Pharmaceutical Sales and Marketing Trends 2011

Key Insights
The Pharmaceutical Marketing and Sales Survey 2011 reflects the views of more than 150 industry executives

Overview

- The Pharmaceutical Marketing and Sales Survey 2011 was designed to take the “industry temperature” with respect to current challenges, and to understand how industry leaders plan to overcome those challenges in the next several years.

- Booz & Company and National Analysts Worldwide collaborated to gather and analyze online survey results from more than 150 pharmaceutical executives.
  - Respondents currently influence, or have responsibility for, commercial sales and/or marketing resources within their organization.
  - They are experienced, having held their positions for an average of five years: They are VPs (15%), directors (52%), and managers (20%).
  - Most are responsible for a product portfolio (46%) or a specific brand (33%).
  - Their responsibilities are primarily for in-line products (83%); the rest focus on products in late-stage clinical development (Phases II to III).

- All survey participants work in either the United States or one of the big five European Union countries, and they represent a diverse range of pharmaceutical companies.
68% of respondents believe that the current pharmaceutical model is broken and needs significant repair

Q: Many people have raised the idea that the current commercial pharmaceutical model is broken and needs significant repair. To what extent do you agree with this assessment?

*Is the Pharmaceutical Model Broken?*

- % of Respondents -
(n=156)

- Fewer than 10% believe the model **is not** broken
- 68% believe the model **is** broken

Booz & Company

National Analysts Worldwide
Respondents see significant challenges: Growing price pressure, emphasis on cost-effectiveness, and more restrictive market access

Q: Looking ahead, please rate how challenging you believe each of the following industry trends will be over the next two years.

Upcoming Industry Challenges
[Challenges rated significant by >50% of respondents]

- % of Respondents -
  (n=156)

- 76% -
  Growing healthcare system price/budget pressures

- 70% -
  Growing need to demonstrate cost-effectiveness/outcomes

- 69% -
  More restrictive market access

- 60% -
  Increasing generic competition

- 53% -
  Decreasing sales-force access to MDs

- 50% -
  Patient ability to pay

Note: Challenges rated significant (4 or 5) by >50% of respondents; 1–2 = Insignificant challenges; 3 = Neutral; 4–5 = Significant challenges
Many expect sales-force time for their products to decrease

Q: Will the total amount of sales-force time that is allocated to your product(s) change over the next two years?

Projected Change in Sales-Force Time Allocated to Primary Product
- % of Respondents -
(n=156)

- Decrease: 43%
- Increase: 26%
- No Change: 32%

Mean Projected Decrease = 31%
Mean Projected Increase = 58%

Note: Predictably, products slated for increase in SF time have longer mean patent life remaining

Booz & Company National Analysts Worldwide
Many also expect to shift spend from their current focus—community MDs—toward key accounts, payors, and hospitals/GPOs.

Q: How, if at all, do you believe the percent of sales and marketing expenditures allocated to these targets will change over the next two years?

<table>
<thead>
<tr>
<th></th>
<th>Current Mean Expenditure (%)</th>
<th>Projected Expenditure Trends (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community MDs</td>
<td>29%</td>
<td>32% increase, 49% no change, 19% decrease</td>
</tr>
<tr>
<td>Key Accounts</td>
<td>13%</td>
<td>50% increase, 47% decrease</td>
</tr>
<tr>
<td>Key Opinion Leaders</td>
<td>11%</td>
<td>12% decrease, 58% no change, 30% increase</td>
</tr>
<tr>
<td>Other HCPs</td>
<td>10%</td>
<td>10% decrease, 60% no change, 30% increase</td>
</tr>
<tr>
<td>Hospitals/GPOs</td>
<td>9%</td>
<td>5% decrease, 59% no change, 36% increase</td>
</tr>
<tr>
<td>Payors</td>
<td>7%</td>
<td>2% decrease, 51% no change, 47% increase</td>
</tr>
</tbody>
</table>
Those who believe the model is broken plan to disproportionately reduce spending on physicians and increase spending on nontraditional stakeholders.

Q: How, if at all, do you believe the percent of sales and marketing expenditures allocated to these targets will change over the next two years?

**Projected Change in S&M Expenditure Allocation by Marketing Target**

*(Comparison of planned spending between those who are convinced the model is broken and those who are not)*

- % of Respondents -

<table>
<thead>
<tr>
<th>Marketing Target</th>
<th>Respondents not convinced model is broken*¹ (n=50)</th>
<th>Respondents convinced model is broken*² (n=106)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community MDs</td>
<td>Projected Decrease: -35%</td>
<td>Projected Increase: 21%</td>
</tr>
<tr>
<td>Key accounts</td>
<td>Projected Decrease: -4%</td>
<td>Projected Increase: 38%</td>
</tr>
<tr>
<td>Key opinion leaders</td>
<td>Projected Decrease: -12%</td>
<td>Projected Increase: 28%</td>
</tr>
<tr>
<td>Other HCPs</td>
<td>Projected Decrease: -10%</td>
<td>Projected Increase: 26%</td>
</tr>
<tr>
<td>Hospitals/GPOs</td>
<td>Projected Decrease: -5%</td>
<td>Projected Increase: 45%</td>
</tr>
<tr>
<td>Payor</td>
<td>Projected Decrease: -3%</td>
<td>Projected Increase: 56%</td>
</tr>
</tbody>
</table>

1) Population represents those respondents who answered “Strongly Disagree,” “Disagree” or “Neutral” in Q29
2) Population represents those respondents who answered “Strongly Agree” or “Agree” in Q29
More than 50% of respondents expect to rely more on innovative pricing, payor collaboration, pharmacoeconomic studies, and new service models.

Q: How, if at all, do you anticipate that your reliance on the following marketing activities will change over the next two years?

**Projected Change in Marketing Focus**

- **Pricing Strategies**
  - Decrease: 6%
  - No Change: 35%
  - Increase: 59%

- **Innovative Pricing**
  - Decrease: 5%
  - No Change: 36%
  - Increase: 59%

- **Payor Collaborations**
  - Decrease: 6%
  - No Change: 38%
  - Increase: 56%

- **Pharmacoeconomic Studies**
  - Decrease: 8%
  - No Change: 37%
  - Increase: 55%

- **New Service Models**
  - Decrease: 6%
  - No Change: 43%
  - Increase: 51%

- **Direct-to-Consumer Initiatives**
  - Decrease: 9%
  - No Change: 43%
  - Increase: 48%

- **Patient Adherence**
  - Decrease: 6%
  - No Change: 47%
  - Increase: 47%
However, to date less than half of all respondents have engaged with payors on their products prior to Phase III

Q: Still thinking about the product on which you spend most of your time, how far in advance of launch [are/did] you initially [meeting/meet] with payors to discuss unmet needs and evidence required to support reimbursement?

Timing of Payor Engagement
- % of Respondents by Product Responsibility -
(n=156)

Prior to/During Phase II | Between Phase II and Phase III | During Phase IIIa/b | After Phase III
---|---|---|---
21% | 24% | 26% | 29%

Note:
Phase I clinical trials focus on determining the safety of the compound for use in humans
Phase II clinical trials check for efficacy
Phase III clinical trials confirm safety and efficacy in large patient populations. IIIa trials are intended to support registration/regulatory approval. IIIb trials are started prior to approval, but are primarily intended to support publications rather than registration or label changes.
More than 50% of respondents surveyed plan to respond with increased spending on social media, mobile technologies, and e-detailing.

Q: How do you project your budget allocation for the following communications vehicles will change, if at all, over the next two years?

Projected Change in Expenditures for Communication Vehicles

- % of Respondents -
(n=156)

<table>
<thead>
<tr>
<th>Communication Vehicle</th>
<th>Increase</th>
<th>No Change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD-oriented Social Media</td>
<td>34%</td>
<td>58%</td>
<td>8%</td>
</tr>
<tr>
<td>Mobile Technologies</td>
<td>39%</td>
<td>55%</td>
<td>6%</td>
</tr>
<tr>
<td>e-Detailing</td>
<td>40%</td>
<td>52%</td>
<td>8%</td>
</tr>
<tr>
<td>MD-oriented Media Channels</td>
<td>42%</td>
<td>51%</td>
<td>7%</td>
</tr>
<tr>
<td>Search Engine Optimization</td>
<td>46%</td>
<td>49%</td>
<td>5%</td>
</tr>
<tr>
<td>Product/Disease Websites</td>
<td>43%</td>
<td>48%</td>
<td>9%</td>
</tr>
<tr>
<td>Patient-oriented Social Media Platforms</td>
<td>45%</td>
<td>47%</td>
<td>8%</td>
</tr>
<tr>
<td>Video Conference Technologies</td>
<td>46%</td>
<td>45%</td>
<td>9%</td>
</tr>
<tr>
<td>Patient-oriented Media Channels</td>
<td>55%</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>Patient Advocacy Sites</td>
<td>57%</td>
<td>37%</td>
<td>6%</td>
</tr>
<tr>
<td>Telereps</td>
<td>58%</td>
<td>30%</td>
<td>12%</td>
</tr>
<tr>
<td>MD Print/Journal Advertising</td>
<td>42%</td>
<td>19%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Note: Social media, mobile platforms, and e-detailing are all expected to see a boost in spending; even patient-focused social media – uncharted territory – is slated for investment.
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