



# Pharmaceutical Sales & Marketing Technology Trends

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IDC Health Insights

# Pharmaceutical Companies Will Begin to Allot Significant Funds for Social Media Marketing During Late 2010 After the FDA Releases Initial Compliance Guidelines

## Drivers

- Pharma sales and marketing has become increasingly challenging due to strict new regulations around promotional spend compliance
- Many pharmas view social media advertising as the most prominent new marketing technology wave, and are eager to get involved.
- Cloudy regulations surrounding this medium have caused significant controversy and frustration.

## Predictions

- The FDA held hearings to collect information and opinions from stakeholders (manufacturers, wholesalers, industry organizations, social media companies, etc.) to assess all viewpoints and ultimately create new rules.
- A complete set of guidelines will likely take a few years, but we anticipate some partial guidance issued by mid- to late 2010, providing pharmas leeway to begin formally taking advantage of this exploding marketing medium on a much more widespread basis.

# Pharmaceutical IT Spending on Aggregate Promotional Spend Compliance Will Surge as Regulations Place Strict Guidelines on What Is Considered Acceptable Sales and Marketing Practice

## Drivers

- The PhRMA Marketing Code, Physician Payment Sunshine Act, and OIG regulations collectively place strict new guidelines around physician promotional activities.
- State-by-state mandates, which include large fines for non-compliance, add further incentive for life science companies to redefine the way they approach and interact with physicians
- Widespread industry pressure exists to create increased transparency around relationships between physicians and drug companies.

## Predictions

- Demand for IT software and services focused on monitoring aggregate spend compliance will continue to grow at a quick pace.
- Drug companies will shift more marketing focus towards online physician touch points, as face-to-face opportunities decrease.
- Investment in integration services and business intelligence applications will rise significantly.

# Methodology - Sales & Marketing Benchmark Guide

IDC Health Insights' *Life Science Sales & Marketing Benchmark Guide* is an annual research effort that probes end-user opinions throughout the life science value chain on planned IT spending, technology adoption attitudes, perspectives on leading vendors, and other IT-related topics. Data is gathered via a Web-based survey. IDC Health Insights' 2009 survey yielded 151 participants.

## Recruitment

Panelists for this survey were recruited from a number of sources. Their inclusion was based on both the organizations to which they belong and their influence in the IT purchase decision-making process. Sources of recruitment include:

Existing panelists from the last quarter of Health Industry Insights' Leading Indicators in Life Science Survey were used. Special recruitment was done among the end-user relationships of Health Industry Insights. Panelists received incentives for participation. The survey was administered via a Web interface, with unique ID URLs that linked respondents back to their recruitment data. The demographics sections profile the respondents to this survey and their organizations.

Note: All numbers in this document may not be exact due to rounding.

<b>TABLE [1]</b>	
Organizational Demographics	
<i>Q. Which one of the following industries best describes your organization?</i>	
Organization Type	% of Respondents
Pharmaceutical	83
Biotech	17

# Demographics - Sales & Marketing Benchmark Guide

**TABLE [2]**

Respondents by Company Revenue

*Q. What is your organization's approximate annual revenue?*

Company Revenue	% of Respondents
\$0	0.7
\$1-499,999	1.3
\$500,000-999,999	2
\$1.0-4.9M	3.3
\$5.0-9.9M	4.6
\$10-49.9M	4
\$50-99.9M	5.6
\$100-499.9M	10.6
\$500-999.9M	12.6
\$1.0-4.9B	23.6
\$5.0B+	31.7
Note: Answers of "Don't know" are not included	100.0

**TABLE [4]**

Respondents by Level of Responsibility

*Q. At which organizational level do you function?*

Level	% of Respondents
Management responsibilities, director level or above	27.7
Management responsibilities, below director level	48.3
Senior Staff	17.1
Staff	6.9

# Methodology - Sales & Marketing Benchmark Guide

	2009 IT Spend (\$M)	2010 Expected Spend	Expected Growth
<b>Pharma</b>			
Hardware	517.77	542.07	0.047
IT Services	730.49	768.44	0.052
Software	373.90	385.68	0.032
<b>Total</b>	<b>1,622.15</b>	<b>1,696.18</b>	<b>0.046</b>

	Expecting Increase		No Change	Expecting Decrease	
	% of Respondents	Average Increase (%)	% of Respondents	% of Respondents	Average Decrease (%)
\$1-499,999	12.5	13.2	58.7	28.8	16.7
\$500,000-999,999	41.3	9.6	36.7	22.3	13.0
\$1.0-4.9M	61.2	17.5	30.6	8.1	13.5
\$5.0-9.9M	23.5	12.6	60.5	15.9	6.8
\$10.0-49.9M	34.3	18.6	58.2	6.5	21.6
\$50.0-\$99.9M	-	4.7	77.5	22.5	22.3
\$100.0-\$499.9M	23.5	13.5	64.0	12.5	17.7
\$500.0-999.9M	14.9	17.8	79.0	6.0	5.0
\$1.0-4.9B	42.1	8.7	34.5	23.4	10.1
\$5.0B+	17.8	21.6	50.7	31.5	11.0

Note: Responses of "don't know" are not included.

Source: Health Industry Insights' 3Q09 Leading Indicators in Life Science IT Spending Survey

## Importance of IT Solutions to Sales and Marketing Success

2008

Importance of IT Solutions to Sales & Marketing Success

Q. How important is each of the following technologies to your sales & marketing success? Please rank on a scale of 1 to 10, 1 being not important and 10 being extremely important.

IT Solution	Importance Level
Data Integration	6.96
Analytics / Business Intelligence	6.77
Customer Relationship Management (CRM)	6.42
Data Management	6.39
Predictive Modeling	6.32
Knowledge Management	6.25
Brand Management	6.23
Incentive Compensation Management	6.06
Sales Force Automation (SFA)	6.03
Sample Management	5.97
Database/Application Consolidation/Rationalization	5.92
Mobility/PDA/Wi-Fi/SmartPhone	5.85
ELearning & Training Effectiveness	5.6
Call Center	5.58
Customer Lifetime Value Analysis	5.55
Physician Profile Management	5.35
Edetailing	5.27
CDI/Master Data Management	5.23
Feedback Management	5.06
Route Planning	4.81
Social Network Marketing (Web 2.0)	4.69
Affiliations Management	4.46

2009

Importance of IT Solutions to Sales & Marketing Success

Q. How important is each of the following technologies to your sales & marketing success? Please rank on a scale of 1 to 10, 1 being not important and 10 being extremely important.

IT Solution	Importance Level
Data Integration	6.88
Sales Force Automation (SFA)	6.27
Route Planning	6.08
Analytics/Business Intelligence	5.89
Affiliations Management	5.63
Mobility/PDA/Wi-Fi/SmartPhone	5.18
Sample Management	4.60
Database/Application Consolidation/Rationalization	4.56
Brand Management	4.54
Closed-Loop Marketing	4.54
Knowledge Management	4.09
Edetailing	4.09
Predictive Modeling	4.02
Call Center	3.89
Physician Profile Management	3.89
ELearning & Training Effectiveness	3.83
Data Management	3.76
CDI/Master Data Management	3.64
Incentive Compensation Management	3.44
Customer Lifetime Value Analysis	3.44
Customer Relationship Management (CRM)	3.39
Feedback Management	3.31
Customer Segmentation Management	3.25
Social Network Marketing (Web 2.0)	3.25

- Data integration remains #1 priority, BI/analytics high priority

- SFA importance rises significantly

- Route planning, mobility, affiliations management, sample management all driving value

- Social media not yet delivering

## Planned IT Spending by IT Solution

IT Solution	% Planning To Increase Spend	Avg. Increase Expected	% Planning To Decrease Spend	Avg. Decrease Expected	% Expecting No Change in Spending
Social Network Marketing (Web 2.0)	27.9	10.5	3.7	5.1	68.4
Physician Profile Management	26.5	8.9	3.3	9.7	70.2
Sample Management	21.1	11.9	4.6	7.8	74.3
Customer Relationship Management (CRM)	20	4.6	11.6	8.8	68.4
Brand Management	19.5	6.7	10.8	6.7	69.7
Edetailing	16.9	7.5	9.6	7.5	73.5
Analytics / Business Intelligence	16.7	8.7	8	4.5	75.3
Sales Force Automation (SFA)	16.7	11.4	5.9	5.2	77.4
Data Management	15.9	4.2	12.9	6.5	71.2
Incentive Compensation Management	15.8	3.4	11.8	5	72.4
Mobility/PDA/Wi-Fi/SmartPhone	13.7	6.5	12.9	6.5	73.4
Call Center	12.4	3.5	5.3	4.5	82.3
Route Planning	10.5	7.8	7.2	7	82.3
Data Integration	10	7	10	6.5	80
Feedback Management	8.5	5.6	3.6	9.8	87.9
Database/Application Consolidation/Rationalization	5.7	4.4	19.3	2.6	75
Predictive Modeling	5.3	8.7	14.5	5	80.2
ELearning & Training Effectiveness	5.3	2.5	15.8	6.8	78.9
Affiliations Management	5.3	7.6	9.1	4.5	85.6
CDI/Master Data Management	5.3	5.4	18.5	8.5	76.2
Knowledge Management	2.7	7.1	12.8	7	84.5
Customer Lifetime Value Analysis	0	2.4	10	5.5	90
n = 149					
Notes: Responses of "don't know" are not included					
Source: Health Industry Insights' 3Q09 Leading Indicators in Life Science IT Spending Survey					

## Planned Source of IT Solutions Purchase (% of Respondents)

Q. Where are you planning to purchase/source each technology from?

IT Solution	ERP Vendor	Best of Breed Vendor	Custom In-House Build	Mass Customization	Desktop Applications (e.g. Excel)
Affiliations Management	23.4	32.5	24.3	4.5	15.3
Analytics / Business Intelligence	15.6	35.6	32.3	8.1	8.4
Brand Management	12.5	31.4	41.5	3.2	11.4
Call Center	38.7	42.5	12.5	0	6.3
CDI/Master Data Management	34.5	31.4	31.6	0	2.5
Customer Lifetime Value Analysis	8.5	46.3	39.8	0	5.4
Customer Relationship Management	42.3	32.5	5.6	6.5	13.1
Data Integration	1.5	31.1	48.6	8.3	10.5
Data Management	15.6	24.5	42.2	0	17.7
Database/Application Consolidation	12.5	25.6	50	0	11.9
Edetailing	16.7	49.5	17.6	12.7	3.5
ELearning & Training Effectiveness	8.7	54.7	36.6	0	0
Feedback Management	19.5	43.7	20.5	4	12.3
Incentive Compensation Management	23.5	38.7	16.7	2.5	18.6
Knowledge Management	23.5	46.7	12.5	5	12.3
Mobility/PDA/Wi-Fi/SmartPhone	42.3	52.7	5	0	0
Physician Profile Management	23.4	32.5	24.3	4.5	15.3
Predictive Modeling	27.6	46.7	18.7	4.4	2.6
Route Planning	24.6	26.7	26.7	7	15
Sales Force Automation (SFA)	47	27.8	14.5	4.5	6.2
Sample Management	26.7	38.9	23.2	4.5	6.7
Social Network Marketing (WOM)	5.6	35.7	58.7	0	0
n = 148					
Notes: Responses of "don't know" and "not planning to purchase" are not included					
Source: Health Industry Insights' 3Q09 Leading Indicators in Life Science IT Spending Survey					

## Expected % of Sales and Marketing Projects Funded by Line of Business and Traditional IT - by Company Size (Mean %)

	Business Funded	IT Funded
\$1-499,999	53.00	47.00
\$500,000-999,999	63.75	36.25
\$1.0-4.9M	60.88	39.12
\$5.0-9.9M	71.67	28.33
\$10.0-49.9M	42.31	57.69
\$50.0-\$99.9M	43.29	56.71
\$100.0-\$499.9M	48.89	51.11
\$500.0-999.9M	64.75	35.25
\$1.0-4.9B	56.35	43.65
\$5.0B+	61.58	38.42
n = 146		
Source: Health Industry Insights' 3Q09 Leading Indicators in Life Science IT Spending Survey		

# Key Takeaways

- Data integration is the #1 value-adding activity
- Aggregate spend compliance is #1 fear
- Traditional model for physician sales/marketing is changing
- Social media contains large promise for the future
- Most IT spend revolves around improving analytics & business intelligence capabilities

# Questions?

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