Overview

Marketing continues to be an important part of the business equation for Australia’s pharmaceutical and healthcare industry, with the majority of companies looking to increase both the amount of marketing they conduct in 2015/16 and the amount they spend on their marketing. This Pharma in Focus White Paper looks at which industry sectors are increasing spend, where this spend is being directed, and which industry sectors and service areas should gear up for a drop in spending in the next 12 months.

Essential reading for anyone working in marketing, corporate affairs or human resources in the pharmaceutical and healthcare sectors, this White Paper also provides valuable insights for agencies providing external marketing services to the pharmaceutical and healthcare industry.

Part 1
Company marketing

Activity

More than half of survey respondents indicated their marketing activity increased in 2014/15 and 65 per cent expected it would rise again in 2015/16, yet there was a distinct downturn in the level to which activity would increase. In the previous financial year, 35 per cent of respondents experienced an increase of more than 15 per cent in their marketing activity while in the current financial year, this is predicted to fall to 23 per cent with 42 per cent tipping a smaller increase. The proportion of respondents expecting stable activity fell from 35 to 19 per cent.
Smaller companies experienced a greater increase in their company marketing activity than larger companies. Amongst big pharma, 29 per cent experienced a slide in their marketing activity last year and anticipate another fall this year, with branded pharmaceuticals and generics faring only slightly better than OTC companies.

Expenditure

When it came to marketing expenditure, 42 per cent of respondents reported a rise in their marketing expenditure in 2014/15 in comparison with the previous year while 58 per cent reported they had budgeted for another increase in 2015/16. However, companies planning to boost their marketing expenditure were predominantly looking at modest rises of less than 15 per cent.

As with marketing activity, there was movement amongst companies from having stable marketing budgets in 2014/15 towards cutting their marketing spend in 2015/16. While only 15 per cent reported cutting marketing budgets in the 2014/15 financial year, 35 per cent intended to cut marketing spend in the current financial year.

Branded pharmaceutical companies are likely to see the biggest shift in marketing dollars this year. While half reported stable budgets in 2014/15, 57 per cent were moving to increase their marketing budgets in 2015/16 while the remaining 43 per cent were moving to cut budgets. Yet a breakdown of the sector found it was predominantly small prescription companies who were looking to increase their marketing spend; again big pharma was looking to cut costs in this area.

Budgetary areas

While traditional areas of marketing such as data purchasing and sales force effectiveness attract a steady spend with most companies investing consistently in these areas, more and more companies are diverting spend from areas such as printed collateral and, to a lesser extent advertising, and into growth areas such as digital collateral and website development.
The shift in focus for marketing towards digital tools and an online presence is evident in that the proportion of companies increasing spend on social media doubled between 2014/15 and 2015/16, indicative of the growing need for companies of all sizes to build their online profile and to engage in two-way dialogue with consumers.

**Advertising**

Overall, the pharma/healthcare industry is looking to reduce spend on advertising in the coming year, although this will be partly balanced by companies which did not spend on advertising in 2014/15 choosing to do so in 2015/16. Growth in the sector is likely to come from the small to medium sized company sector, especially those focused on branded pharmaceuticals and OTC/consumer products.

Yet with the proportion of companies choosing to cut advertising spend rising by nine percentage points, the overall impact on pharma advertising will be negative in 2015/16. Cuts in advertising spend are most likely to come from generic sector and from the remaining branded pharmacos who are not increasing spend.

**Printed collateral/detail aids**

With more companies moving towards online and mobile applications for their marketing material, it is no surprise that investment in printed collateral is on the decline. While 31 per cent of companies cut spend in this area last financial year, 44 per cent plan to cut spend on printed collateral in the coming year.

The upside for print suppliers is that almost every company continues to invest in printed collateral and detail aids, even though almost half are looking to cut that spend in the next 12 months. And with more than half the market either stable or increasing spend in this area, it is not yet time to ring the death knell for this segment of pharma and healthcare marketing.

Printed collateral and detail aids were found to be particularly important for small companies, with 67 per cent increasing spend in this area in the past financial year. In contrast, 63 per cent of large companies are looking to cut spend in this area in 2015/16.
Digital collateral/ detail aids

Budget dollars being diverted from printed collateral are being rerouted to digital collateral across the pharmaceutical and healthcare industries in Australia, with every company planning to spend on digital collateral and aids in 2015/16 and two in three companies budgeting for increased expenditure in this area.

While 44 per cent of companies were cutting spending in printed collateral, only 4 per cent of companies are cutting spending on their digital collateral. This increase was most evident in the healthcare sectors of OTC/consumer products and pharmacy, where all companies were moving to increase spend in this area.

**Sales force effectiveness/CRM**

Sales force effectiveness is another area which every company invests marketing dollars into, with investment growing overall in 2014/15. Almost 40 per cent of companies reported a growth in spend on SFE/CRM and the remaining companies reported keeping their spend stable. However, the forecast for the
next 12 months is not as positive for those working in SFE/CRM – only 29 per cent of companies plan to increase spend in this area, and 17 per cent plan to reduce their spend.

The movement in intended spend is split between a handful of large and small pharmaceutical companies planning to cut spending on SFE/CRM in the next 12 months, although the majority of pharma companies that reported spending in this area in 2014/15 will be doing so again in 2015/16. OTC companies were the most likely to increase spend on SFE/CRM.

**Consumer research/insights**

While more companies are planning to invest in consumer research in 2015/16 than did so in the previous 12 months, many companies already spending on research are planning to either level out their spending or even cut costs in this area in the current financial year.
Almost one in two companies increased spend on consumer research in 2014/15, and 40 per cent are planning to increase spend on consumer research in 2015/16. Growth is coming largely from the medium sized company sector, with 80 per cent looking to boost their consumer research spend.

**Website**

Along with digital collateral, marketing investment in company websites is one of the fastest growing areas of pharmaceutical and healthcare marketing expenditure. Two in three companies are planning to up spend in this area in 2015/16; almost half of all companies increased their website spend in 2014/15.

Not one company surveyed indicated they had not budgeted to invest in their websites in the 2015/16 financial year, with none planning to cut spending either. Given 30 per cent of surveyed companies had either not invested in website development or cut spending in the 2014/15 financial year, the move towards website investment is indicative of the importance of a strong online profile for all health sector companies, both large and small.

The increase in spend was clearly coming from the small company sector where 73 per cent of companies were planning to spend more on their website in the coming financial year compared with just 25 per cent upping their spend in the last 12 months. Large companies were moving to stabilise their website spend in 2015/16.

**Social media**

While not growing as quickly as website development and digital collateral, the proportion of companies investing in social media will increase from 38 per cent in 2014/15 to 64 per cent in 2015/16, according to companies surveyed. This growth will come almost exclusively from the small company sector as they move into this relatively new area of marketing at the same time as larger companies are stabilising spend.

The OTC and pharmacy sectors were particularly interested in increasing their spend on social media in 2015/16, indicative of the need for those dealing in consumer products to have open online dialogue with their customers.
Public relations

Three in four pharma and healthcare companies either spent the same or increased spend on public relations in 2014/15 and intend to repeat this in 2015/16, demonstrating that this area continues to attract strong industry funding. While the proportion of companies cutting their PR spend doubled, at 8 per cent it still represents a very small part of the industry and given the proportion of companies investing in PR jumped from 80 per cent to 87 per cent in the 2015/16 financial year, PR is likely to experience an overall boost in spending from the pharma industry in the next 12 months.

While a third of small pharma companies don’t invest in PR, those small companies that do are predominantly increasing spend; indicative that they feel PR is delivering for them. Branded pharmaceuticals and OTC companies remain the biggest investors in PR.
Data purchasing

Pharmaceutical and healthcare company marketing investment in data purchasing is expected to be relatively stable across 2014/15 and 2015/16, with the largest proportion of companies choosing to spend the same amount in this area over both financial years. A third of companies will increase their data purchasing spend in 2015/16, although these are predominantly small pharma cos.

The importance of data in pharma marketing is evident in that all pharmaceutical companies invest in data, with only the pharmacy segment of the industry indicating it did not.

Health economics

While not an area of marketing, pharmaceutical and healthcare respondents did provide information on this area which has been included in this paper. It shows spending on healthcare economics in Australia is stable, with on average just over three in every four companies investing in health economics, with most keeping this proportion of their budget stable from 2014/15 to 2015/16.
However, there is a move towards cutting spend in this area among branded pharmaceutical companies. While only 14 per cent cut spending in this area in 2014/15, 31 per cent are planning to cut spending in the 2015/16 financial year while no branded pharma is planning on increasing their investment in health economics, possibly being a precursor of a focus away from these services.

**Part 2**

**External agencies**

External marketing agencies provide a valuable resource for pharmaceutical and healthcare companies, with the changing use of external agencies reflecting the growing focus on the online space seen in internal spending. Public relations and data purchasing also continue to thrive, whereas advertising and marketing collateral agencies are most likely to feel the pinch in 2015/16 as some pharma and healthcare companies look to reduce costs in these areas.

**Advertising agencies**

While relatively stable with on average half the industry looking to spend the same on external advertising agencies in this financial year as they did last year, the bad news for advertising providers is that a third of large pharma companies cut their advertising agency budgets in 2014/15 and a quarter plan to cut them again in 2015/16. Few companies are planning to increase spend on external advertising agencies, with the best prospects for increased advertising spend coming from the medium branded prescription company sector.

**Marketing collateral agencies**

Marketing collateral is largely holding its own in terms of use of external services for the pharma and healthcare industries, with 74 per cent of companies increasing or stabilising spend in 2014/15 and 84 per cent planning to do the same in 2015/16.

Small companies are most likely to increase their marketing collateral agency spend. Almost 60 per cent did so in the past 12 months and are planning to do so in the next 12 months while at the same time large
companies are moving from cutting their spend last year (50 per cent in 2014/15) to stabilising spend in 2015/16 (62.5 per cent).

Sales force effectiveness/CRM agencies

There is little change in spend on external SFE/CRM agencies across 2014/15 and 2015/16, although when broken down by company size it can be seen that large companies are moving to spend the same or less in 2015/16 in this area while small to medium sized companies are moving to spend the same or more. This upward movement at the smaller end of the company spectrum is unlikely to make up for the cut in spend at the larger company end of the industry but overall, investment in SFE/CRM companies is likely to be similar in the next 12 months to what it was in the past year.

Consumer research/insights agencies

Across the industry, investment in consumer research is growing - reflective of the upturn in investment in external agencies proving to provide real consumer insights and contributing to bottom line growth. While
44 per cent of companies increased their research spend in 2014/15, 40 per cent plan to do so again in 2015/16. The bulk of remaining companies that already use research insights agencies are planning to freeze spending but not cut costs.

In the past 12 months, 50 per cent of large companies increased spend on consumer research/insights agencies and more than 40 per cent of small and medium sized companies did the same. In the current 2015/16 financial year, most large companies are looking to freeze spending in this area but 80 per cent of medium sized companies and 45 per cent of small companies are budgeting to increase spend. This increase was evident across all pharma sectors and is positive news for agencies providing these specialist services.

Public relations agencies

Pharma and healthcare companies are increasing their use of public relations agencies in the next 12 months, with 85 per cent of companies using public relations agencies in 2015/16 compared with 80 per cent in the previous year. With half of these companies also indicating they will be increasing spend on external PR services, this bodes well for service providers in this area who are likely to see an increase in demand for their services.
The increase in use of PR companies is evident across the board from small to medium and large companies, although only with those companies dealing in branded pharmaceuticals or OTC products. Generic pharma companies are planning to spend the same on PR as in the previous year.

**Data purchasing agencies**

Data purchasing is another growth area for Australian pharma and healthcare companies, with the proportion of companies using these services increasing from 72 per cent in 2014/15 to 96 per cent in 2015/16. This increase demonstrates the importance of data for the pharma industry and the impact big data and data analysis is having on the industry.

![Data purchasing agencies chart](chart)

While 56 per cent of companies are planning to spend the same in 2015/16 as they did in 2014/15, a further 28 per cent of companies are planning to increase spend in this area. Only a few small companies are looking to cut spend on external data providers. Most branded and generic pharma producers are planning to stabilise their data spend this year whereas OTC/consumer product suppliers and blended branded/generic companies are moving towards increasing spend.

**Online strategy/social media agencies**

The increasing importance of having a strong presence in the online space is evident in the increasing use of online strategy and social media agencies among the sector of the industry that uses these services.

The 28 per cent that did not use remained constant and consisted entirely of pharmaceutical companies, both branded, generic and blended. All OTC/consumer product companies and pharmacy sector used external agencies in this area and intend to increase use of such in 2015/16. Generic pharma companies are the least likely to use external services for online strategy and social media.
Digital marketing agencies

The use of external digital marketing agencies is popular across the entire pharma and healthcare sector, with all companies planning to use these services in 2015/16 and 72 per cent of these planning on increasing their usage of digital marketing agencies. The remaining 28 per cent are planning to maintain the same spending as they did in 2014/15.

While one in three companies dealing either exclusively or non-exclusively in branded pharmaceutical products is planning to spend the same on digital marketing agencies in 2015/16 as they did in 2014/15, the remainder of the sector along with all companies dealing in OTC/consumer products, pharmacy and generic pharma products are budgeting for an increase in use of digital marketing services.

Health economics agencies

While not traditionally included in the marketing area, the survey showed the use of external health economist services appears to be geared towards the small to medium sized company end of the pharma sector, with larger companies presumably having greater access to in-house health economics services. Therefore, only a few small and medium sized companies were looking to increase spend in this area in
2014/15 and again in 2015/16, while large companies that used these services continue to freeze spending at current levels.

Health economic agencies are used predominantly by companies dealing with branded pharmaceuticals or OTC products, with half of the generic company sector and all pharmacy indicating they did not use these services.

Part 3
In-house staffing

While most Aussie pharma and healthcare companies have been increasing their investment in marketing and in their use of certain external service providers, increases in departmental staffing to manage this increase occurred in the past 12 months and companies are now looking to stabilise their departments, with 80 per cent of companies indicating they would not be hiring or firing this financial year.

Department staffing
Following strong growth in 2014/15, marketing/corporate affairs departments in pharma and healthcare companies will predominantly stabilise in 2015/16, with four in five respondents indicating they would be neither hiring nor firing this financial year.

A third of companies indicated they employed additional staff in 2014/15, showing overall strong growth of internal marketing staff. However, this growth was predominantly in the small and medium sized company sector, with 40 per cent of these companies employing additional marketing staff and only a quarter of large companies doing the same. A quarter of large companies also moved to reduce their staff in this area in the past 12 months.

Only 10 per cent of companies are looking to employ additional marketing/corporate affairs staff in the next 12 months and the same proportion is looking to reduce staff, suggesting companies may be looking to external agencies to fill the gap between their marketing expectations and internal resourcing in 2015/16.

**Staff turnover**

In comparison with the average for the previous five years, staff turnover in pharma/healthcare marketing departments was relatively stable in 2014/15, with two-thirds of companies experiencing stable turnover levels and a further 23 per cent experiencing lower turnover than usual. Only 11 per cent reported a higher than usual staff turnover for the financial year, with this being confined to the branded pharmaceutical and OTC/consumer products sector.

![Staff turnover 2014/15](image)

Small companies were found to be best at retaining their staff. A third of small companies reported lower than usual turnover in 2014/15, while medium and large companies reported relatively stable staff turnover levels.
Part 4
Industry analysis

Marketing activity

While respondents were generally very positive about the level of marketing activity in their own company in 2014/15 and their expectations for 2015/16, they were much more pessimistic about marketing for the industry in Australia as a whole. While 54 per cent reported an increase in their company marketing in 2014/15, only 16 per cent felt marketing for the industry as a whole increased. Instead, 44 per cent felt it had most likely decreased during the past financial year, even though in reality only 12 per cent of respondents had experienced a cut in marketing activity.

Respondents were more hopeful when it came to the year ahead with almost a quarter tipping marketing activity across the industry to rise in the 2015/16 financial year and a third tipping it will fall. Yet with 65 per cent planning increases in their own marketing activity and only 16 per cent planning a cut, the gap between actual company experiences and the expectations for the industry as a whole continues to widen and to have a significant impact on the pessimistic outlook which the industry espouses.

![Pharma industry marketing activity](image)

Most respondents from medium-sized companies felt industry-wide marketing activity increased in the past financial year while 58 per cent of small company respondents and 37 per cent of large company respondents thought it decreased. For the year ahead, medium company respondents were again the most positive with 40 per cent predicting marketing activity would increase whereas half of the large company sector tipped a fall in marketing activity across the board.

Business conditions

The pessimistic attitude Australian pharma and healthcare companies have about their industry and the harshness of business conditions was evident in that, despite most appearing to be doing well in the current economic climate, respondents clearly felt this was despite the conditions in which they conduct
their business in Australia rather than because of it. The majority (64 per cent) felt business conditions declined in 2014/15 and more than half (56 per cent) said conditions would deteriorate further in 2015/16.

With only eight per cent of respondents tipping an improvement in business conditions in the 2015/16 financial year and 36 per cent believing conditions would stabilise, pharma and healthcare companies continue to believe their own positive performance in marketing and in other areas is not reflective of an improvement in their operating environment.

The survey also found pessimism increased with company size. Three in four large companies reported industry conditions declining in 2014/15 and half predicted conditions would decline again in 2015/16. Yet it was mid-sized pharmacos who were the most pessimistic about industry conditions for this financial year – 80 per cent predicted a fall in business conditions this year.

**Conclusion**

The growing focus on online marketing at the expense of more traditional areas of the marketing budget is evident in the change in spending patterns for Australian pharmacos and healthcare companies from 2014/15 to 2015/16. Already, the shift towards social media, website development and digital rather than printed marketing collateral is having a significant impact on where marketing dollars are being directed, both inhouse and with external service providers.

Also evident is the continued gap between individual company experiences and industry expectations for the pharma sector. Companies continue to relay their own positive experiences yet to voice their concern that the industry as a whole is in a black hole, struggling with the conditions.

**About Pharma in Focus surveys:**

The survey on which this White Paper is based was sent to people identified as working in the Australian pharmaceutical and healthcare sector in May 2015. In total, 26 responses were received from 20 different companies, with marketing directors and managers predominantly completing the survey. White Papers are available free to Pharma in Focus subscribers. Contact sales@pharmainfocus.com.au to discuss subscribing to Pharma in Focus. Published White Papers are available to non-subscribers for purchase at $149 each.