

## BIG PHARMA

# THE DOCTOR WONT SEE YOU NOW

At Pfizer, the loss of thousands of jobs signals the end of the hard-sell era when armies of drug salespeople stormed doctors' offices. BY ARLENE WEINTRAUB

**D**R. LUCY E. HORNSTEIN IS fed up with pharmaceutical salespeople. So whenever a rep walks into her Valley Forge (Pa.) family practice, she whips out a sheet of rules. Among them: No visits allowed except between noon and 2 p.m. Do not bring any pens, sticky pads, or other knickknacks bearing the name of the drug you're touting. Furthermore, Hornstein says, "I tell them, 'don't talk to me about drugs because everything you say is propaganda.'" The constant stream of salespeople in Hornstein's office has pretty much dried up, for which she declares: "Good riddance."

Bye-bye Big Pharma sales rep. A host of forces is now converging to clamp down on hard-driving, gift-toting pharmaceutical pitchmasters who have been ambushing physicians for the last decade. Doctors, consumer groups, and government regulators have all had enough. And now, pharma CEOs are questioning whether the hard sell even pays off. On Jan. 22, Pfizer Inc. announced unprecedented layoffs. As part of an effort to cut

\$2 billion in costs by the end of 2008, and to adjust to the loss of patents on several blockbusters, it plans to eliminate 7,800 jobs across the board, including 20% of the European sales force. That's on top of the 2,200 U.S. salespeople who were let go in November.

Because Pfizer will no longer be assigning armies of reps to each of its products, other Big Pharma companies may feel free to follow suit. "It's a watershed event for the industry," says Michael J. Luby, a former Merck & Co. marketing exec who is now CEO of TargetRx Inc., a drug industry consulting firm in

Horsham, Pa. "In every boardroom, they must be considering this."

### DAMAGED REPUTATIONS

TOP EXECUTIVES at the drug companies understand that the shift will be beneficial: It will force them to find new, more effective sales strategies that ultimately boost the bottom line. "What we really aspire to is a culture of productivity and continuous improvement," Pfizer CEO Jeffrey B. Kindler told analysts on Jan. 22. "Every employee will be looking for ways of doing things more efficiently."

The changes (table, page 32) could also help repair the drug industry's damaged reputation. In a survey released on Jan. 9 by PricewaterhouseCoopers, 94% of physicians, hospital execs, and other health-care stakeholders said they think drug companies spend too much money promoting their products. And 94% of consumers said these companies can be too aggressive in promoting unapproved, "off-label" uses of their products—an illegal tactic. It's not just that pharma





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companies have been known to deploy as many as a half-dozen reps to hit the same doctor for the same product. The industry also spends \$4 billion each year beaming their messages directly into consumers' homes. "Clearly, the public thinks the drug industry's focus is on increasing prescriptions rather than improving patients' health," says Peter Claude, a partner in Pricewaterhouse's pharmaceutical practice. "That's a turnoff."

Consider the profile of the typical pharma sales rep. He or she is often recruited straight out of college, lured by lush compensation and a company car. Top recruits are prized not so much for their scientific prowess—science degrees are rarely required—but for their movie-star looks, charisma, and talent in cheerleading new products. Armed with outside expense accounts, they often shower physicians with free meals, golf outings, and other perks. "It was small-time bribery," says former Pfizer and Eli Lilly & Co. sales rep Jamie Reidy, who wrote *Hard Sell: The Evolution of a Viagra Salesman* and has sold the movie rights to Universal Pictures. A Pfizer spokesman replies: "We have developed rigorous compliance programs to promote appropriate interactions with the medical community."

## WARY OF PITCHES

EVEN THOUGH COMPANIES are being more careful, many hospitals have banned pharmaceutical giveaways, and a handful have banished reps altogether. Those who can get in the door often wait an hour for a mere 90 seconds with the doctor, says Bob Davenport, vice-president of Hay Group Inc., a consulting company in Philadelphia. "The only reason a lot of doctors still see reps is to get the free drug samples," he says. Further eroding the public's sense of trust are frequent government investiga-

tions into off-label marketing by drug companies.

Medical schools are grumbling, too. Over 25 teaching institutions are developing programs that train students to be skeptical of Big Pharma pitches. New York's Mount Sinai School of Medicine is designing simulation exercises that will let students spar with actors playing salespeople, to build "skills to evaluate drug-company claims," says Dr. Ethan A. Halm, associate professor of medicine and health policy. The effort is being funded by Pfizer as part of the \$430 million it paid in 2004 to settle charges that a company it acquired illegally promoted a drug for off-label uses.

Big Pharma companies are learning that storming doctors' offices with multiple overlapping salespeople is woefully inefficient. Fewer than 25% of visits to physicians result in actual face time, says investment bank Leerink Swann & Co. in a Jan. 3 report. That's a lot of wasted effort for folks who typically cost their employers \$200,000 per year. Other companies that could benefit from sales-force cuts include GlaxoSmithKline PLC and Sanofi-Aventis, say Leerink analysts. Lehman Brodiers Inc. adds Schering-Plough Corp. to that list and predicts that a 20% reduction in sales expenses across the industry would lift large-cap pharma earnings by 3%. Spokespeople for those companies say they have no current plans for cuts.

Pharmaceutical companies that have already shrunk their sales forces are finding innovative ways to do more with less. Bristol-Myers Squibb Co., which has cut 1,300



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PFIZER CEO JEFFREY KINDLER

salespeople since 2004, tracks physicians' prescribing patterns and adjusts its promotional activity accordingly. A full 18 months before its cholesterol-lowering drug Pravachol lost patent protection last April, the company halved the sales calls dedicated to the drug and instructed reps only to call on doctors who were already prescribing it. "We figured those who hadn't prescribed it yet weren't going to start now," says Tony Hooper, Bristol's president of U.S. Pharmaceuticals. Despite the changes, prescription rates didn't falter. Between 2000 and 2006, overall productivity per rep jumped more than 40%, Bristol says.

Some companies, including Bristol and Merck, are supplementing often brief physician visits with "e-detailing." They might, for example, point doctors to interactive Web sites that teach them about new drugs and that can be updated instantly with fresh clinical-trial data to support their sales pitches.

Pfizer executives say they're evaluating a number of new approaches to boosting the efficiency of their now smaller sales force. "I do believe that over a period of years, this industry will find better ways to leverage its resources and improve interactions with physicians," says Ian Reed, president of worldwide pharmaceutical operations. "We'll see an evolution." These days, no more than two Pfizer sales reps are assigned to any one physician to pitch the same product. And no one is going to miss the sticky pads and pens. •

## Hard Times for the Hard Sell

Big Pharma is moving away from aggressive sales tactics.

### WHAT HAS CHANGED?

**DOCTORS ARE FED UP** with multiple visits by drug reps, and some are banning them from their offices.

**SALES REPS SOMETIMES PRESS DOCTORS TO PRESCRIBE** drugs to treat conditions for which they have not been approved. This has sparked many embarrassing government investigations.

**EXCESSIVE ADVERTISING AND SALES-FORCE SPENDING** lead consumers to believe Big Pharma cares more about profits than protecting health.

### HOW WILL DRUG COMPANIES RESPOND?

**THEY MAY DEPLOY FEWER REPS** with better grounding on what the drugs can and cannot achieve.

**SALES VISITS CAN BE SUPPLEMENTED WITH TECHNOLOGICAL TOOLS**, such as educational Web sites where doctors can learn what they need to know.

**COMPANIES MAY RECRUIT 'KEY OPINION LEADERS,'** physicians in local markets who can lead seminars for other potential prescribers. But this may not assuage critics.