

Turning Data into Information

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Four Things You Should Know

- Deloitte's latest research suggests returns on pharmaceutical R&D are down to 4.2%
- According to Tufts it now costs \$2.6bn to develop and gain marketing approval for a new drug.
- According to Advertising Age 60% of digital marketing is wasted.
- Only 5 of the Top 10 Pharmas have outperformed the S&P 500 over the last 15 years. (> + 59% since Jan 2001)



Some Questions That Arise

- What is in the numerator for the ROI calculation?
- If digital marketing can be wasted how about the traditional stuff?
- How can you conclude whether digital marketing works if you haven't calculated the impact of each component of your promotional spend?
- Why is Big Pharma not addressing their ROI numerator?

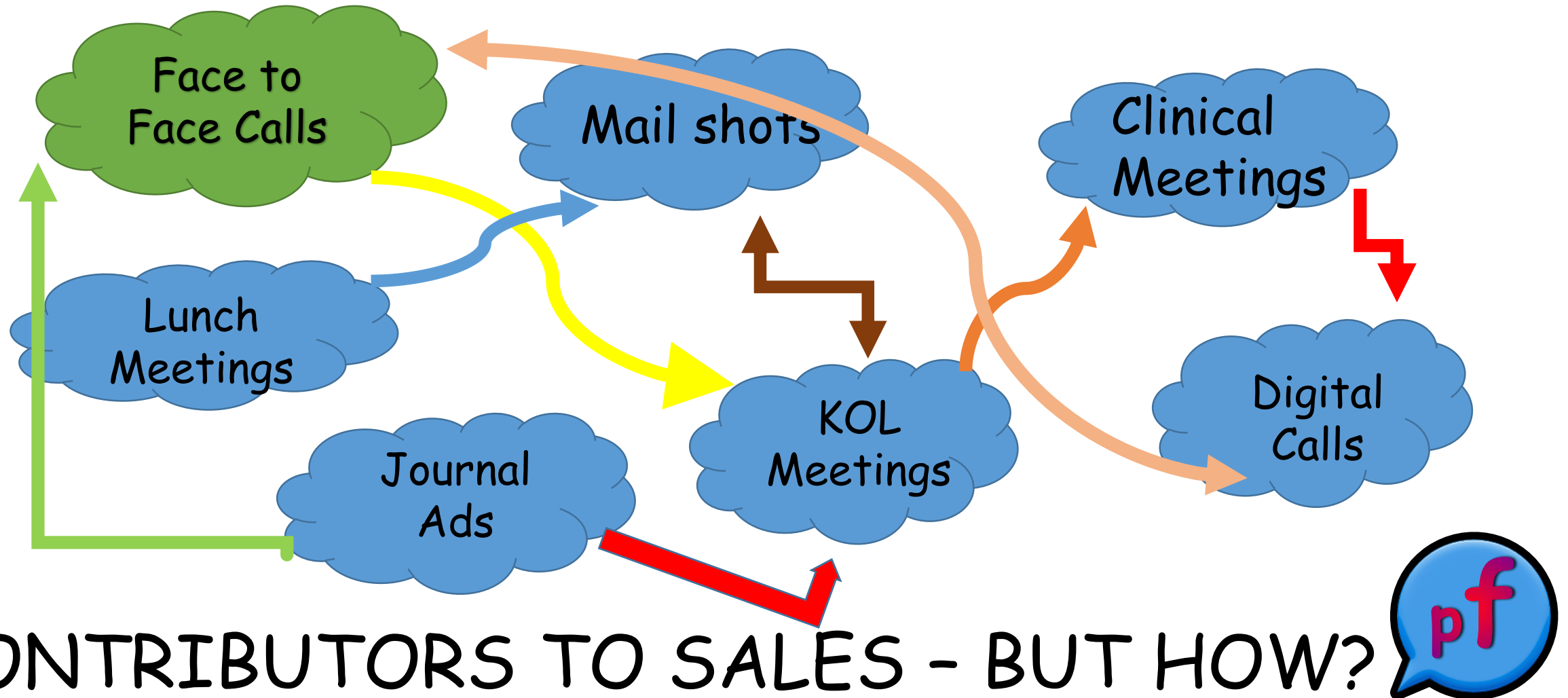


Discussion Points

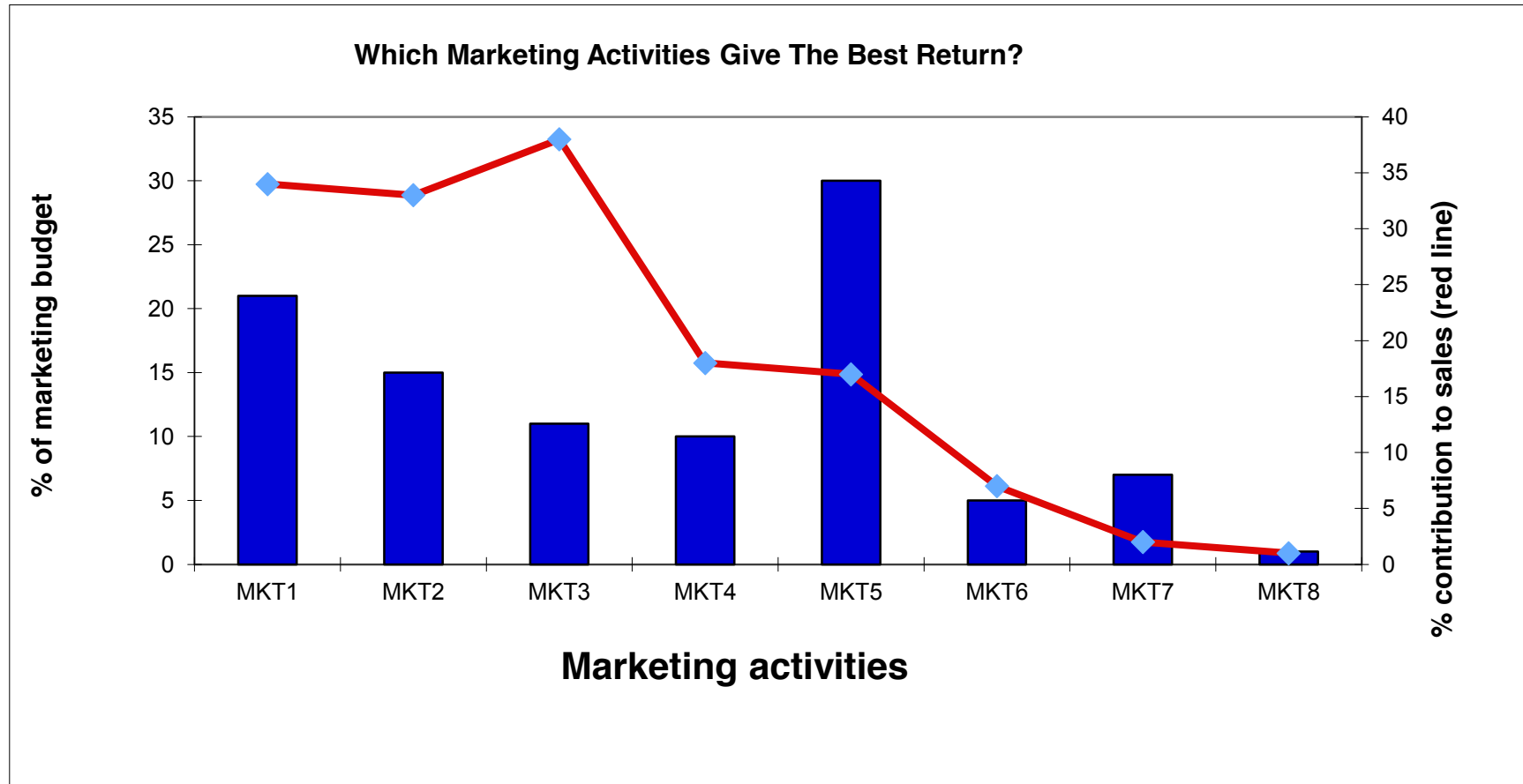
- Can we explain how we believe our marketing strategy works, in terms of conveying our message to the right customers at the right time and reinforcing it with the right frequency?
- How do we know whether each component of our strategy has a positive and quantifiable impact on sales? (Would you know if a component had a negative effect on sales but was disguised by the positive impacts of other components?)
- What is the financial impact of accurate and robust ROI analysis?
- How can you boost sales, cut wastage and beat top-down budget targets without losing employee morale?



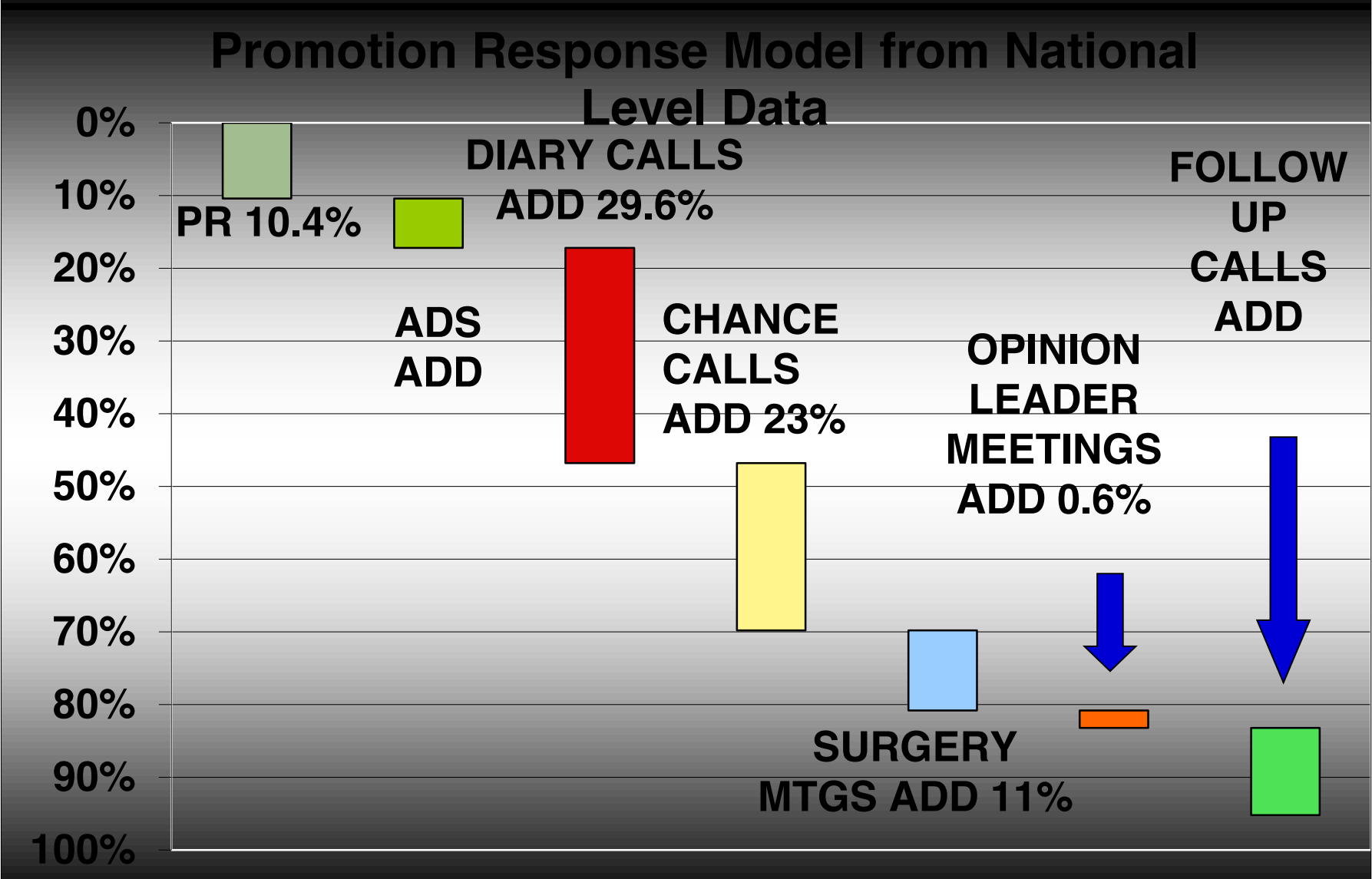
Can We Explain How Our Marketing Strategy Works?



Start by Analysing the Contribution of Promotional Inputs to Sales Outputs

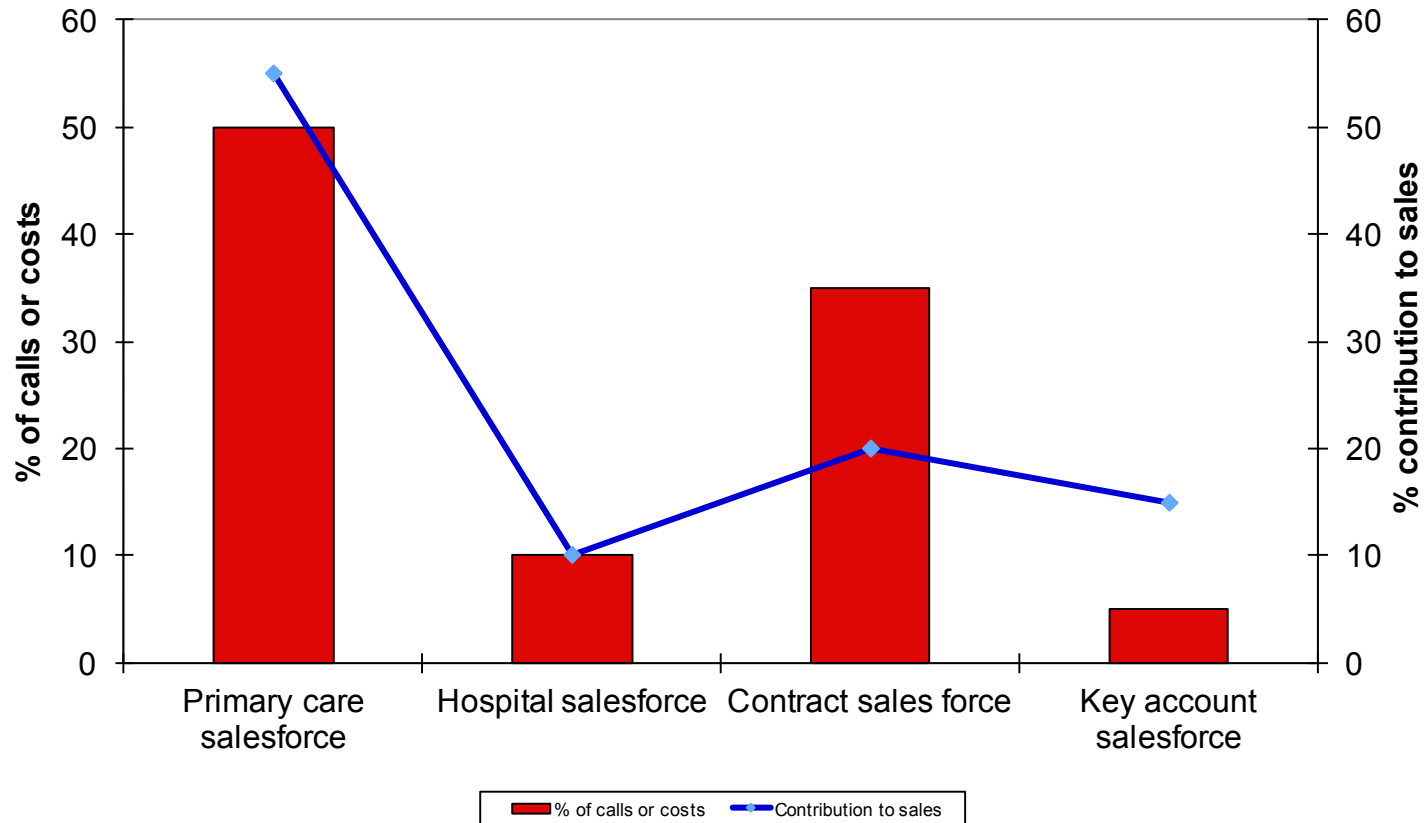


Tease out Overlapping and Combination Effects at a National Level

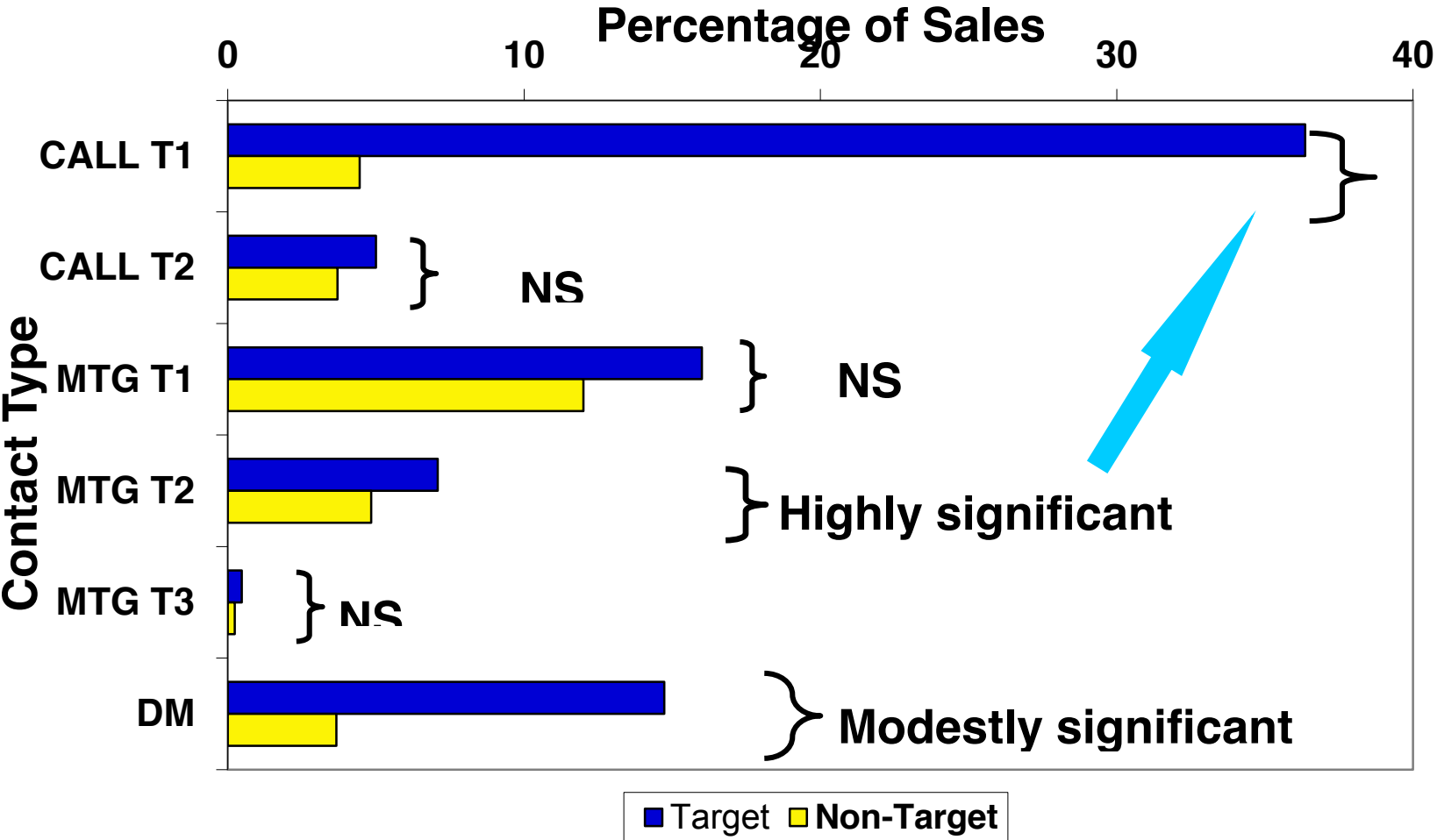


Identify which Field Force is the Most Effective?

% contribution of calls and sales by salesforce

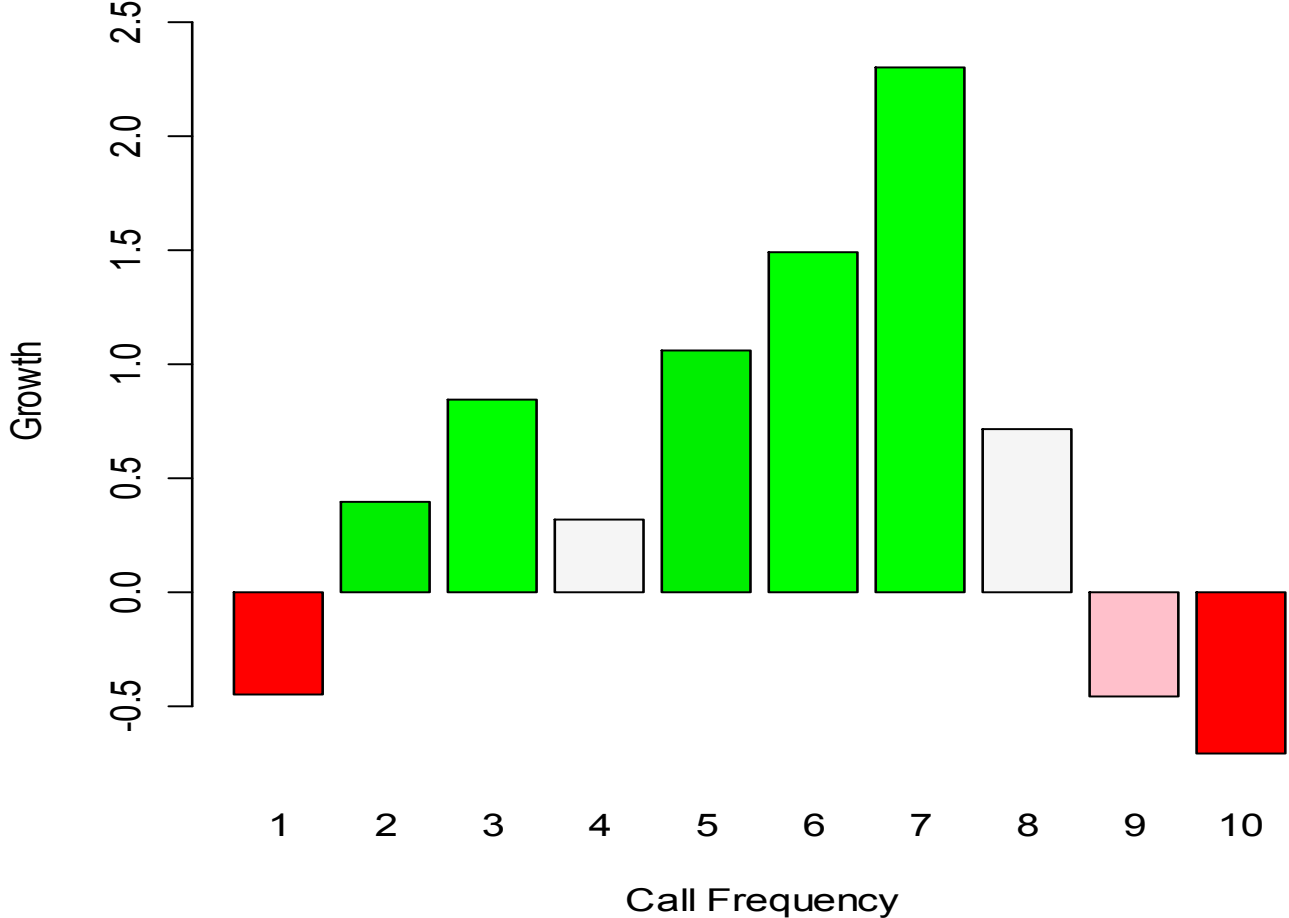


Determine which Contact-types Works Best for Which Target



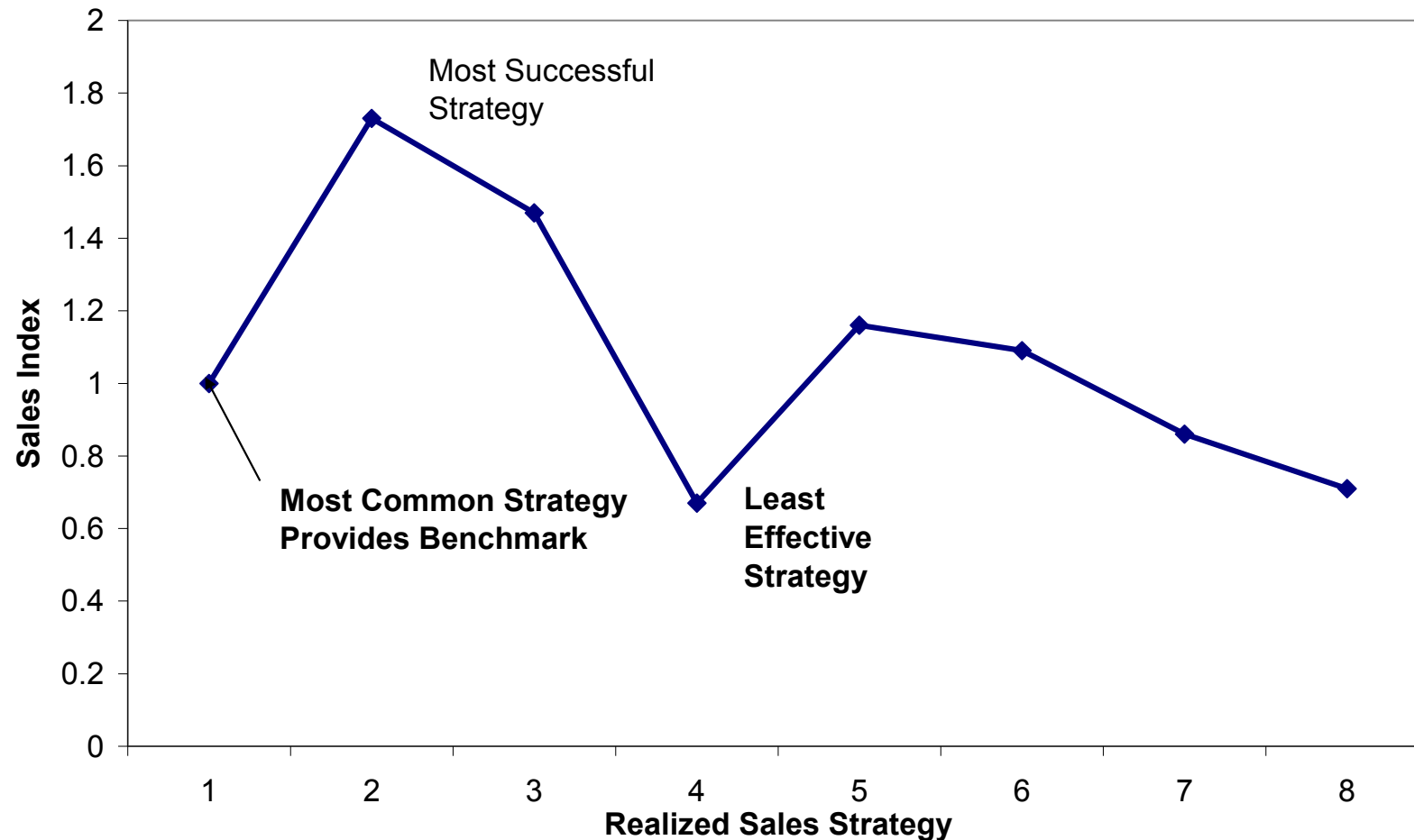
Find the Effective Call Frequency Corridor

Effective Detailing Frequency 2010



Identify Successful Patterns of Behaviour (Strategies) within Each Salesforce

Choice of Field Force Strategy Greatly Influences Results



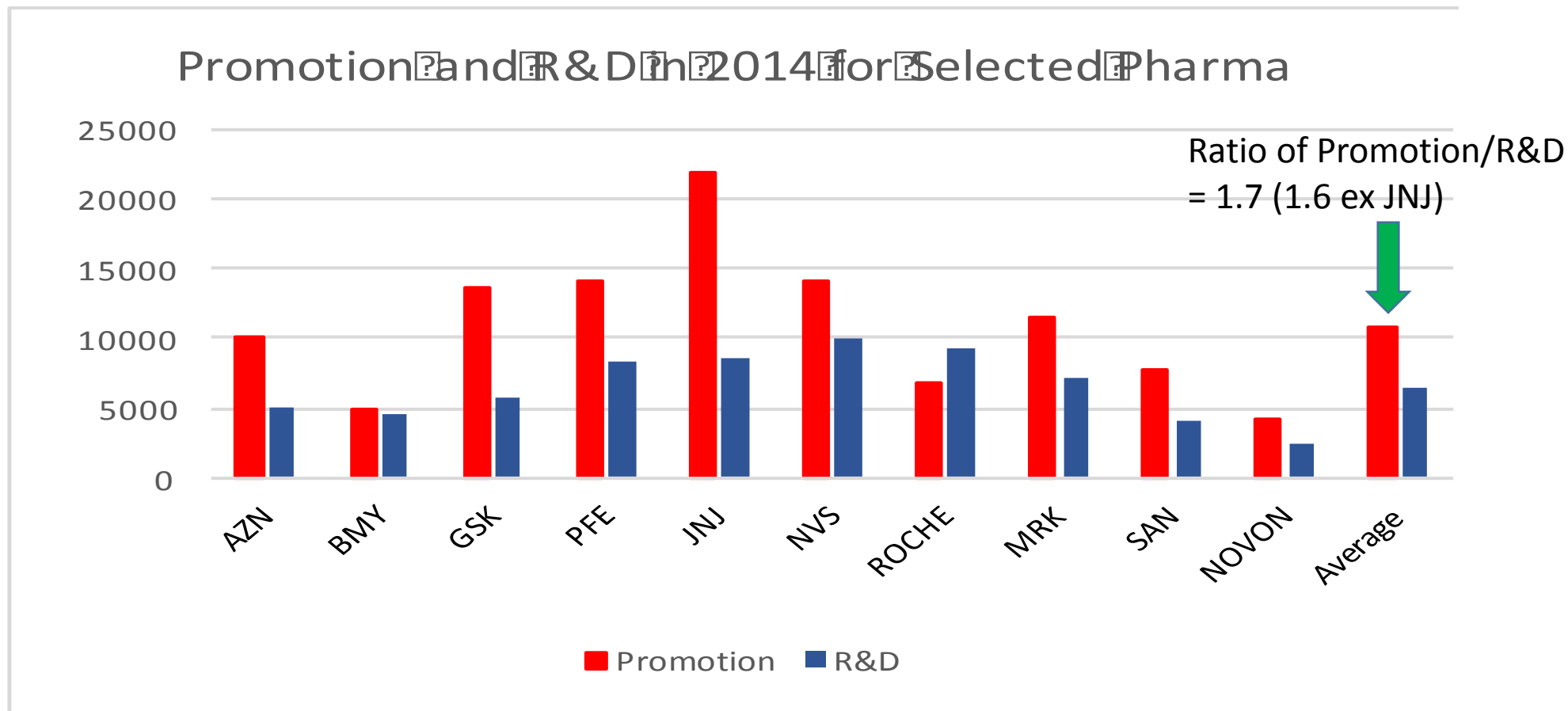
What are the Financial Implications of Robust and Accurate ROI Analysis of Promotional Spend?

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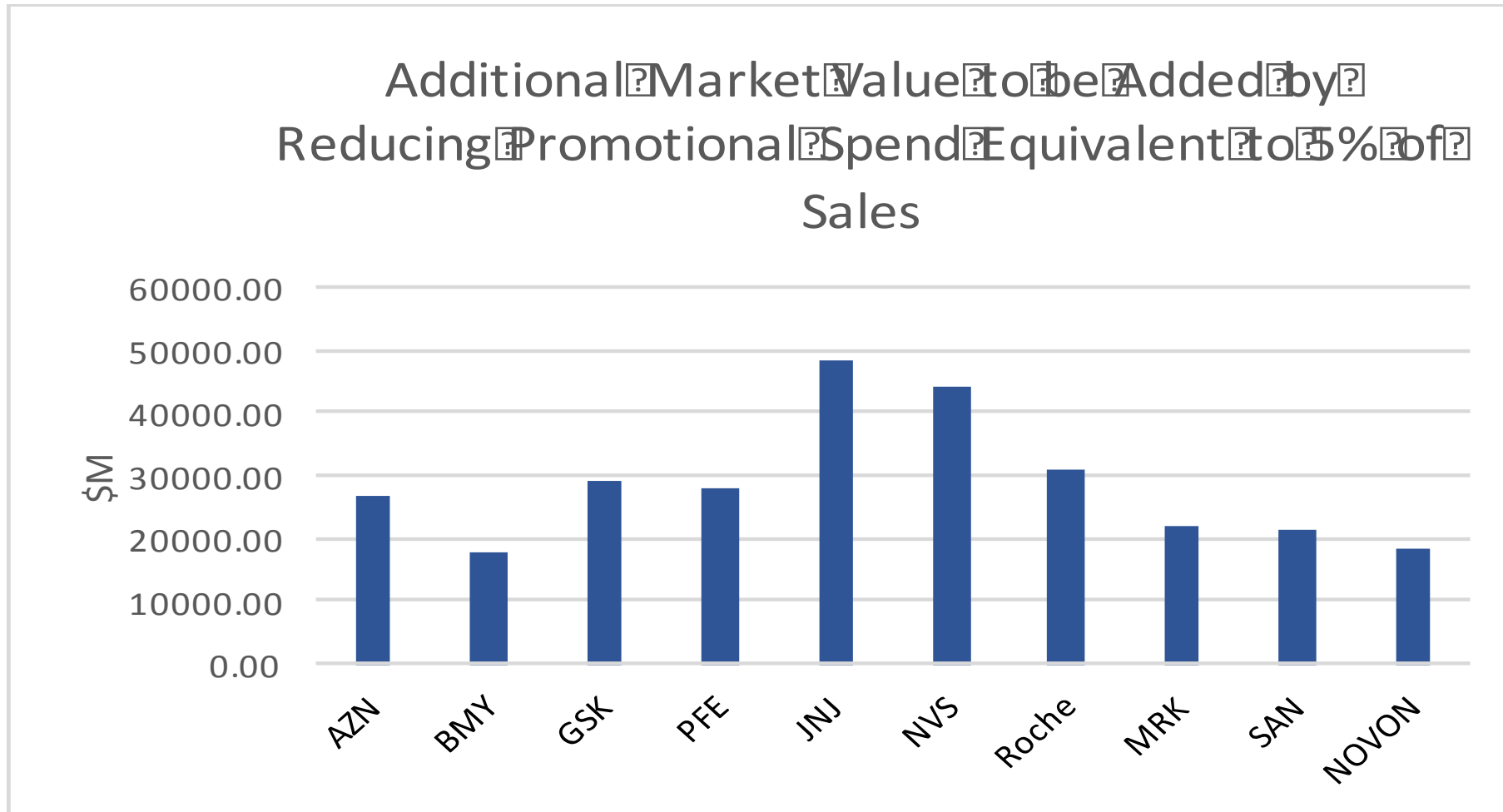
Promotional Spend Mostly Exceeds R&D Spend



NB. Some values relate to corporation rather than Rx Division but are consistent within a company. Also some Promotion values are SG&A and have general expenses included. Some values have been adjusted to exclude restructuring and acquisition costs.



A Small Saving Could Boost Market Cap by 15-30% Because of the PE Multiplier



Key points of difference: tax rates and PE multiples (2015)



2015 PE multiples for Selected Pharmacos

Bristol Myers Squ.	36.6
Novo Nordisk A/S	30.3
AstraZeneca	27.3
GlaxoSmithKline plc	20.5
Roche	20.4
Bayer	17.9
Novartis	17.7
Johnson & Johnson	16.5
Pfizer	15.4
Merck	15.4
Sanofi	14.3



Key Questions for Main Board Directors

- Do you know how your largest single cost driver is being spent?
- Is it being allocated rationally, using peer-reviewed leading edge statistical methodologies?
- Can your Commercial Director put his hand on heart and say "I understand how our marketing strategy works and can quantify the sales impact of each of my main activities?"

If you can say yes to each question the underperformance of Big Pharma will reverse

