
Editorial

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According to a recent report published by the Pharmaceutical Research and Manufacturers of America (PhRMA), employment levels in pharmaceutical R&D have been dropping over the past three years (by 3.9 per cent in 2006). What began as a contraction in sales and marketing resource allocation from 2002 has now been extended into a cost-reduction campaign across the entire biopharmaceutical value chain. While R&D spending continues to rise, if at a somewhat lower rate, pharmaceutical companies seem to be spending less and less on late-stage development and post-approval scientific activities. It is therefore reasonable to conclude that the science–marketing interface of the biopharmaceutical industry is bearing the brunt of this new wave of cost-containment. We can therefore expect more and more post-marketing issues and challenges — with salutary implications for the pharmaceutical industry and for patients and their physicians?

At the same time as the global pharmaceutical giants are engaging in massive cost-cutting and restructuring, there is a growing concern as to whether the strategic foundation of the research-based, fully integrated pharmaceutical company concept is indeed sound. A number of major pharmaceutical players have now appointed a senior executive as a ‘strategy guru’, to guide the re-orientation, or perhaps we should call this the ‘re-direction’, of their companies. This is clearly a response, not only to the pressures of generics, government and payer price pressure and thin pipelines but also to the growing complexity of the

pharmaceutical markets especially in the industrialised world. These new ‘masters of strategy’ are charged with doing a lot more than sampling wringing out efficiencies and synergies with giant pharmaceutical corporations. There is indeed a recognition that even the best run pharmaceutical company may not survive if it clings to a business model that is untenable in today’s market environment.

We see pharmaceutical companies simply divesting business units that are not profitable or would require long-term investment. For example, spin-outs of noncore therapeutic area R&D divisions have now become quite commonplace, as has larger scale divestments of lower-margin business units. What is new, and where master internal strategists are playing a vital role, is the fundamental re-orientation of pharmaceutical companies through diversification into areas such as generics in emerging and high growth markets, investments in more service-oriented businesses and full-scale acquisitions in areas such as vaccines and eye care. While the age of the mega-pharmaceutical merger is over, we need to cognizant of the fact that the mega-deals are still occurring. Clearly, companies that have embarked on the strategy executive road will seek to reinvent themselves in one form or another as integrated human health businesses, with profound implications for their marketing and sales teams. As most of the strategy leaders come from within the industry, it is unlikely that the companies will indeed undertake a radical and painful change process overnight. The global

pharmaceutical giants have large cash reserves and sufficient recurrent income and high enough margins to believe that it is possible to 'buy oneself' out of trouble. Hence, marketers can be expected to be called upon to support the integration and growth of new businesses, in areas that would not have been traditionally regarded as core to a fully integrated, research-based pharmaceutical company.

Today's environment is in some ways reminiscent that which led to the mostly disastrous entry of pharmaceutical companies into pharmaceutical benefit and disease management in the 1980s. Does the industry indeed have the capability to manage and profitably grow businesses that are outside the domain of developing and marketing drugs? Sales and marketing professionals have been at the forefront of

the transformation of the industry to cope with a much harsher market and should play a lead in informing and supporting the strategic re-orientation of the global pharmaceutical giants. Unfortunately, many industry leaders remain obsessed with cutting down the size of the salesforce and reducing marketing spend — they see little utility in leveraging the deep sector insight that sales and marketing professionals have, especially at a national level. In order to play an appropriate role in the strategic transformation of the pharmaceutical industry, it is timely that medical marketers do indeed receive more recognition in the boardroom.

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