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SUCCESSFULLY EXPLOITING e-MARKETING AND SALES IN THE PHARMACEUTICAL INDUSTRY

the European approach

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EXECUTIVE SUMMARY

The challenge of e-marketing and sales in Europe

Despite the hype and investment in e-health over the last few years, it is still fair to say that the Internet is not yet fully embraced by the pharmaceutical industry for marketing and sales. With pharmaceutical companies already having started experimenting with new marketing approaches, full adoption can be expected soon. Between 60% and 70% of pharmaceutical managers have recently identified marketing and sales as the area to be impacted most by the Internet. Pharmaceutical companies are committed to invest heavily until 2003, but struggle – especially in Europe – to identify the winning approaches. Europe poses significant challenges owing to unequal rates of connectivity, fragmented and locally regulated markets, a local e-health supplier base, and missing providers of total e-marketing and sales solutions.

Building the right organisation and funding it adequately

Pharmaceutical companies have to decide how to organise and assign responsibilities for e-business, and, more specifically, e-marketing and sales. European pharmaceutical companies have not yet adopted the approach of the US companies Merck and Lilly to build e-venture units. Almost all top pharmaceutical companies have been creating large global e-business organisations, spending up to €50m and more per company. The medium-sized pharmaceutical companies are typically investing under €15m. However, despite all the commitment, lack of budgets has still been the most important obstacle to achieving e-marketing goals, owing to the dispersion of funds across countries and/or products. Lack of commitment makes Internet budgets fragile and among the first to be cut at the local level, which calls for a centralised approach to fund costly experiments.

Physicians remain the primary target, but consumers/ patients are also targeted

As direct-to-consumer (DTC) marketing is still prohibited in Europe, physicians are the focus of more than 50% of companies, while about 25% are targeting predominantly consumers/patients. e-Marketing initiatives are segmented predominantly by disease/therapeutic area and product/brand. This has led to a proliferation of proprietary disease and therapeutic area Websites by pharmaceutical companies. Pharmaceutical marketers believe that their relationships with specialists and patients under treatment will be impacted first. Besides the Internet and e-mail newsletters, the use of which is ubiquitous, few marketers have started to leverage mobile phones or personal digital assistants. The major objective – increasing market share – is difficult to translate into concrete Internet marketing initiatives. Business-to-consumer direct marketing, compliance/disease management and e-detailing to physicians are believed to be the future 'killer applications' of online marketing and sales.

Simple three-step decision-making framework proposed

To ensure the successful implementation of initiatives, pharmaceutical marketers have to go through a rigorous decision-making framework, which we propose should encompass three steps. First, they need to define the objective and target audience of the initiative based on traditional patient/physician flow analysis. Second, they need to decide how to implement the selected initiative, selecting between soft and hard branding (disease versus product) and infrastructure ownership (independent versus company sites). Finally, they need to locate the ideal partner among the numerous e-health suppliers, and garner implementation support internally. Owing to widespread scepticism of e-marketing, marketers should apply a rigorous evaluation mechanism, which includes agreed-upon objectives, corresponding quantitative metrics and process measures, until the initiative goes live. Long-term, pharmaceutical companies will benefit most from the Internet by adopting integrated Internet marketing programmes and by standardising and automating their marketing processes.

Favourable regulatory changes on the horizon in the EU

The pharmaceutical industry often cites the stiff regulation in Europe as a key hurdle for Internet-based marketing, especially where direct-to-consumer advertising is concerned. Recent action taken by regulatory and/or self-regulating bodies puts this into perspective, and has increased the degree of freedom for pharmaceutical marketers. The EU has issued interpretative guidance related to the Internet, allowing the unmodified and unabridged publication of information authorised by Competent Authorities, such as the Summary of Product Characteristics or the package leaflet, to the general public. There might even be more favourable changes based on a study promoted by the European Parliament on the use of new technologies, such as the Internet, for the marketing and sale of medicines. According to the *Financial Times*, we might see a relaxation of DTC regulation in Europe, first on three diseases with common treatment across Europe: AIDS, asthma and diabetes.

Navigating the complex European e-health supplier landscape

The choice of e-health suppliers offering help to pharmaceutical marketers is overwhelming. Before deciding on the right partners, pharmaceutical marketers must obey a number of ground rules. First, never be led by a suppliers' technology solution, no matter what claims may accompany it. Successful online strategies can be driven only by the needs of the business. Second, recognise that nearly all suppliers are trying to prove their solutions in the market. Where possible, ensure that you enter into shared-risk agreements, maximising your chances of a successful outcome. Third, retain control of your projects, do not pass all responsibilities to the suppliers you engage. Any solution must be actively sponsored, otherwise it will never be adopted internally. Fourth, ensure that all learning points are communicated effectively to all relevant parts of your organisation. Fifth, remember to ensure that performance metrics are defined prior to the deployment of any solution. Finally, don't be scared by new technologies and their suppliers – they will not replace traditional marketing and sales techniques, they will simply serve to enhance them.

Towards a global health service industry

The Internet cannot be isolated from other advances in healthcare and is playing an important enabling role within the changing healthcare environment. Care for the individual is becoming the focal point of the industry owing to the implementation of electronic patient records that contain data on the individual, and advances in (pharmaco)genomics, whereby drugs are tailored to the genetic predisposition of the individual. Pharmaceutical companies will be forced to focus on the customer relationships, and offer a product/service bundle, since they have to target the physician with patient-specific messages. Consumer/patient-centric processes, such as direct marketing and compliance/disease management programmes, will also become important, resulting in a gradual shift of the traditional marketing and sales mix. The synergistic changes of the genomics and Internet revolution will ignite the genesis of a global health service industry. The formation of the new industry will be further accelerated by the next technology wave, such as broadband and next-generation mobiles, improving the ability to provide highly customised and interactive health services to anybody, any time, anywhere. The potentially positive impact on the healthcare system will materialise only if regulation allows for changing roles of healthcare professionals and patients. Because of the strong lead of governments in healthcare, especially in the UK, where the NHS is committed to full implementation of electronic patient records by 2005, Europe might create a distinct advantage by adopting at least country-specific standards. Pharmaceutical players can enter the global health service industry cost-effectively by building services around their own products, which generate incremental product sales. The next step will be an integrated disease service, such as Roche's Integrated Cancer Care Unit. However, it will prove much more difficult to complete the transformation and provide one-stop-shop consumer/patient-centric global health services. Therefore, we might see an acquisition wave when technology adoption accelerates again, and global health services are spotted as the next large multi-trillion euro battleground.