

Activating Consumers

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Summary: A new survey shows top drug executives still question their ability to exploit consumer promotion. They've got good reason: while consumer promotion clearly works in driving patients to doctors, increasing diagnosis rates and increasing patient requests for specific products, large numbers of their switch requests are denied. To give consumers sufficient power to influence their physician's prescribing behavior--Effective Voice--companies need a deeper understanding of physician attitudes towards requests in general, the specific therapeutic area and the product vis-à-vis competition.

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Activating Consumers

A new survey shows top drug executives still question their ability to exploit consumer promotion. They're right to do so.

By Martin Elling, Liz Rodgers, and Rachel Zhang

- Over a third of senior marketing executives surveyed believe their companies to be "much less sophisticated" than peer companies at driving product performance through consumer promotion; the vast majority feel their companies do not have an in-depth understanding of consumer segments and patient flows.
- While consumer promotion clearly works in driving patients to doctors, increasing diagnosis rates and increasing patient requests for specific products, large numbers of their switch requests are denied.
- To give consumers sufficient power to influence their physician's prescribing behavior—Effective Voice—companies need a deeper understanding of physician attitudes towards requests in general, the specific therapeutic area and the product vis-à-vis competition.

Consumer promotion (CP) of prescription medicines is fraught with controversy in the US. As the practice has become widespread, it has generated legions of fans and detractors alike. The controversy boils at multiple levels. For some the controversy is one rooted in fundamental beliefs about the appropriate role of the patient in health care. For others it is rooted in a fear that "consumerizing" prescription medicines will make decisions that should be based on science into matters of personal preference, like buying breakfast cereal.

But for pharmaceutical marketers, the controversy is largely about return on investment: does consumer promotion improve sales and earnings performance? To address that concern, we undertook a multifaceted investigation of the industry's experience with CP in the five-plus years since the FDA opened the regulatory gates to much more active CP of prescription medicines.

As part of our research we drew on the expertise of McKinsey & Co. teams who have conducted approximately 300 marketing engagements in pharmaceuticals over the last three years. We also directly interviewed or surveyed executives at almost all of the leading pharmaceutical companies as well as some of the smaller companies in the industry, reaching out both to those working directly on brands (general practitioner blockbusters and specialty niche products alike) as well as to senior executives and finance officers. In addition, we drew on the diverse expertise of some of the agencies and research houses which work in this space. Finally, we analyzed traditional data sources (e.g. IMS, Scott Levin, Nielsen Monitor-Plus, Med Ad News) as well as physician visit level data provided to us by ImpactRx for 1.2 million visits occurring during the year ending June 2003 in 10 therapeutic areas.

While no set of data or industry perspectives can definitively prove every relevant point with regard to consumer promotion, we are left with several core beliefs:

The consumer will likely continue to be an ever greater determiner of therapy (and product) choice;

The untapped potential to drive category and product performance through CP remains extremely large;

There are significant gaps in the effectiveness of the CP we see during these learning years;

CP effectiveness will require much greater sophistication in consumer needs analysis and segmentation, physician segmentation and alignment, and product/label design.

For a variety of reasons, and as has been discussed in a number of other articles, patients are already coming to physicians with significant independent information, points of view on the need for and types of treatment, and a significant dose of skepticism about any all-knowing pretense in their physicians' attitudes. (See *"Reconfiguring DTC with Patient Behavior in Mind,"* IN VIVO, October 2002 [A#2002800211] and *"Belief-Based Marketing: Anticipating, Not Just Analyzing Behavior,"* IN VIVO, April 2003 [A#2003800080].)

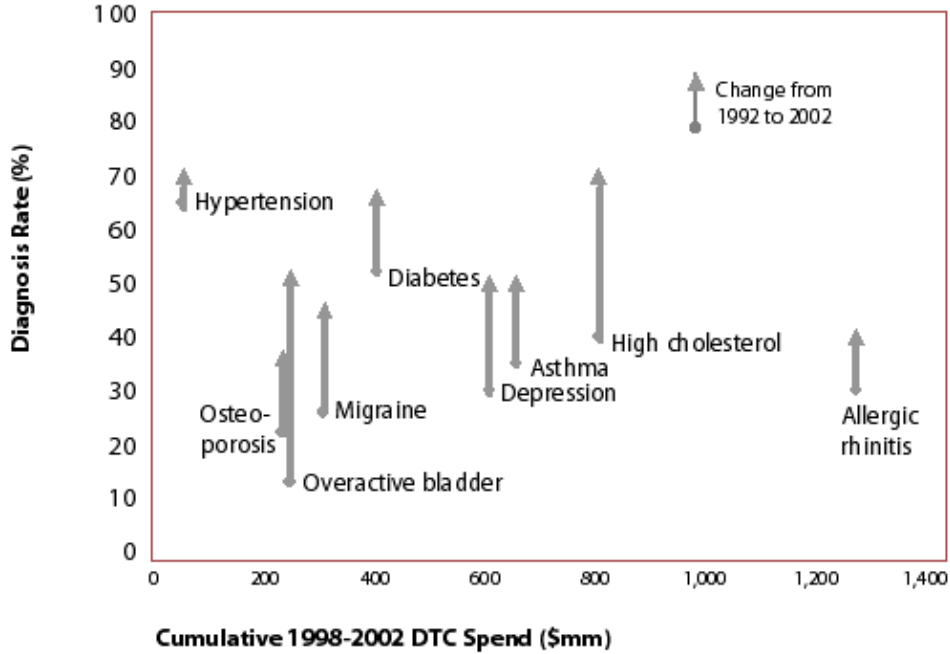
This consumerization of health care is only being accelerated by underlying economic fundamentals: patients must make more frequent cost-benefit decisions. Already 62% of managed care programs have three or more co-pay tiers. Today the average American pays roughly \$200 per year on prescription medicines and this amount has been growing at 12% per year (2000-2002). Provisions for health care savings accounts embedded in the recently passed Medicare benefit legislation will also make consumers a much greater market force shaping the success of categories and brands in the years to come. Especially in the area of discretionary therapy (i.e. lifestyle medicines) consumers will over time be making decisions akin to those they make on nutrition, beauty aids, and consumer electronics. The blurring line between prescription and OTC medicines will further fuel this independence of decision-making.

Consumer Promotion Drives Product Performance

CP is both a reaction to and a major shaper of this emerging trend toward enhanced consumer decision-making. It certainly appears to help drive consumer decision-making and industry growth. In eight therapeutic areas (TAs) with cumulative CP spending over \$50 million, DTC spending strongly correlates with total prescriptions (TRx) growth over the last five years. In almost all TAs with heavy CP, diagnosis rates have moved up significantly over the last decade (*see Exhibit 1*).

CONSUMER PROMOTION IMPROVES DIAGNOSIS RATES

EXHIBIT 1

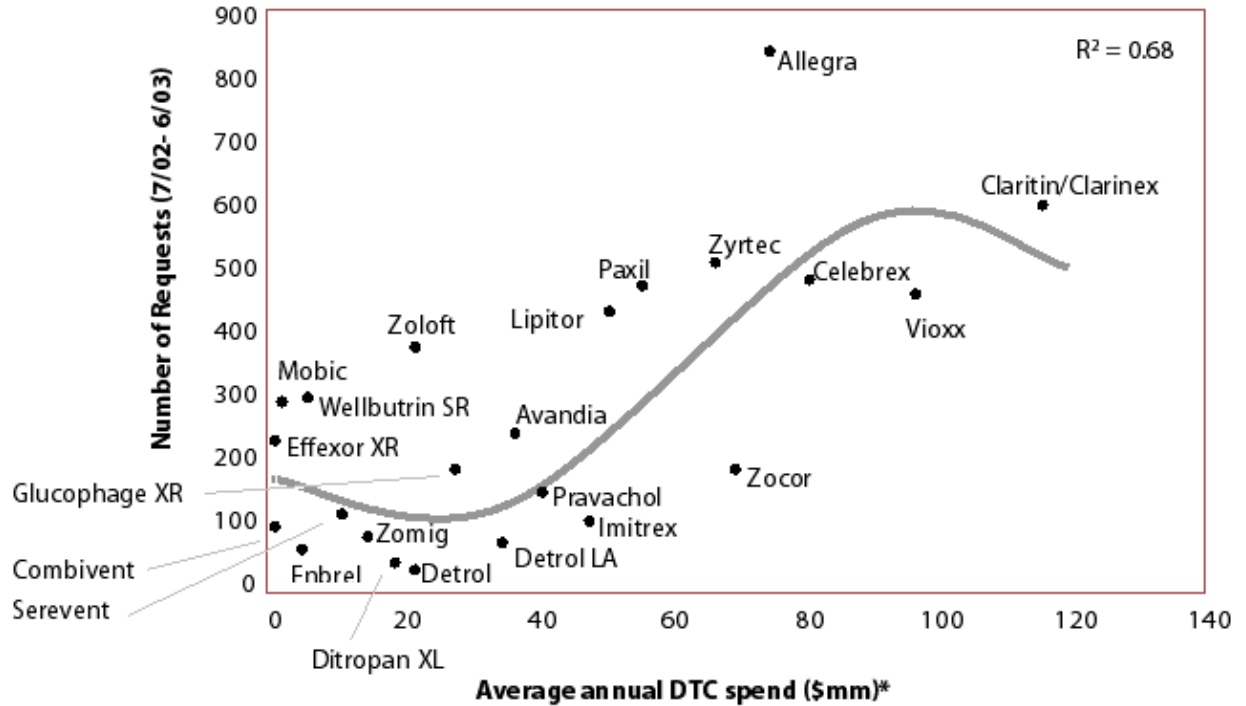


SOURCE: Datamonitor; SG Cowen; CDC; NIH; *Pharmaceutical Executive*; NHANES; ADA; interviews

Perhaps most importantly, CP appears to be a major driver of consumer requests for treatment and for specific brands. In the 10 TAs in which we analyzed detailed patient–physician visit data from ImpactRx, there was a strong correlation between monthly brand CP levels and lagged patient product requests (*see Exhibit 2*).

DTC DRIVES PATIENT PRODUCT REQUESTING

EXHIBIT 2

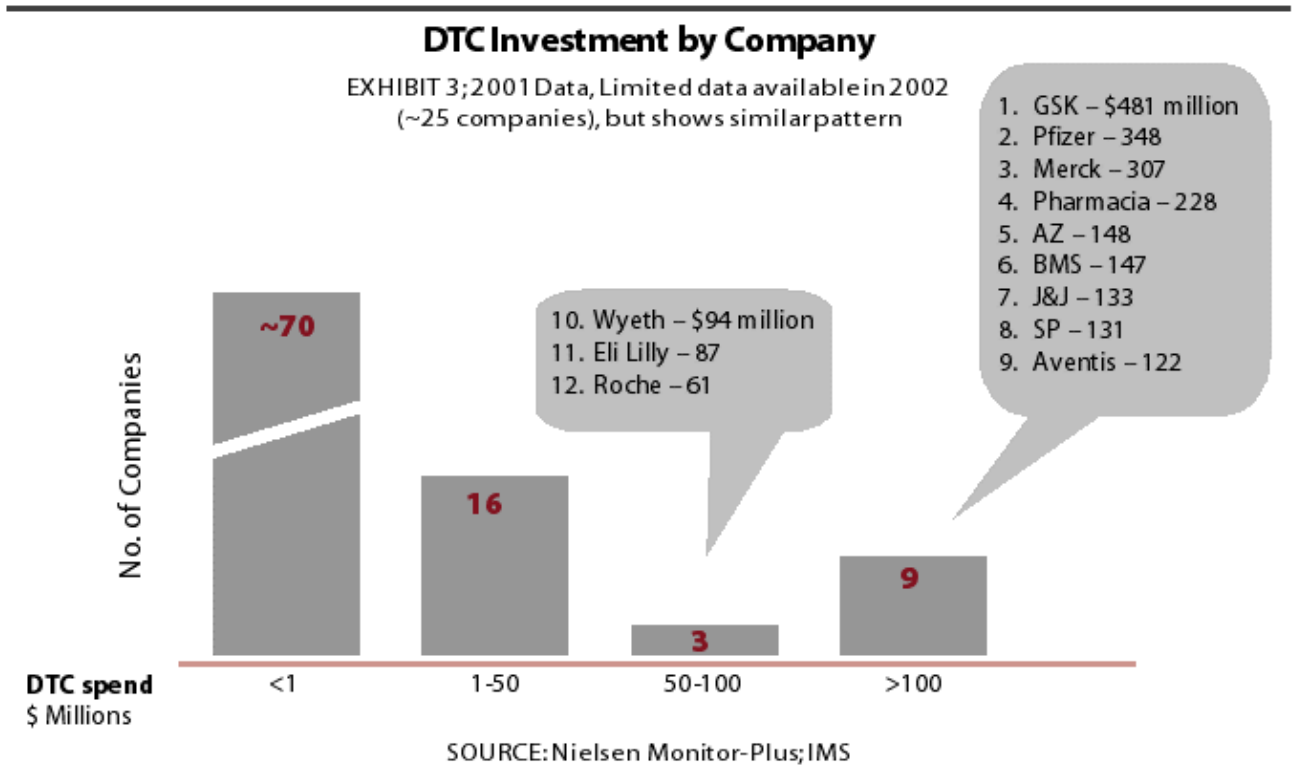


SOURCE: *From 1998 or launch year (whichever is later) to 2002. Source: IMS; Impact Rx; Datamonitor; CPC; NIH; NHANES; ADA; team analysis

But pharmaceutical industry executives are nonetheless worried that, on the individual company level, they are either wasting resources on CP and/or not adequately tapping the true opportunity—indeed, despite the high correlation between CP spending and patient requests, the absolute number of requests are still quite low. Of marketing executives at 14 major drug firms surveyed, only one believes his company "very effectively" uses CP. Four rated their companies as "not very effective." The remainder rated their companies "average." Over a third of respondents believe their companies to be "much less sophisticated" than peer companies at driving product performance through CP.

Executives cited multiple reasons for the gaps in CP effectiveness. 75% of respondents believed that their company's CP was not based on an in-depth understanding of consumer segments and patient flows. Noted one brand manager: "We rarely do attitudinal segmentation to understand when and how to drive patient behavior; we still rely on traditional message testing techniques." Another 75% didn't feel they leveraged multiple promotion tools with specific objectives. "Everyone wants to see their brand name in big lights but this is definitely not the best way to reach and persuade some of our key segments," said a marketing VP. An astonishing 58% of those interviewed do not believe their CP activities are well integrated with the overall brand sales and marketing strategy.

They are probably right: the industry is not fully tapping the true potential of CP. Efforts at CP still remain highly concentrated within the industry. Five companies account for 60% of the trackable DTC spend (*see Exhibit 3*). Even the big spenders allocate less than 5% of sales to CP, significantly below the spend levels for many lower margin consumer driven products (e.g. fast food, entertainment, household products). This is in part driven by beliefs around when and where CP can be effective. These beliefs are slowly changing as even medical device companies begin to include CP in their marketing strategy, as **Stryker Corp.** has for its ceramic hip. Still, CP spend is only significant in seven major therapeutic areas.



The above data speak to the still narrow focus of CP. Other data speak to the limitations on its overall effectiveness. While CP appears to have driven up diagnosis rates, they are still low in absolute terms for multiple diseases for which efficacious treatments exist and for which CP spend has been robust. Less than 65% of diabetics have been diagnosed, 55% for overactive bladder, 45% for migraine, and less than 50% for allergic rhinitis where cumulative DTC spend over the last five years has been almost \$1.4 billion.

Even when CP spend drives consumer action, it often does not redound to the drug firm's direct benefit. Physician visits have grown more rapidly than patient requests for specific brands. While overall we have seen a strong correlation between CP and patient requests, the consumer request rate is still quite low. Only approximately 30% of targeted consumers visit a physician for the condition and just a third of these ask for a promoted medicine. In some of the most hotly contested therapeutic areas, for example, DTC levels correlate highly to visits but do not correlate at all to product requests.

In depression, for example, companies such as **Pfizer Inc.** and **Wyeth** are spending upwards of \$50 million annually on DTC. Their spend is heavily correlated with physician visit levels but not with product requests. In the \$10 billion anti-hyperlipidemia market companies like **Bristol-Myers Squibb Co.**, **Merck & Co. Inc.**, and Pfizer are spending \$160 million annually for CP—but their efforts are only mildly correlated with office visits (0.32) and not correlated with product requests (0.00).

Brand executives need to understand whether they are providing consumers with enough "reason to believe" in their product to both get them to see a physician and request their specific product. Our research confirms that over 80% of product requests as part of initial therapy are granted; however large numbers of switch requests are denied.

Companies fighting over the \$4–6 billion in the allergy category appear to be working hard to give consumers a reason to believe. Here CP correlates highly with physician visits (0.83) and product requests (0.91). Each brand has begun to stake out a unique product profile designed to appeal to distinct consumer segments (e.g.

Aventis SA's fexofenadine (*Allegra*) which "is four–times longer lasting than most OTC options," Merck's montelukast (*Singulair*) which "blocks leukotrienes," and Pfizer's cetirizine (*Zyrtec*) "for indoor and outdoor allergies"). And in creating these product profiles, they have also communicated to consumers the need to express a product preference. The ultimate goal in this category is to better address the attitudes of the 50% of sufferers who do not seek medical advice for the allergies. Unlocking attitudinal cues to draw in the "*Kleenex* crowd" and self–medicators could be worth billions in revenue.

But in general, persuading consumers to express such a preference has not been easy. According to one recent study by The ARS Group, only 20% of prescription medicine ads were persuasive enough to guarantee a shift in share. This was in contrast to more than 50% of ads in other product categories that were sufficiently persuasive to assure a shift in share. A number of executives have pointed to weak consumer understanding as the main reason for this gap. Noted one senior executive: "We are hyper–focused on science and doctors and only as an afterthought try and figure out how to sell our messages to consumers." Added another: "I don't think my team or I have the tools we need to really understand how to drive consumer behavior."

Holding Us Back

Industry leaders and participants cite five root causes that have limited their effective use of CP to date:

The size and profitability of these products reduces the pressure to optimize each dollar spent through rigorous impact analysis and testing.

An inadequate understanding of the drivers of consumer (and physician) behavior leads to superficial insights and ill–defined strategies. Rarely do drug companies undergo the same research–intensive process that consumer product companies go through to segment and profile consumers based on their behaviors, attitudes, and psychographics.

Lack of conviction around CP leads to inconsistent levels of support. Often driven by impatient senior management, this on–again, off–again light–switch approach to CP execution reduces spend efficiency. ("CP is the first thing to get cut when budgets get tight. The sales force is sacred; it is the last area to be touched," says one marketing VP. Adds a brand manager: "CP is not yet seen as an equal growth lever...management is more comfortable with the sales force and physician marketing.")

A self–admitted, deficiency in consumer promotion expertise at all levels of the organization. While some companies have hired brand managers from well–respected consumer packaged goods companies, they tend to be operating with a strong mass–media bias at low– to middle–levels of the organization. Establishing a strong CP capability requires drawing from a broad portfolio of consumer skills and backgrounds. As one senior executive put it, "Our consumer promotions would look very different if we had hired marketers from the airline industry; it wouldn't all be about television advertising."

The lack of appropriate tools and measuring techniques limits executives' ability to objectively assess CP impact. Few executives we spoke to put much weight in the standard ROI calculations associated with consumer promotions. Commented one brand manager: "It's easy to get an ROI number, but it doesn't mean much." "It's garbage in, garbage out—a lot of politics go into those numbers," added a senior executive.

Finding CP Opportunities and Tapping into Them

Unlocking the CP opportunity requires the same kind of "precision planning" used by other heavily promoted consumer categories. The first step is defining CP's role and strategic objectives within the context of the broader brand strategy. In–depth patient flow models provide a good starting point for understanding how CP can remove bottlenecks and drive brand growth. It is critical for brands to define up front the objectives of

their CP campaign. Should they grow the category by educating the undiagnosed? Is there an opportunity to convert self-medicating consumers to a prescription drug therapy? Are physicians honoring consumers' requests? Are consumers even asking?

For example, in the just-emerging overactive bladder market, early patient flows pointed to an opportunity to attract "silent sufferers" but only after physicians had been educated on the condition. The newest batch of OAB products face different opportunities and new bottlenecks to overcome. Is there more opportunity to shift share or continue to build the market? How many competitive users are satisfied with their current treatment options? Which affected consumer segments have not yet sought treatment and why? It is unclear from their current CP whether the newer players have clearly addressed these types of questions.

The patient flow model needs to be regularly assessed to gauge the impact of the current strategy and identify emerging bottlenecks and opportunities. A comparison of sildenafil (*Viagra*) and vardenafil (*Levitra*) in the erectile dysfunction market illustrates how brand objectives can shift over time and how different approaches to CP align with those objectives. *Viagra*, the first to market, faced the challenge of legitimizing the condition and developing the market. Not surprising, *Viagra's* early CP efforts targeted senior men, using spokesmen like former Senator Bob Dole, with a strong educational message. This approach was instrumental in reducing the embarrassing stigma around ED for patients as well as positioning ED as a serious medical condition to managed care and physicians alike.

In contrast, *Levitra's* CP campaign targets younger men with a more racy, recreational message ("get back in the game") emphasized through tactics like NFL sponsorships. The goal: stealing share and growing the market with a new user group. While it may be premature to comment on *Levitra's* success, the brand appears to have a clear CP strategy and distinctly different target and stance versus *Viagra*.

With the objectives of CP well defined, drug firms must develop deep insights to drive what we call consumer activation—a brand's ability to prompt consumers to seek treatment, convincingly request a specific brand from their physician, and if necessary spend money on a higher co-pay. Consumer activation requires both understanding which segments are most receptive and which messages will prompt the desired behavior. And since markets and consumer attitudes aren't static, messages that could once activate consumers won't necessarily continue to do so. *Viagra's* sales slowed, for example, when it apparently failed to fully activate younger male audiences. Ads with race cars and baseball stars were not sufficient to shake the brand's older, more serious image.

On the other hand, **Novartis AG's** terbinafine (*Lamisil*) is a good example of the power of deep consumer insights in creating activating messages. (See "*Novartis Feels Patients' Pain*," IN VIVO, June 2003 [A#2003800105].) The original launch focused on the cosmetic benefit of fungus-free toenails building on the insight that consumers were embarrassed by their infected nails and often hid their feet. The segment of patients willing to spend six months and up to \$1,500 chasing a cosmetic benefit was limited. Between 1998 and 2002 sales grew at an average of 3% per year.

Additional research showed that a far larger patient segment was motivated by a more medical message. Insight: only a serious medical condition justifies an extensive six-month course of drug therapy for many people. The relaunch of *Lamisil* centered on killing dermatophytes, a fungus that lives in your nail bed ("it's in your body, not the nail"—a subtle, yet important distinction that helps make the condition feel more serious). The new fungus focus has resulted in a 31% increase in TRx growth in less than a year (2003 vs. 2002). Translating insights into activation requires CP communication that permits consumer self-identification, establishes an emotional benefit, and gives consumers a reason to believe in the product.

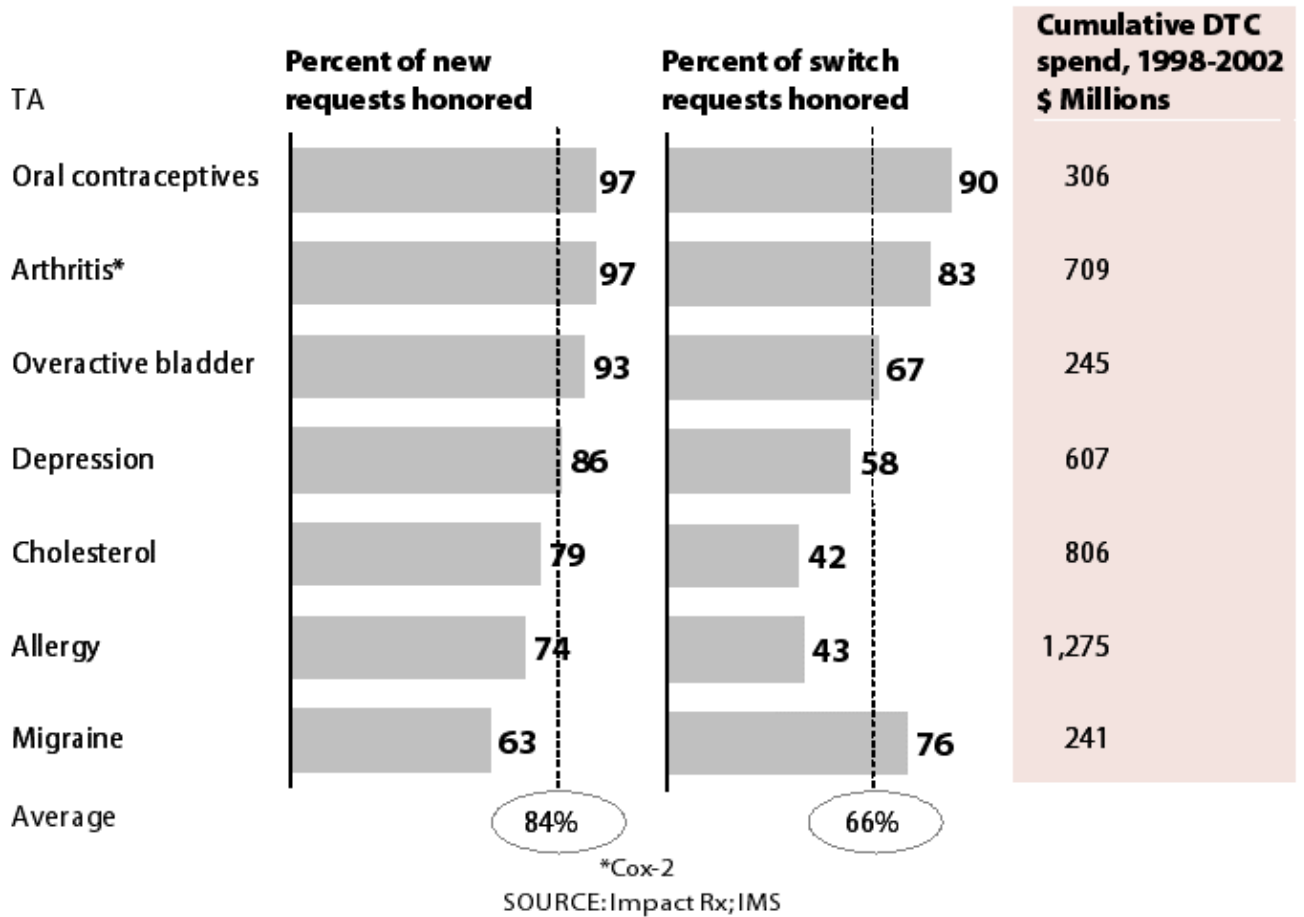
Activating consumers, however, is only half of the challenge. Once motivated to see their physician, consumers need sufficient power to influence their physician's prescribing behavior. We call this *Effective Voice*, and try to measure this by measuring the extent to which patients are effective at expressing and

receiving their treatment preferences.

The rates at which drug requests are honored vary widely based on therapeutic area, physician characteristics, and where patients are in their course of therapy. But critical to any success in increasing *Effective Voice* is a deep understanding of physician attitudes towards requests in general, the specific therapeutic area and the product vis-à-vis competition. Such an understanding is particularly important when the strategic objective is to drive switching: physicians honor only an average of 66% of all patient switch requests—far less in some categories, such as cholesterol and allergy, where switch requests are honored at just 42% and 43%, respectively. By the same token, specialists honor switch requests far less frequently than primary care physicians. (See Exhibits 4 and 5.)

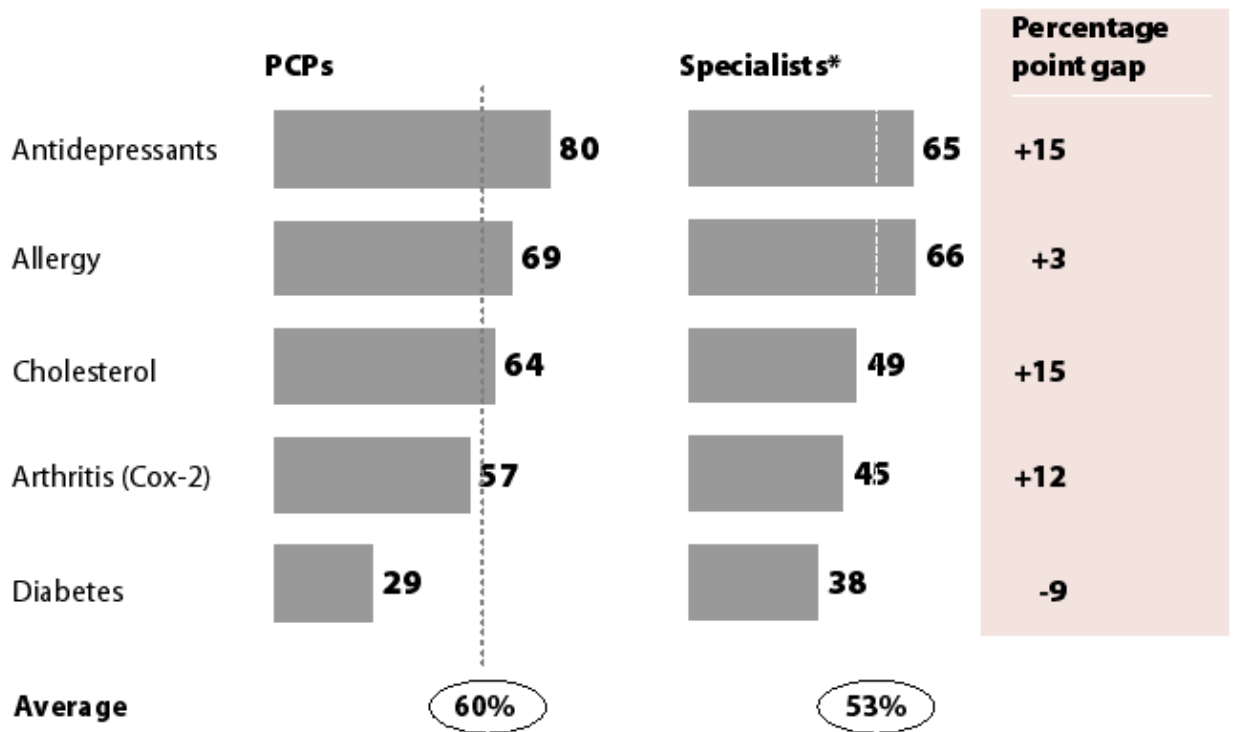
RATES AT WHICH MDs HONOR PATIENT REQUESTS FOR PRODUCTS

EXHIBIT 4; Based on 1.2 million patient visits from July 2002 to June 2003



PATIENT PRODUCT REQUESTS: PRIMARY CARE VS. SPECIALIST MDs

EXHIBIT 5; percentage of requests honored; includes both new requests and switch requests



*Specialist matched to reflect TA (e.g., cardiologist were the specialists analyzed for cholesterol, psychiatrists for depression etc.)

Source: Impact Rx

Research indicates there are several factors that give consumers *Effective Voice* in their interactions with physicians. First, patients who can articulate the ineffectiveness of their current treatment are more likely to be heard, particularly when the product's shortcomings are consistent with physician expectations or cannot be objectively proven—as they can, for example, with statins, simply by measuring cholesterol levels. Pain medicines and antidepressants are two categories in which physicians expect to try multiple products before they find one that works in a particular patient.

Some CP campaigns have done a better job than others at preparing patients to discuss product efficacy with their doctors. Lansoprazole's (*Prevacid*) "when diet changes and OTCs are not enough" helps consumers get beyond the first-line lifestyle alterations and consumer products that physicians might have suggested as a starting point against heartburn. Side effects—potential or experienced—are also a powerful factor for building consumers' *Effective Voice*. Sustained-release bupropion (*Wellbutrin SR*) has used its "low risk of sexual side effects" as an effective differentiator versus other antidepressants. The claim enables consumers to state a clear preference and may raise doubts about one's current course of treatment. Physicians also claim they are more likely to honor a patient's request when there are underlying economic differences among products, like coupons provided by manufacturers, or differential co-pays instituted by insurers, or when they're made aware of other personal factors, such as unique family histories.

Determining the right reach is the fourth requirement of effective CP. Right reach ensures that a company is activating consumers and giving them *Effective Voice* in a cost effective way, using the right mix of tools (the "how" of CP) and the appropriate levels of investment (the "how much").

Most brand teams have an opportunity to get much more creative and aggressive in broadening their CP tool kits. Non-mass advertising CP will become an increasingly significant part of the marketing mix. Despite an often times higher cost per message delivered, and a greater effort required to get it right, non-mass tools like Catalina coupons and direct mail are often a more relevant, credible, and informative way to connect with consumers. Few brands have rivaled *Claritin* (loratadine) in its use of point of purchase messaging in the form of branded prescription bags and floor stickers. Brands like *Detrol LA* (long-acting tolterodine) have created web sites that triage consumers and provide them with different messages and information that are consistent with an overarching positioning.

Such creativity in exploiting the marketing mix will be a fundamental requirement going forward since the role consumers play in their own care is only going to increase. Multi-tiered co-pay programs now involve consumers in cost-benefit decisions previously made solely by physicians. The blurring line between OTC and prescription drugs—particularly for asymptomatic conditions, as with the statins—will build consumers' experience and confidence in making their own medical decisions and influencing physicians to alter theirs.

The companies that win will be those that understand how to tap into this emerging force and unlock the full potential of CP. Understanding consumer psychology will be as important as understanding a compound's underlying science. This will require drug companies to begin strategy development with the consumer, crafting a marketing, and probably development, plan based on a precise understanding of patient flows, competitive dynamics, and physician/patient interactions. Only with such a grounding in patient attitudes and behaviors will drug companies be able to activate consumers and make them an effective partner in building their brand. CP still represents a significant opportunity for drug companies, but it is an opportunity that is quickly wasted without a well planned, insight driven, and disciplined approach.

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