or other tried-

IMPACT OF CME ON HEALTHCARE DELIVERY

In a nationwide study to assess the influence of continuing medical education on primary care, significant changes in clinical practice behavior were found to occur across the range of therapeutic areas covered at CME programs, according to The Pri-Med Institute.

Among participants, **98%** report using clinical information acquired at the program in their practice, and **86%** agreed that the CME experience was a valuable use of their time, even weeks after the program was held.

Among practitioners surveyed, a significant increase could be seen for both knowledge and adherence to clinical standards (a **15%** and **13%** increase, respectively) based on information presented at the CME program. Furthermore, confidence in treating patients increased an average of **16%**.

"Self-reported changes in knowledge, application of best practice standards, and confidence in treatment have an immediate impact on patient care and clinical outcomes," says Alan Lotvin, M.D., president and chief operating officer of M|C Communications LLC. It is clear evidence that effective CME translates directly into better healthcare."

IMPACT VARIES WIDELY WITH DIAGNOSIS

"Not surprisingly, the effect of CME in improving clinical practice behavior is more pronounced in relation to conditions primary-care physicians encounter less frequently," says Marissa Seligman, chief clinical and regulatory affairs officer at The Pri-Med Institute. "The study correlated reported changes in knowledge and application of clinical guidelines, as well as confidence in treatment with the average number of patients seen each week across 13 disease categories. The most significant changes in practice behavior were seen in less commonly treated conditions such as anemia, genito-urinary infections, sleep disorders, neuropathic disorders, and sexual dysfunctions. For cardiovascular, gastrointestinal conditions and allergies, the greatest impact of CME can be seen in its ability to reinforce and expand knowledge among practitioners who regularly treat these conditions."

PRIMARY-CARE PHYSICIANS ARE TURNING TO A VARIETY OF CHANNELS

Primary-care physicians are increasingly turning to a variety of channels for continuing

and-true CME delivery vehicles. Not only do the tried-and-true methods still dominate the CME wish lists of clinicians, online CME still has shortcomings to overcome. The time commitments that physicians are willing to make, for example, differ greatly between online and live CME courses. Doctors commonly spend several hours or more at live events, but asking for any more than 60 minutes is very risky in the online channel. It's also much easier for clinicians to participate or interact at live events. A lack of consistency in technology being used by clinicians and the keystrokes required for interaction are just two examples of ongoing shortcomings of the Internet for CME. Another dynamic becomes increasingly clear about online CME with each completed program. The Internet is a fantastic tool for continuing medical education, but it's most effective as a supplement to live meetings, not as a stand-alone delivery channel. Most of the Internet's growth as a CME tool in 2006 will fall under this category. It will grow as an important component of advanced outcomes measurement, because it's an incredibly convenient way for clinicians to provide feedback and secure credits on their own schedule. Clinicians also prefer to receive follow-up information through the online channel, whether it introduces new information, reinforces material covered during the course, or provides related patient-education tools.

CHRISTMYER. In 2006, we will continue to witness an increase in "on-demand" CME on the Internet. Busy practitioners will access CME when it best meets their needs. For the future, evidence-based medicine is on the rise and, coupled with the computerized patient record (CPR), both have the potential to drive some intriguing new possibilities. In addition, physicians, associations, and payers are starting to link health outcomes with practice guidelines that will change how care is delivered to patients. Handheld technology will rapidly allow the opportunity to provide CME at the point of care where best practices and best outcomes will become almost simultaneous and instantaneous. If an inappropriate prescription or diagnostic test is written, a prompt might appear on the physician's handheld device that offers a pertinent CME program in nano-bites on Podcasts, at home, or on a handheld that brings education and practice pattern change to the bedside. The possibilities and the value these technologies will bring to the physician and patient communities are endless.

MANN. Online CME has demonstrated excel-

Anne Goodrich
The Pri-Med Institute

While eCME influence on physician learning behavior is clearly gaining momentum, it appears to be complementing medical conferences rather than displacing them.

Marissa Seligman
The Pri-Med Institute

Not surprisingly, the effect of CME in improving clinical practice behavior is more pronounced in relation to conditions primary-care physicians encounter less frequently.

education, according to Pri-Med. As a result, the typical primary-care physician in the United States now exceeds state-mandated annual requirements for CME, earning an average of 58 credits per year.

Live educational forums account for **56%** of the CME credits earned by primary-care physicians — a ratio little changed from 2003. Online CME now delivers about **12%** of accredited continuing medical education, a significant gain of **50%** in two years; while print CME opportunities maintain the balance of CME hours earned.

"The data tells us that the role of continuing medical education in healthcare is expanding," says Anne Goodrich, director of research at the Pri-Med Institute. "While eCME influence on physician learning behavior is clearly gaining momentum, it appears to be complementing medical conferences rather than displacing them. We found that clinical topics addressed in live forums are often further investigated online."

In the nationwide survey, **53%** of physicians responding said they planned to complete more hours of CME online in the coming year, while 66% of these reported that they will participate in the same number of live meetings.

ACROSS LEARNING CHANNELS SELECTION CRITERIA ARE CONSTANT

Physicians surveyed reported that the relevance of a clinical topic and its potential to enhance patient care are the key criteria for participating in a continuing education program, irrespective of the channel through which it's offered. They then determine if participation in the CME activity is convenient in terms of location, schedule, and time demands. Also important is the stature and reputation of speakers, or authors in the case of an online activity.

For live meetings, location continues to be a primary consideration. Almost **70%** of doctors surveyed said they prefer meetings held within 200 miles of their practice.

INDUSTRY SUPPORT VIEWED AS POSITIVE

Educational grants from the pharmaceutical industry have no influence on the decision to participate in CME programs for **94%** of physicians surveyed. Almost two out of three doctors believe that educational grants have a positive impact on the CME opportunities available for practitioners today. Exhibitions ancillary to medical conferences are also important attractions cited by doctors surveyed: for **45%**, opportunities to get specific product information are a factor in selecting medical meetings.

Source: The Pri-Med Institute, Boston.
For more information, visit pri-medinstitute.org.

GEOFF MELICK
Kinect

Pharma companies need to be much smarter and more efficient in capturing physician attention and behavior patterns.

lent utility in the armamentarium of options for healthcare practitioners to obtain fair, balanced medical education. For those clinicians unable to attend national, or even regional congresses, important information from satellite symposia and scientific/plenary sessions is captured and presented in a way that is most amenable to those with busy schedules in academic institutions, hospitals, and private-practice settings. Additionally, online CME unrelated to congresses provides another avenue for receiving medical education in a time-sensitive order. There exist various delivery options, such as symposia and general session Webcasts, recordings of speakers with accompanying slide presentations, online articles, and so on. The very nature of this medium is interactive, and the on-demand capabilities of online CME increase the attractiveness of this type of education. These types of media, in conjunction with print CME, make emerging science and updates in clinical practice available to all. CME accreditors and third-party vendors have identified areas of unmet needs and are

THE VALUE OF MEDICAL CONFERENCES

A focus group of 30 physcians convened by Impact Unlimited sheds light on why doctors attend medical conferences, what they like and dislike about the experience, and how pharmaceutical companies can improve their effectiveness.

"Although attending the conventions for educational sessions, many high prescribers were not making it to convention exhibit floors because they didn't value the experience, and we wanted to find out why," says Sandy Stransky, VP of sales for Impact Unlimited.

The focus group, consisting of radiologists, oncologists, neurologists, cardiologists, and primary-care physicians, required participants to be prescription-writing physicians who attended at least one national convention supporting their medical specialty in the last two years. The results show how medical conferences succeed in some areas and fail in others, including:

The results show how medical conferences succeed in some areas and fail in others.

▶ **THE 'ALL-IN-ONE' EXPERIENCE.** Physicians overwhelmingly attend conventions to gather new information. But these meetings are also a time to enjoy a vacation from their stressful routine; learn about and present new findings; and examine new drugs, devices, supplies, techniques, and services. As one radiologist surveyed put it: "Conventions provide a lot of info in a relatively small space and time. They do the work of bringing everyone together so you get the maximum bang for your buck."

▶ **OPPORTUNITIES TO NETWORK WITH COLLEAGUES.** Physicians view medical conferences as a way to meet peers face-to-face and discuss developments in their specialty. Moreover, most physicians noted the importance of hearing about new products from colleagues when deciding to purchase or prescribe drugs. "I listen respectfully, but critically, to sales people and people with a commercial bent. I mostly trust colleagues who speak off the record over a cup of coffee," says a cardiologist who participated in the survey.

▶ **EXHIBITS.** The exhibit floor is, obviously, a way for physicians to take a break from lectures, network with colleagues, and test new equipment. Focus group participants say they perceive booth size as a reflection of a company's level of success and/or commitment to a disease state. As one oncologist who was surveyed says, "The largest booths tell me who is doing the most in oncology." Participants say high-tech, yet professional, displays and interactive audiovisuals also make a booth more appealing.

▶ **EQUIPMENT/DEVICES.** Many physicians, especially neurologists, cardiologists, and radiologists, say they appreciate hands-on opportunities to experience new equipment, compare things side-by-side, and visualize how something might fit their workspace. In the absence of scientific literature on medical equipment, physicians say conferences are one of the best ways to learn about new products. "I like to window shop the new technology," says a cardiologist. "Sometimes I have a specific item I need to research, and I like having the opportunity to compare things in real-time by walking the floor from vendor to vendor and going back and forth."

▶ **SELLING VS. EDUCATION.** Physicians say time is at a premium at conferences. As a result, many physicians don't want to deal with sales reps that lure them into lengthy conversations. They want less selling, with more information and education. "I do not like getting trapped in discussions at booths that I have no real interest in," says a radiologist. "On this topic, conventions are very much like the retail experience: you want to look when you want to look, and when you are ready to speak to a sales person you will let them know.

▶ **FREEBIES.** Free food and beverages are a big draw, physicians say, since they are otherwise going to have to buy those items anyway. Also, and this is no surprise, many physicians say they bring small items such as pens and pads, back home as gifts. High-value gadgets and electronics, such as laser pointers and PDAs, are also prized. But physicians say items such as leather goods are often "ruined" by company logos. "A good premium will definitely attract more people. I've had friends direct me toward a specific booth simply because of the premiums," says a surveyed neurologist.

Source: Impact Unlimited, Dayton, N.J.
For more information, visit impactunlimited.com.

MARK CHRISTMYER
inRx

I believe that face-to-face interaction with physicians is the foundationof any sales cycle. Companies are not only selling their products but are also in the business of building relationships for both current and future business.

The future holds intriguing opportunities to innovate, and nothing holds more potential than electronic CME.

STEVE GALLOPO
Stiefel Laboratories

responding to the needs of their targeted audiences. For 2006, I believe that we will continue to see a trend toward more online CME since it is being considered as another valuable tool to healthcare practitioners.

MEYER. Regulations and other developments changed the face of healthcare in 2005, and with pharmaceutical firms pushing policies to ensure compliance and increase efficiencies, the CME industry too has adjusted. Although regulatory bodies prohibit measuring the return on investment of medical education programs, commercial supporters want to be assured effective CME does change behavior and improve patient care. Select providers of continuing medical education recognized this in 2005 and significantly enhanced their outcomes measurement processes to ensure a full circle of continuing medical education that begins and ends with clinician-focused needs assessment. In 2006, more and more commercial supporters of CME will seek to ensure that programs they support are making an educational difference for clinicians. In 2006 and beyond, the CME providers that will do increasingly well are those that can show concrete proof of whether the educational activities closed or narrowed the learning gap outlined during the needs assessment. Some leading providers have already begun expanding to advanced outcomes measurement to more effectively determine whether and how learning took place. Some use in-depth surveys and evaluations over an extended period of time to determine whether the information was learned, retained, and applied to the daily practice of clinician learners. Moving forward, commercial supporters can expect that educational outcomes will be measured scientifically against the educational objectives outlined during needs assessment, and any remaining unmet educational needs that may warrant future programs will be identified. Those accredited providers that unify in-house research expertise with clinical needs assessment experts will possess the scientific capabilities and clinical understanding of lifelong learning that commercial supporters care most about today and increase their odds of securing additional commercial support across a wide range of disease states.

▶ MEDICARE

Medicare patients remain confused about the new prescription drug benefit included in Part D of the Medicare Prescription Drug Improvement and Modernization Act (MMA), set to go into effect in January 2006. Experts discuss the role pharma companies should play in educating seniors about their benefits and how they can overcome obstacles during the implementation process.

ARRADAZA. The January start for the new Medicare drug benefit plan is fast approaching, and beneficiaries are still in the early stages of learning the details. Information about the largest expansion of the Medicare program, however, is coming in bits and pieces from all types of sources — direct mail, billboards, telemarketers, health fairs, TV, radio, and newspaper ads. We hear seniors talking about formularies, zero deductibles, and tiered copayments. But just how much they really understand is in doubt. News stories report confusion, inadequate guidance, and lack of information among beneficiaries. The Part D benefit was developed with the needs of the 42 million beneficiaries in mind, and each beneficiary is ultimately responsible for his or her own choice of plan. In all, about 40 Medicare prescription drug plans are available per state, with monthly premiums ranging from $1.87 to $104.89. Texans who want to participate in the new drug benefit can choose from among 47 plans. New Yorkers will have to wade through 46 plans. But when seniors contemplating the plan hear that they have to sign on by May 15, 2006, or else risk paying a higher premium, the pressure mounts. This is where America's pharmaceutical companies can come in. Pharmaceutical companies already have invested significant resources to increase awareness of the new benefit. In 2006, they can play an even greater role in educating America's seniors by focusing efforts on where it will have the greatest impact — at the local level.

W. LEVY. Should we even expect that implementation of Medicare Part D will occur without serious glitches, traumas, and uncertainties? I start with the observation that almost everyone involved has been, from the outset, trying to do the right thing. But the scale and complexity of change almost assures that not everything will go right. Even though we're obligated to measure progress by the pending enrollment period, perhaps the critical success factors are measured over time. In the end, everyone involved should be judged by how flexibly and sensibly they adjust to what they learn and fix what didn't work or work well. We all should be thinking now about how we are going to help smooth the rough edges in the second half of 2006.

MCDERMOTT. Next year will be the busiest year yet for changes within the Medicare program since the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). Much of 2005 has been a year of rulemaking (most notably for the new Medicare Part D drug benefit) and also of delays (the Competitive Acquisition Program), but 2006 will be the year when both of these programs finally become operational for all concerned stakeholders. The new pharmacy benefit for seniors is the highest profile and most anticipated of the new programs contained in MMA. Enrollment begins next, and many questions remain about the level of interest that seniors will express in this program. Early indications are that seniors remain as confused as ever about the new benefit and, especially, about how to choose a plan that is appropriate for their needs. With more than 20 plans to choose from in most localities, seniors face a difficult process of narrowing down their options. One metric that all

stakeholders will watch carefully is enrollment in the program in the weeks leading up to Jan. 1, 2006. Disappointing early enrollment by those seniors who are not auto-enrolled could signal another program like the Medicare drug discount card program that struggles to live up to its potential. MMA appears to have achieved its goal of using competition to restrain costs as the premiums that resulted from the bidding process actually came in below early estimates, in a clear win for seniors. Whether this will be enough to satisfy those in Congress who still call for government authority to negotiate prices directly under Part D remains unclear. What is undeniable is that Part D feels much more like the world of commercial managed care than just about anything that Medicare has ever implemented, which is a clear win for those in Congress who favor markets over bureaucracy.

KNIGHTON. The pharmaceutical business impact of the new prescription drug plans could be significant. Therefore, pharmaceutical companies should be continuing to develop the brand image of both their organizations and their products with sensitive communication to the patients. Current users of certain pharmaceuticals, which are strongly attributed to life/death impact and/or quality of life, will be comforted in knowing what degree of financial responsibility they will endure under the new benefit plans.

DOUGHERTY. AstraZeneca believes discovering, developing, and marketing good medicines isn't good enough if patients can't get them. Our support of the Medicare Modernization Act is simply another step in this ongoing commitment of promoting access to prescription medicines. We are fully committed to supporting the efforts of both government agencies and nonprofit organizations to ensure the successful implementation of this new program so that as many eligible people as possible can reap its benefits. Our activities are intended to help educate and empower people with Medicare as well as healthcare professionals, caregivers, and community organizations by providing educational tools, technology, and support in publicizing community resources that can be a source of information and assistance. We also believe it is important to educate our own employees, and we have in place a campaign designed to enable our employees to help their family and friends with Medicare to understand this new benefit. In addition to AstraZeneca's own programs, we are actively supporting industry group efforts to educate Medicare beneficiaries. For example, through our membership in PhRMA and the Healthcare Leadership Council (HLC), we support the recently formed Medicare Rx Education Network.

DOUGHERTY. For the first time in its history, Medicare will provide access to a comprehensive prescription drug benefit and beneficiaries will no longer have to take a patchwork approach to getting the medicines they need through a variety of programs. We expect that having a prescription drug benefit will significantly improve a person's ability to both access and adhere to the prescription regimen his or her physician prescribes. The pharmaceutical industry has an opportunity to work closely with government organizations, healthcare providers, and community-based organizations to help address potential obstacles to beneficiary decision-making. Through collaborations, we can all play a role in helping people with Medicare get to the point where they can make an informed decision about their options and help them access resources in their communities that can help them through the process from start to finish. Despite the challenges inherent in rolling out any benefit to a population this size, the pieces are coming together for a robust market, with plans, pharmacists, and other healthcare professionals, and the pharmaceutical industry all stepping up.

KNIGHTON. The leading health plans will do a good job of marketing their services to prospective members. There are big dollars to glean, and plans are hungry to capture the new marketplace. The pharma companies will face obstacles related to the impending threat from generics and continuing to define a cost-justified value proposition.

ARRADAZA. The pharmaceutical industry is uniquely positioned to take seniors' awareness of Medicare Part D to the next level by helping them see how this benefit can match each beneficiary's unique situation. The industry could do this by tapping into its already-established, vast grassroots network of health educators and communicators. It could mobilize salesforces, leverage existing community programs, and arm frontline health providers with tools to help seniors clearly understand their choices and facilitate informed decisions. As the plan continues to roll out, the pharmaceutical industry will be challenged to maintain its objectivity — to go beyond the comforts of product positioning and brand awareness and rally around a benefit so much larger than a single corporate identity. By coming together, the industry can be the unbiased link between beneficiaries and health plans. At the end of the day, pharma's role is to ensure that Medicare participants nationwide know their options for getting the safest and most effective drugs at the lowest cost.

MCDERMOTT. One of the big disappointments of 2005 was the failure of CMS to develop and implement the Medicare Competitive Acquisition Program (CAP) for injectable drugs covered under Part B. The concept behind the program is to provide an optional, alternative method for physicians to obtain injectable drugs without being at risk for reimbursement that is below the cost of the drug. CMS abruptly postponed implementation last August until July 1, 2006. It appears that the heart of the matter is that CAP has stakeholders — physicians and vendors — with divergent interests. One of the rumors that surrounded the abrupt postponement of implementation was that not a single vendor had been interested enough in the program to have submitted a bid by early August. Whether that is true or not, it points to the daunting task that CMS has ahead of it if it is to launch this program successfully even next summer. We will know CMS's next step soon enough, when it releases its next iteration of the CAP rule. Assuming that this rule is successful in laying out a workable plan, a certain segment of physicians will participate in 2006. It may not be a large number of physicians this first year, but this will mark the start of a new era for office-based physicians in the Medicare program. For those in the CAP, their decision making will take into account primarily clinical outcomes, instead of both clinical and economic outcomes. This could be the true value of CAP in the long run — shifting medicine back to its evidence-based roots.

MATTINGLY. Companies should consider addressing new regulations, such as Medicare Part D and Sarbanes-Oxley, concurrently. Because these regulations are intertwined with contracting, now is the best time to review and revise the way they contract with customers. Revising contract management processes with the requirements of these regulations can help ensure compliance with them while streamlining the business. And if they build the requirements for Part D into their processes and systems, their customers will be confident that they have everything they need from their company to be compliant, which can be parleyed into a competitive advantage. The only way enhancing the contract management processes will be a distraction is if it is done as a separate, disconnected project.

▶ OUTCOMES DATA/PHASE IV

Governments — from the national level to local entities throughout Europe and the United States — are addressing rising healthcare expenditures with pricing and reimbursement strategies. One key strategy is known as outcomes-based medicine, which is designed to curtail costs but preserve quality of care for patients. It is a tough balancing act that, for most, is still in its initial stages of implementation.

For the first time in Medicare's history, people with Medicare will have access to a comprehensive prescription drug benefit, and they will no longer have to take a patchwork approach to getting the medicines they need through a variety of programs.

SEAN DOUGHERTY
AstraZeneca

The pharmaceutical business impact of the new prescription drug plans could be significant. Therefore, pharmaceutical companies should be continuing to develop the brand image of both their organizations and their products with sensitive communications to the patients.

HOLLY KNIGHTON
IBM

CECILIA ARRADAZA
Chandler Chicco Agency

Pharmaceutical companies already have invested significant resources to increase awareness of the new benefit. In 2006, they can play an even greater role in educating America's seniors by focusing efforts on where it will have the greatest impact — at the local level.

THOMAS GOSS
Covance

Currently, there is no explicit link of economics and quality/value to CMS purchasing decisions, although several recent developments suggest more direct links will be coming.

WARREN LEVY
Vox Medica

We all should be thinking now about how we are going to help smooth the rough edges of MMA in the second half of 2006.

JOHN MCDERMOTT
Covance

Much of 2005 has been a year of rulemaking, most notably for the new Medicare Part D drug benefit and the Competitive Acquisition Program, but 2006 will be the year when both of these programs finally become operational for all concerned stakeholders.

MADISON. Traditionally, there have been Phase IV studies that supported marketing objectives and Phase IV studies conducted primarily for safety surveillance reasons. The safety studies tended to be reactive; they may have been mandated by a regulatory agency as a contingency for approval or to investigate a signal. Or they may have been for products that meet an unmet need or approved with limited safety information, thus needing more research to corroborate or refute the risk/benefit ratio. In today's drug-safety environment, the FDA, in particular, is critically focused on risk management. Postmarket safety surveillance is expected to be proactive as a matter of routine and needs to use a combination of approaches and data sources rather than just relying on spontaneous reports such as the FDA's MedWatch program. Given today's proactive environment, the sharp delineation between marketing-driven Phase IV studies and safety-surveillance Phase IV studies should be blurred.

GOSS. Currently, there is no explicit link of economics and quality/value to CMS purchasing decisions, although several recent developments suggest more direct links will be coming. Although CMS is not in a position to set formal "price controls," CMS is well positioned to define and demand value, which it will use more consistently in purchasing decisions. Under MMA, PDPs can make limited use of formularies to contain costs, thus, the use of outcomes research tools on "aggregate" data will increasingly inform the choices made by PDPs. Some further observations that likely will drive this trend include that Section 1013 of MMA requires HHS to fund more outcomes research. Availability of more extensive prescription data resulting from MMA has the potential to change prescribing. Recent increases in the emphasis on observational data is likely to continue, particularly as more "at-risk" Medicare beneficiaries are receiving broader access to pharmaceutical products. These likely scenarios will undoubtedly alter product positioning strategies in light of MMA.

MADISON. A key concept supporting both marketing and risk-management objectives would be to design Phase IV studies to collect sufficient information to help identify the patient subgroups most likely to benefit from the product and least likely to have significant adverse effects. Moreover, the need to rapidly

acquire data to make evidence-based decisions that support both marketing and risk-management objectives means that sponsors need to look beyond traditional time-consuming prospective data collection approaches and instead conduct Phase IV studies that use existing data resources such as administrative claims data. This latter approach can supplement traditional data-collection approaches and position sponsors to obtain answers to research questions quickly, especially in situations where time is of the essence. Whether pharmaceutical or biotech companies are collecting data prospectively or using existing data resources, Phase IV studies that use technology to provide rapid availability of study results so that decisions can be made promptly will be key.

THE SUPPLY CHAIN

Many industry executives report that improving supply-chain functions helps reduce costs, improves efficiencies, enhances customer satisfaction, increases revenue, improves competitiveness, and diminishes the risks of counterfeiting. It's been estimated that the economic benefits associated with EPC/RFID adoption can range from $500 million to $1 billion annually for pharmaceutical manufacturers. In 2004 counterfeit drugs represented 10% of the global market and a $32 billion industry, and the secondary wholesaler distribution market is considered currently the weakest link in the supply chain. There is growing anxiety that Internet- and mail-order pharmacies could become the greatest source of vulnerability within five years.

MEDICARE TAKES MAJOR STEP TOWARD 2006 DRUG BENEFIT

Medicare took a major step toward its new prescription drug coverage by formally approving prescription drug plans and Medicare Advantage plans, which will offer the coverage starting Jan. 1, 2006.

The prescription drug plans, which work with traditional Medicare, and the Medicare Advantage plans that offer drug coverage and additional benefits, began marketing their plans Oct. 1.

DETAILS ON APPROVED MARKETING PLANS INCLUDE

- **PRESCRIPTION DRUG PLANS** in every state — with no area needing the "fallback" plan that would have been required without at least two organizations competing.
- **BETWEEN 11 AND 20 ORGANIZATIONS** offering prescription drug plans in each region.
- **NINE ORGANIZATIONS** offering drug coverage nationwide.
- **IN EVERY STATE BUT ALASKA**, at least one prescription drug plan with a premium of less than $20 a month.

Medicare Advantage plans, which offer coordinated care for even lower out-of-pocket costs, will have more comprehensive offerings next year also. In **44** states, beneficiaries can select a Medicare Advantage plan that provides prescription drug coverage for no additional cost. In **37** states, beneficiaries across the state will be able to choose a new regional Preferred Provider Organization (PPO) plan.

Because of the range of options available, everyone in Medicare will be able to choose a prescription drug plan that addresses their individual concerns about cost, coverage, and convenience. For premiums that are in many cases much lower than expected, seniors will be able to get Medicare-approved prescription drug coverage that will help protect their health as well as their savings.

Prescription drug coverage will be available to everyone in Medicare, regardless of their income or how they get their Medicare coverage. Extra assistance is available to those with limited incomes and resources. In every state, at least five prescription drug plans will offer coverage with no premium to beneficiaries who qualify for that extra help.

All plans have met Medicare's requirements for providing access to medically necessary drugs, including formulary standards as well as standards for access to convenient retail pharmacies and to drugs in nursing homes. All plans are required to provide coverage at least as good as Medicare's standard coverage, which pays on average **75%** of drug costs after a **$250** deductible up to **$2,250** in total drug spending. The coverage also pays about **95%** after **$3,600** in out-of-pocket costs to protect against very high drug expenses. This means that for a monthly premium that is lower than expected, Medicare would pay more than half of a typical beneficiary's drug costs, or more than **$1,100**.

Source: The Centers for Medicare & Medicaid Services, Baltimore. For more information, visit cms.hhs.gov.

HOLT. For the pharmaceutical industry to achieve $500 million to $1 billion in savings, EPC/RFID would have to drastically reduce costs in two areas: inventory carrying costs due to excess inventory in the supply chain and brand security costs associated with tracking and protecting the supply of drugs. But before savings can accrue, pharmaceutical companies will need to make significant investments in software and hardware, making the savings targets even harder to achieve. Fortunately, better inventory management and better brand security do overlap. Knowing where the inventory is and reducing aggregate inventory levels leads to a simpler brand security challenge because there is less in the inventory to worry about. This means there is reduced exposure to parallel trading, counterfeiting, tampering, and so on. As the industry struggles to reduce inventory and strengthen brand security, product visibility throughout the supply chain becomes critical. EPC/RFID does show promise in addressing this dual challenge.

MCNELLY. The adoption of RFID will proceed incrementally in 2006. While the business justification for implementing RFID technology continues to be challenging, there are tangible benefits in using the technology to ensure the authenticity of pharmaceutical and biotechnology products. RFID also helps improve security and integrity across the supply chain. But unlike the consumer-packaged goods industry, the application of RFID and its associated benefits to the pharmaceutical supply chain are still unfolding. There are a number of challenges involved with implementation, including the evolving RFID technology standards, the associated implementation costs — far greater than the cost of the tags — and the systems' infrastructure required to maximize the value of the data retrieved from the tags. At MedImmune, we continue to monitor supply-chain technologies, including RFID, as we develop our long-range supply-chain strategy.

FRASER. The adoption path for the pharma industry in 2006 will be one SKU at a time as it was in 2005. There will be a few more manufacturers tagging 100% of SKUs in 2006, but we wouldn't consider it a year for wide adoption. The benefit estimate seems reasonable because of anticounterfeiting and diversion detection. Unfortunately, in the United States supply-chain visibility is difficult because of the lack of data sharing by the retailers and wholesalers. Once there is a freer data exchange, the benefits will be greater, but we are unsure if or when that might happen as this brings with it the risk to the relationships with the wholesaler's communication. As for the challenges, there is little from the RFID technology perspective as several manufacturers are

deploying high-frequency technology and having great success. The data management (both volume and real-time nature) will present a greater challenge if manufacturers are planning to capture and use the data effectively. Also data sharing mechanisms and standards have not been developed and are not in the pipeline. In conclusion, we see 2006 as a year of increasing usage, not pervasive but substantial. When the first real business cases reach the market this will convince leaders from different industries to move ahead.

HOLT. There is an anticipated ramp-up to RFID in 2006. We expect to see more of this convergence but not a mass industry adoption; RFID will not be a ubiquitous process for some time in the pharmaceutical industry. The lack of definitive standards and clear requirements will likely inhibit adoption until there is clarity on the "how's" of ensuring chain of custody, particularly in the pharmaceutical industry. As improvements in tag readability and RFID infrastructure costs converge — with maturing industry requirements — the adoption of these standards is expected to accelerate dramatically.

DAHOD. It's clear that e-pedigrees can yield many advantages beyond patient safety and regulatory compliance but only if solutions are implemented with a clear ROI strategy right from the beginning. With compliance deadlines looming, it's easy to fall prey to tunnel vision when developing an operational response. But simply by choosing a partner with supply chain, technology, and regulatory expertise and by asking the right questions, the same investments required for regulatory compliance also can deliver competitive advantage.

BLENNER. The lack of adequate drug supply can make the difference between the success and failure of clinical trials for new therapies. Fortunately, with upfront planning, it is possible to predict and prevent many of the likely issues through approaches such as just-in-time

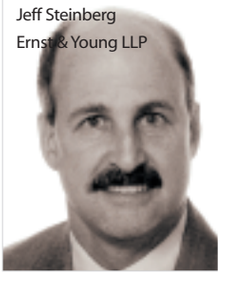
SUPPLY-CHAIN MANAGEMENT BEST PRACTICES

- **ORDER MANAGEMENT COSTS** By integrating order management and parcel manifest programs, a leading company was able to: reduce picking staff from 45 FTEs to 18 full- and part-time employees, increase productivity from **15.46** to **30.54** orders shipped per man-hour, and achieve a fill-rate accuracy level of **99.76%**.
- **MATERIAL ACQUISITION COSTS** Top companies use reverse auctions to reduce supply costs. Savings for one company were estimated at about **22%** per auction, with about **$40 million** saved during the first year.
- **INVENTORY CARRYING COSTS 11%** of benchmarked companies report inventory costs **10%** or less of total supply-chain costs.
- **26% OF SURVEYED COMPANIES** report supply-chain costs less than or equal to 5% of total revenue.
- **ONE-THIRD OF THE BENCHMARK** partners report needing nine or fewer employees to carry out the organization's purchasing function.
- **92% OF COMPANIES SURVEYED** use face-to-face executive meetings between supply-chain managers and internal customers to discuss supply-chain initiatives and communicate value.
- **MORE THAN HALF OF BENCH MARK** companies order management executives consider quality of service provided to be the most defining factor in the value of their operating processes.
- **ORGANIZATIONS ARE INCREASINGLY OUTSOURCING** noncore activities and require transparency in measuring and monitoring the value chain performance.

Source: Best Practices LLC, Chapel Hill, N.C.
For more information, visit best-in-class.com.

PROTECTING THE INTEGRITY OF THE SUPPLY CHAIN

Globalization, technology advancements, and growing price disparities are making it harder for pharmaceutical companies to safeguard the supply chain.



Jeff Steinberg
Ernst & Young LLP

We are seeing growing concern among those in the pharmaceutical supply chain and particularly the drug manufacturers.

"According to the U.S. FDA, in 2004, counterfeit drugs represented 10% of the global market and a $32 billion dollar industry," says Jeff Steinberg, pharmaceutical leader, business risk services, Ernst & Young LLP. "We are seeing growing concern among those in the pharmaceutical supply chain and particularly the drug manufacturers, for whom the stakes are highest in terms of potential damage to brand, reputation, and financial performance."

To better understand how manufacturing, pharmacy, and wholesaler-distribution companies are responding to these risks, Ernst & Young commissioned a survey of 225 pharmaceutical executives worldwide that was conducted by the Economist Intelligence Unit.

Executives cited the secondary wholesaler distribution market as currently the weakest link in the supply chain; however, there is growing anxiety that Internet- and mail-order pharmacies could become the greatest source of vulnerability within five years.

Manufacturers, wholesalers, and pharmacists alike agreed that the most effective deterrents for diversion are likely to be internal operating procedures, product security controls, and new tracing technologies.

WHEN ASKED ABOUT SPECIFIC MEASURES IMPLEMENTED IN THE PAST THREE YEARS TO SAFEGUARD THE SUPPLY CHAIN, SURVEY RESPONDENTS INDICATED THAT

- **58%** reviewed and modified internal processes and controls.
- **35%** audited a third-party vendor or customer.
- **26%** ceased to do business with a third-party vendor or customer found to be violating the law or contract requirements.
- **25%** installed new technology, for example, RFID or electronic product code (EPC).

Source: Ernst & Young LLP, New York.
For more information, visit ey.com.

management techniques, especially when a drug is costly, in short supply, has a possibility of a risk of diversion — for example narcotics or HIV therapies — or sites are remote with long shipping times. Other approaches include forced randomization schemes that assure that every patient randomized receives drug — in situations where there are large numbers of treatment arms, a low number of patients per site, requirements to limit the number of shipments, rapid study enrollment, or urgency to complete the study — and protocol pooling to maximize efficiencies of limited drug supply, or optimize shipping costs, when sites participate in multiple protocols using the same drug and dosage. Use of these and other proactive techniques help move the focus from fixing problems to anticipating and avoiding them, increasing the likelihood of a successful trial conclusion.

FRASER. The six activities performed by the pharma supply chain that have the greatest potential to add value and are thus those that should be kept in-house, rather than outsourced are: control of product quality and patient risk exposure; intellectual property creation via new products and processes; strategic sourcing via tax-effective supply networks; use of innovative manufacturing process technologies and expertise in working with such technologies; orchestration of the performance of the end-to-end supply chain; and distribution and channel management. Conversely, the functions that are likely to be outsourced are: procurement; transportation; distribution, including warehousing; manufacturing; and new product development. Transportation is the most widely outsourced function and the most effective.

DAHOD. Many wholesalers can achieve positive payback on their initial e-pedigree solution investment within the first year of operation through benefits such as immediate reduction of mispicks and lost sales from out-of-stocks. In fact, a typical midsize wholesaler, using certain operational assumptions for analysis, could enjoy an impressive 52% ROI in the first year and almost $1.5 million a year in ongoing operational net benefits. Retailers, whose investments are significantly less, enjoy similar returns, while potential benefits to manufacturers are even greater.

SMITH. As one of the earliest adopters of RFID, we've had great success; and I believe more of our pharmaceutical-industry partners will support use of RFID in 2006. One of the initial obstacles to widespread RFID use was misdirected angst over the FDA position on the technology. FDA has now made clear through its guidance that RFID should be widely adopted to improve the security of the nation's drug supply. A current hurdle is the perception that RFID adds cost to the supply chain; but counterfeiting cost the industry $32 billion in 2004. Adoption of RFID lowers that cost burden and raises the barrier on drug diversion. As one of the nation's largest distribution and inventory companies, we provide a real value for our customers. Outsourcing warehousing functions to drug wholesalers, retailers, alternate-care providers, and hospitals reduces operational costs, improves work-flow efficiency, enhances customer satisfaction through on-time deliveries, and increases competitiveness in the market. Through distribution outsourcing, manufacturers and pharmacies receive the unique benefits of pharmacy expertise, regulatory vigilance, and years of UPS-type or Federal Express-like shipment know-how. We focus on the area of supply-chain distribution so that pharmaceutical companies can devote themselves to developing new medicines and serving patients in the pharmacy.

In 2006, the greatest threat to medication integrity will arise via the Internet. While legitimate Internet and mail-order pharmacies abound, there are too many illegitimate operations.

SINGH. Gone are the days of building bulky

COUNTERFEITING: FIGHTING CRIME WITH E-PEDIGREE

Anticounterfeiting measures are poised for a turning point in 2006.

Pharmaceutical companies must face the reality that electronic pedigree — a new practice that will enable greater visibility into the product lifecycle and increase security from production to the point-of-sale — is right around the corner. According to Todd Skrinar, partner, healthcare and life sciences, at Unisys, the e-pedigree laws will shift the paradigm of pharmaceutical supply chain from vulnerable to, one-day, invincible; but manufacturers must take the right approach and recognize every possible obstacle to ensure its success.

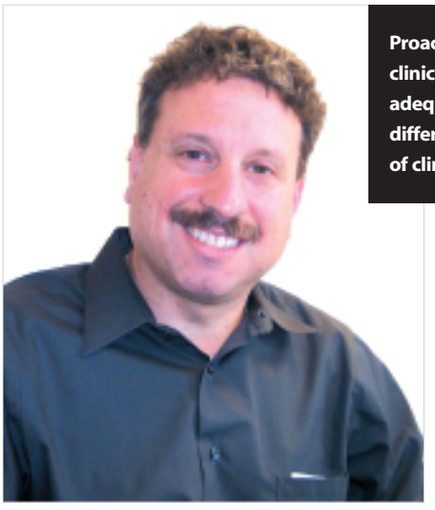
Come July 1st, 2006, Florida will be the first state to implement e-pedgiree laws for the pharmaceutical supply chain. Despite the fact that the industry has been preparing for this the last couple of years, there still exists several challenges that pharmaceutical manufacturers must anticipate, including:

- **SERIALIZATION REQUIREMENTS.** If a serialization code is the only unique characteristic for a pedigree, Florida is requiring that wholesalers certify and forward serialized pedigree information that is shared with its customers back to the product manufacturer.
- **HUMAN RESOURCES.** Implementing an e-pedigree initiative requires the understanding and assimilating of e-pedigree standards into operational implications, as well as staying abreast of regulatory requirements. Hence, pharmaceutical manufacturers will need to invest in acquiring valuable human resources to handle these additional tasks.
- **DEMAND.** To properly prepare for the e-pedigree implementations, pharmaceutical manufacturers need to address the potential for an influx in product volume, which may increase cycle times and impact their production schedules.
- **IT COMPLEXITY.** There are two areas that need to be considered on the IT front. The first is tackling any critical problems that may arise from implementing new and untried solutions, especially in a short amount of time. By leveraging existing infrastructures, manufacturers will be able to manage these issues more efficiently. The second is going beyond simply establishing a structure for storing e-pedigree data. Pharmaceutical manufacturers must also ensure that this sensitive information is safe and that shippers, wholesalers, retailers, as well as themselves, transmit the data in a secure environment.

"As long as these issues are taken into consideration and the necessary compliance programs are put in place, pharmaceutical companies can use e-pedigree as a transformational tool, providing them a new competitive advantage in the marketplace," Mr. Skrinar says. "Florida is only one of 27 states that are currently set to issue e-pedigree laws. By addressing these items at the onset, pharmaceutical manufacturers will be better prepared for the extended roll-out of the program and will eventually garner a significant return on their investment."

Source: Unisys Corp., Blue Bell, Pa.
For more information, visit unisys.com.

CHRIS SMITH
H.D. Smith



Proactive planning can help overcome clinical-trial supply issues. The lack of adequate drug supply can make the difference between the success and failure of clinical trials for new therapies.

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Covance

HEATHER FRASER
IBM

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CHRIS HOLT
UPS Supply Chain Solutions

SHABBIR DAHOD
SupplyScape

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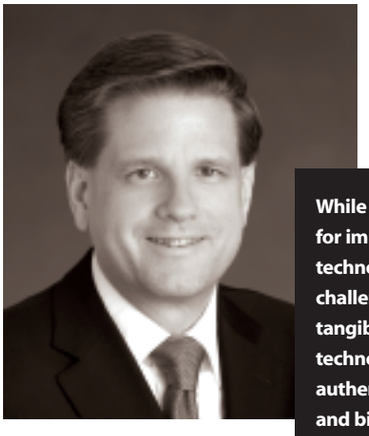

KEVIN MCNELLY
MedImmune

While the business justification for implementing RFID technology continues to be challenging, there are tangible benefits in using the technology to ensure the authenticity of pharmaceutical and biotechnology products.

inventories to make sure the supply of drugs will meet the consumer demand that is being driven from the doctors, pharmacies, and high-priced marketing. Gaining better data visibility to capture, analyze, and forecast information is the first step to gaining control. Collecting information at the important supply points — distribution, doctor samples, hospitals, and now direct from retailers — can revolutionize the methods of retrieving feedback of inventory and depletion levels. Driving for visibility and adaptability often leads to initiatives to fix the biggest bottlenecks in product production. These often include automating manual procedures, manufacturing process reengineering, and integration strategies. Once the visibility chain is addressed, pharmaceutical companies can move to a better pull environment and optimize forecasting, planning, and scheduling. Ultimately, manufacturers can start to set targets for inventory through the entire supply chain, including wholesaler and retail inventory with alert management, deployment optimization, and statistical forecasting. Adopting these best practices starts with the careful alignment of business processes and enabling technologies. Pharmaceutical companies will continue to look at their worldwide operations and improve inventory management and product distribution by implementing an adaptive supply chain that will make it easier to steer and come about in the changing global marketplace.

SMITH. In 2006, the greatest threat to medication integrity will arise via the Internet. While legitimate Internet and mail-order pharmacies abound, there are too many illegitimate operations. The low barriers to entry and ease of exit make the Web a prime area for counterfeiters to flourish, move on, and then start up again without being caught. Right now, counterfeiters are looking for the easiest way to make a quick buck. Therefore, it is our job to take measures that protect prescription drugs as they travel from manufacturer to pharmacy. H.D. Smith has taken a number of steps to safeguard the medicine distribution chain. First, we work only with manufacturers or their authorized distributors. Second, we use innovative technology, such as RFID, to track and safeguard special medicine shipments in the supply chain. And third, we advocated for laws that strengthen the criminal penalties for drug counterfeiting activities. In the end, we are all consumers and patients.