Contents

Editorial
Wood for the Trees
BD Smith 209

Original articles
Content analysis of efficacy descriptions on branded pharmaceutical websites
JJ Davis 211

A segmentation approach to patient health intervention
M Sanky, PD Berger and BD Weinberg 221

Generating growth through patient-centered commercial strategies
SK Rao 229

Impact of pharmaceutical promotion on healthcare professional’s practices and behaviour: Views from general practitioners, medicine dispensers and medical representatives in Yemen
AY Al-Hamdi, MAA Hassali and MIM Ibrahim 240

Presumed influence of endorser and fear appeal in DTC prescription drug advertising: Are they overpowering consumers’ judgments?
H Kim and C Lee 247

Excellence in market access strategy: A research-based definition and diagnostic tool
BD Smith 259

ResearchWatch
BD Smith 267

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Wood for the Trees

For all the complexity of our industry, a few salient features stand out as those that will shape its future. With some difficulty, we can discern the wood from the trees (I believe the phrase is forest from the trees in the US!). In so doing, we clarify and prioritise the important issues that we need to understand if we are to survive and thrive in the future, quite different commercial environment that the pharmaceutical and medical technology industries might present to us. When we select paper for the Journal of Medical Marketing, we try to pay special attention to those important market factors that will frame our market and, in this issue, we present a selection of new research that I hope is important and timely.

Let me begin with Hyojin Kim and Chunsik Lee’s paper about DTC advertising. Few would doubt that, as the willingness and ability of healthcare systems to pay retracts, relative to what is technologically possible, the role of the consumer will become relatively more important. It’s therefore important to understand how they react to advertising. Just as importantly, the industry’s critics will inevitably claim that medical marketing is not always in the best interests of the patient or society and it is important that this argument is based on research and reason rather than emotion. So this paper is very useful to medical marketers and policy makers alike. It looks at the risk that fear appeals or endorsements might overpower patients’ or consumers’. Its findings do not substantiate this risk but provide a very useful guide to those who seek to design or control Direct to Consumer advertising.

In many of the companies I research with and advise, the idea of being patient centric has become a mantra, if not always one substantiated by patient centric activity and values. Sanjay K Rao’s paper takes the idea of patient centricity into the realm of commercial strategy with some very interesting ideas. His paper discusses how patient centricity might drive new growth strategies and is richly interested with some apposite examples. The paper makes strong claims, almost suggesting that patient centricity is the answer to the industry’s problems. Certainly, for any firm claiming to be patient centric, Sanjay’s paper is at least a challenge and, for many, will be a strong stimulus for strategic change.

Our next paper discusses medical marketing in an emerging market that is small – the Yemen – but which is a useful analogue for many emerging markets. To succeed in such markets, we will need to understand more about how the behaviour of healthcare professionals is influenced and to avoid the mistake of referencing against our home markets. In this paper, Adnan Yahya Al-Hamdi and his colleagues probe into a market and set of marketing practices that are very different for those in the rich-world economies, bordering on the unethical in many cases. I think this is an important paper, providing not only evidence that some parts of the industry need to change but also providing guidance as to what form that change should take. I commend this paper for marketers operating in emerging markets.

Our next paper comes from an author we have seen before in the journal – Joel Davis. It will be of great interest to medical marketers trying to ensure compliance with FDA and other regulations on websites and promotional material. Joel has carried out an extensive and intensive study of the way that websites present a balanced view of risks and benefits. His findings, that less than 5% of sites provide complete, specific, and numeric description of drug efficacy while nearly 80% describe drug efficacy exclusively in vague and general terms, is something of an indictment of the industry. It should be an alarm call to both medical marketers and the regulators.

Our fifth paper, by Michael Sanky and his colleagues, in some ways echoes our second, in that it concerns patients’ role in strategy and patient segmentation in particular. However, it takes the complementary perspective of improving care provision, especially with respect to reducing patient re-admission. This work is an interesting example of what the famous Donald Schon called the displacement of concepts because it transfers ideas from the marketing domain in order to better identify and manage patients at high risk of readmission. This is a lovely piece of work that I was delighted to see submitted. Its ideas and concepts have a very wide application.

Our final paper is one of those that had to go through an especially blinded process beyond our normal double-blind peer review. That is because it
is one of my own papers and I was not allowed to select or know who the reviewers were. However immodestly, I hope it is valuable. Since it addresses market access, it is certainly relevant to both pharmaceutical and medical technology sectors. As one of the reviewers pointed out, it is, to the best of our knowledge, the first attempt to rigorously define what we mean by market access strategy and to identify what differentiates strong and weak strategies. I hope therefore that it, and the other papers in this issue, will attract interest from our readers.

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This issue’s review of recently published papers relevant to pharmaceutical and medical technology markets is especially diverse and rich.

We start with a long term historical perspective of one way in which the pharmaceutical industry has shaped society (1). Here, the author argues that marketing decisions, rather than scientific innovations, have guided the development and positioning of contraceptive products in recent years. She reviews what she calls the stalled progress in contraceptive development in the decades following the advent of the Pill in 1960 and then examines the fine-tuning of the market for oral contraceptives in the 1990s and 2000s. She takes a US perspective, where she sees birth control as having been pitched as an individual solution, rather than a public health strategy, and the purpose of oral contraceptives was understood by manufacturers, physicians, and consumers to be the prevention of pregnancy, a basic health care need for women. In the author’s view, since 1990 drug industry’s view of the contraception business has shifted and this has been brought about by two factors: first, the industry’s move away from research and development in birth control and second, the growth of the class of medications known as lifestyle drugs. This is a challenging paper and will interest anyone who cares about the relationship between society and the pharmaceutical industry.

Our second paper also looks at the pharmaceutical industry’s connection to society, albeit from a different, regulatory perspective (2). This paper investigates how regulation impinged on the launch strategies of international pharmaceutical corporations for new molecules across the main OECD markets between 1960 and 2008. Comprehensive data sets are used to analyze the international diffusion of 845 molecules from 14 different therapeutic categories. The paper focuses on two main regulatory changes that substantially reshaped the barriers to entry: the U.S. Hatch-Waxman Act in 1984, and the establishment of the European Medicines Agency (EMA) in 1995. The authors find that legal transaction costs have a significant impact on timing of launch. For example, stringent market authorization requirements for new pharmaceutical products in the United States after 1962 resulted in a significant U.S. drug lag in the introduction of pharmaceutical innovation vis-à-vis Europe from 1960 to 1984. However, this was countered by financial incentives stemming from the 1984 Hatch-Waxman Act proved effective in closing this lag. Further, they find that a more streamlined EMA regulatory approval process reduced barriers to entry in Europe, thereby enabling quicker diffusion of pharmaceutical products but a marked pattern of delay in the adoption of innovation is still evident due to local differences in pricing regulations. Finally, they observe that any new molecule launch takes place first in higher-priced European Union (EU) markets as a result of the threat of arbitrage and price dependency across EU Member States. For anyone with an interest in the global strategies of pharmaceutical companies, this is a fascinating paper.

Staying with pharmaceutical strategies, our third paper (3) looks at the way research-based companies defend against generics. This research provides an empirical comparison of the results of three brands’ marketing defence strategies used in advance of generic brands entering the market. It uses a data set containing 243 weeks of scanned sales for 21 generic brands to assess the effectiveness of each brand’s defence strategies in deterring entry and limiting the market share of these generic brands. The authors find that several marketing mix components were effective in limiting the impact of generic brands but what was critical to each component’s success was ensuring that they were implemented before the launch of the generic brands. As the authors point out, this research has the limitation of being confined to a category of pharmaceutical allergy brands, which may limit generalisation of the findings. But even so it has two implications for managers. First, it will encourage managers to move from implementing strategies in reaction to a competitor launch to implementing strategies in advance of their entry. Second, it provides insights into the effectiveness of several strategic options for brands facing the entry of generic brands. For anyone facing generic competition, this is a great paper.

Moving to medical devices and technology, our fourth paper considers the issue of coverage (4). This quantitative analysis of real-world coverage decision-making offers insights into the revealed preferences of appraisal committees. The aim of this review paper was to structure empirical evidence of coverage
decisions. It uses data from several electronic databases, key journals and decision committees. Each study was then categorized by the scope of decision-making. In total, thirty-two studies and seventy-two variables were identified. The authors conclude that research was dominated by analysis of decision outcomes and appraisal criteria and that, although common approaches were identified, the complexity of coverage decision-making will continue to challenge empirical research and medical technology companies. This paper is an essential read for anyone involved in medical technology market access.

Staying with market access, our fifth paper considers payment and delivery systems in medtech. The authors point out that, for decades, medical device and specialty drug makers have produced a steady stream of breakthroughs and incremental improvements, from cancer therapies to orthopaedic joint replacements, drug-eluting stents, and cardiac pacemakers. In their view, these advances were financed by a fragmented health care system that paid for whichever clinical technologies were favoured by physicians without strong concern for cost but now hospitals, health systems, insurers, and policy makers are embracing payment reforms that seek to control costs and foster uniformity in the adoption of new drugs and devices. This article explores payment reforms that will have an impact on the medical technology industry and describes opportunities for the industry to flourish in this new, more financially constrained landscape. Again, this is an important paper for medtech market access people.

Our sixth paper offers a complementary view to our fifth. It considers the effect of insurance expansion on the diffusion of new technologies, not currently a well-understood phenomenon. The authors’ view is that an expansion of insurance coverage may provide a motivation for R&D investment in medical technologies and that, although risk pooling through insurance gives rise to greater affordability for existing treatments and becomes a volume driver of new treatments, it may also influence provider reimbursement through a monopsony purchaser effect and related cost control measures. However, the impact that insurance has on technology availability and R&D investment, and more generally on the adoption of new technologies, remains an unexplored empirical question. This paper presents evidence of a link between insurance and technology diffusion using OECD panel data and taking advantage of a dynamic specification structure. Our empirical estimates indicate that higher degrees of private expenditure on health care correlate with higher levels of R&D in health care. This is consistent with the hypothesis forwarded by Weisbrod that increasing insurance coverage boosts technology adoption. However, the findings also suggest that increasing public funding of health care appears to lower technological adoption, which is, of course, consistent with the exercising of monopsony power and an objective of cost containment. Along with the preceding two papers, this provides thought-provoking research for innovative and generic companies alike.

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