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Making sense of e-detailing in Japan's pharmaceutical sector



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Making sense of e-detailing in Japan's pharmaceutical sector

For decades, pharmaceutical companies had a simple business model. They hired thousands of sales reps who would hustle from door-to-door, desperate to win a few minutes time from physicians to attempt to convince them why Product A had superior efficacy and/or fewer side effects than Product B. The practice, which has changed little over the years, is unwieldy and inefficient. Is there a better way?

By Brian Salsberg and Hiroto Furuhashi

The branded pharmaceutical industry is performing at a level of productivity that is lower than what modern technology would allow it. The current, labor intensive approach to selling (and largely qualitative approach to physician segmentation) is not the result of technical limits. Physicians have been quick to use PCs, tablets and the Internet; pharmaceutical companies have plenty of data at their disposal. Instead, the industry is making a conscious choice—based on inertia and fear of ceding some market position and dropping out of the “MR (Medical Representative) arms race.”

Now, however, after much trial and error, the industry might be on the cusp of something much more promising—and Japan is leading the way. The practice is known as “e-detailing” or electronic detailing. The term refers to interacting with physicians virtually rather than physically. It often takes place through a company’s own website or through a physician portal coupled with email-driven promotions and attached explanatory videos offering up-to-date pharmaceutical product information.

E-detailing in Japan has existed in some form for nearly a decade. However, the fact that we have not witnessed a specific winning e-detailing model, and that a number of pharmaceutical companies continue to watch from the sidelines, means that that the best way to utilize the medium is still the subject of debate.



The case for e-detailing

Today, the majority of all physician e-details taking place globally are happening in Japan. Part of this is because Japan is the world’s second-largest pharmaceutical market in terms of sales; the country also has an advanced digital infrastructure. The number of smart phones and tablets both owned and used by physicians—and not just the younger ones—has also grown markedly in recent years. Moreover, external pressures such as stricter rules (i.e., a ban on excessive entertainment from

sales reps and restrictions on hospital visits) and changing customer dynamics have prompted pharma companies to experiment with new approaches. Specifically, they are using a combination of their own Internet websites and emerging physician portals, such as MedPeer, Carenet or m3.

We see four benefits of e-detailing over traditional sales rep detailing alone.

- First, based on the cost per detail, e-detailing is significantly more cost effective and efficient in maintaining

interactions with physicians. While accurate, apples-to-apples data is hard to come by, we estimate each e-detail costs between 500 and 750 yen, depending on the scope of audience and the sophistication of content. An MR costs 7,000 yen to 12,000 yen, depending on sector, region, and hospital vs. clinic. The ROI (return on investment) for MR detail is in the range up to ~2.0x, versus ~4-6x for e-detail. In other words, the cost structure allows for sustained ROI for e-detailing—even when extending reach beyond the top prescribing quintiles of physicians.

- Second, e-detailing significantly improves the accuracy of the product marketing message because it leaves less room for the human error/interpretation and execution risk than an army of sales reps. The details are by definition more carefully scripted (except in peer-to-peer e-detailing interactions)
- Third, e-detailing can provide pharmaceutical companies a much more accurate set of data around physician behavior—in much the same way that e-commerce players sit on a much richer consumer data set than traditional players.
- Finally, done right, the ability to provide “double-coverage” (MR detail plus e-detail) can have a multiplier effect towards prescription impact far beyond that of either technique alone.

As Japan-based pharmaceutical companies have begun to better understand the above, they have gradually increased their attention to e-detailing; the number of e-detailing efforts almost quadrupled in Japan between 2006 and 2010. At the same time, the amount of time physicians are spending online and the number

of these messages being read has also been increasing. For example, one pharmaceutical company told us that the share of time spent on-line by physicians (related to all pharmaceutical touch-points) has increased from about 5% in 2010, to more than 15% in 2012. The main driver for this has been the increased use of longer P2P (peer-to-peer) contents in e-detailing. Interesting to note is that this does not seem to have cannibalized on time spent with MRs, which further supports the argument and need/value of double-cover for physicians (Exhibit 1).

While the relative effectiveness of e-detailing versus in-person detailing will fluctuate by market and product, our work and background interviews suggest the following: Compared to MR detailings, an e-detail is 60-80% as effective, and the gap narrows along the “adoption curve.” Is e-detailing less effective when physicians are in the early stages (awareness, consideration, trial, loyalty) of adoption? The question is tough to answer. Certainly, as physicians become (loyal) users, e-detailing works nearly as well as MR visits. But e-detailing may also

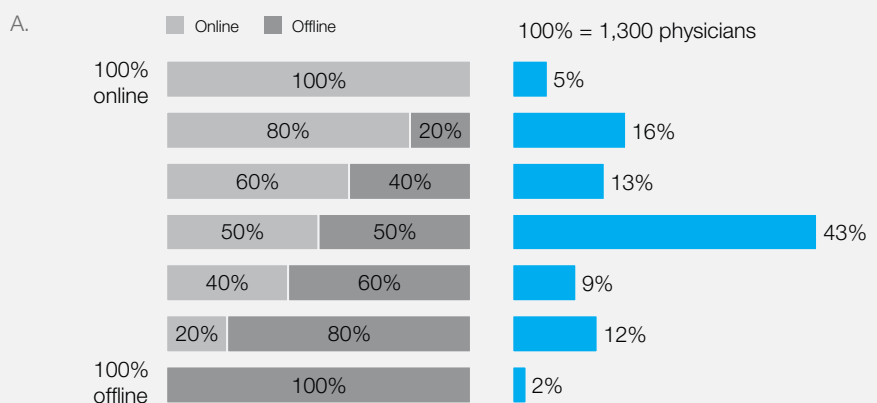
be a good way to “create noise” with non-prescribers—that is, to build awareness and generate early leads. In fact, more than half the physicians in Japan say they learn about the existence of a new treatment via the Internet or other e-channels.

The rise of e-detailing does not mean the end of the human element by any means. Japanese medical professionals value face-to-face interactions; in 2008, the country had 29 sales reps per 100 physicians, twice as many as anywhere else in the world. And a survey by Cegedim Strategic Data in late 2011 found that while only “17 percent of Japanese docs say [sales] reps are very useful, perhaps due to e-detailing,” three-quarters say that they “are somewhat useful.” The point is to find the optimal mixture of traditional and new channels to build relationships.

These conclusions pose intriguing operational challenges when it comes to deciding how to use the e-channel and sales representatives. They are also an opportunity for the industry and individual companies to create more

EXHIBIT 1
Physician preferences for online detailing

Q. What is the ideal ratio of online and offline promotional information ('details') from pharma companies?



SOURCE: M3, survey of 1,300 physicians

awareness around the channel and to convert physicians to e-channel and/or MR based upon their channel preferences and a proper behavioral segmentation.

Despite Japan's physicians being at the forefront in terms of e-detailing reception, there is still a long way to go. "I use [my] smart phone to see websites of societies and check examination steps for differential diagnosis," said one internist, "but it is not user friendly." The tablet has the potential to become a useful tool for Japanese physicians, but it is early days yet. For example, fewer than a quarter of those surveyed who own tablets use them to check or review medical charts and only 9 percent used them to communicate with patients or physicians. Most don't even use it to search for medical information (Exhibit 2).

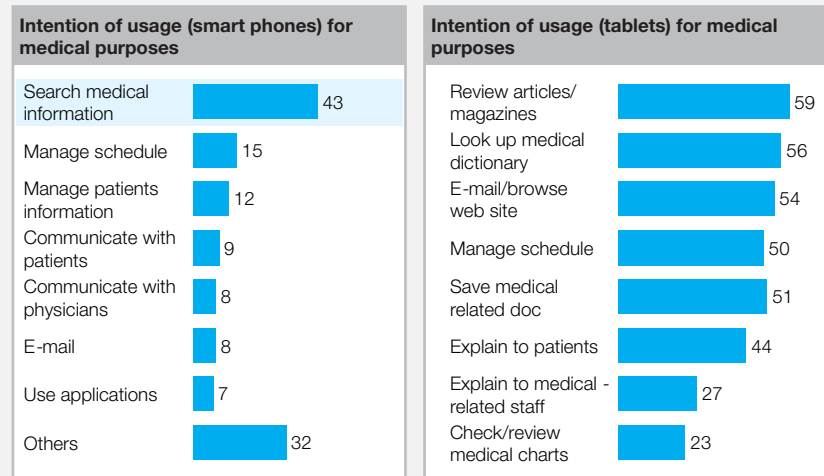
Physicians are willing to receive information they are interested in; that does not mean that they want to get tons of mass mails or undifferentiated digital content. The point is that while e-detailing may seem like an easy channel to master, this is not the case: The majority of pharmaceutical companies we spoke with admitted that they have not yet been able to master the medium, nor do they fully understand the true ROI of the channel.

Conclusion

Right now, e-detailing in Japan is more often used at the beginning of a product's lifecycle (i.e. to win attention during product launches) or at the end (i.e. to sell established products). These are what we call "stay in the race" practices; necessary, but not sufficient. Our view is that the winners will be pharmaceutical

EXHIBIT 2

How do Japanese doctors use smart phones and tablets?



SOURCE: McKinsey

companies that look for ways to win the race, not just to stay in it. Down the line, the goal should be to improve brand perceptions; build physician loyalty; and influence the decision-making of both doctors and patients.

Investing in an e-detailing platform is not a difficult decision—the advantages are clear. What is more complex is how to do it—specifically, how to fine-tune the mass-marketing e-detailing process by monitoring the delicate phasing as a doctor moves from awareness to trial, then from trial to usage, then from usage to loyalty. Here, we observe a great variability—across populations of doctors; profile and personality; and therapeutic area. The best approach is to get as close as possible to the customer and to devise a series of marketing communications that can assist the shift of knowledge or belief in the physician's

mind on which products to prescribe. Therefore, a combination of e-details and MR details is likely to be more effective than either channel alone.

Though the pharma industry in Japan has been reluctant to completely change the old MR model or to build more sophisticated segmentation and targeting, it has at least led the way in experimenting with e-detailing, most often by relying on the old model to make the new model more effective. As one pharmaceutical executive told us, "What we see today is the birth of cyber-MR—some time in the doctor's office, some time remotely, always in contact, emailing, video-conferencing, showing animations on the iPad screen, collecting online surveys, and tailoring the digital presentation as the time to call gets closer. That is the future of pharmaceutical sales." ■

Hiroto Furuhashi is an engagement manager in Tokyo, where Brian Salsberg is a principal.

See the following pages for interviews with Dimitri Livadas (Lilly Japan) and Philippe Auvaro (GSK Japan).



Interview: Dimitri Livadas

Eli Lilly Japan KK is a top 20 pharmaceutical company headquartered in Kobe, Japan, with revenues of more than \$2 billion. Its core therapeutic areas include neuroscience, bone/osteoporosis, diabetes and oncology. In the Japanese market, Lilly Japan has ranked first or second in sales growth for the last three years.



Dimitri Livadas, Lilly Japan's Director for Channel Innovation, joined the company five years ago from the consumer electronics

industry. His task: To establish an e-channel strategy and capabilities.

McKinsey's Brian Salsberg, a principal in the Tokyo office, recently asked Livadas a few questions about the past and prospects for e-detailing in Japan.

Salsberg: *How long has Eli Lilly Japan been actively engaged in e-detailing?*

Livadas: Our journey started in 2008, and was driven by the recognition that Lilly Japan's online activities were at a competitive disadvantage. The channel accounted for less than 3% of customer engagements; there was no clear vision; and funding was fragmented, reflecting a general lack of focus.

Research confirmed that physician use of the Internet was growing steadily, while impacting prescription behavior. What we did not clearly understand, however, was where and how physicians wished to engage online. The first 18 months were filled with learning through trial-and-error, evaluating several solutions and business models. As a result, we changed from a "build" to a "buy" strategy in the middle of 2010, becoming the first

pharmaceutical company (pharmaco) in Japan to establish a strategic alliance with m3.com, the dominant third-party healthcare portal in Japan.

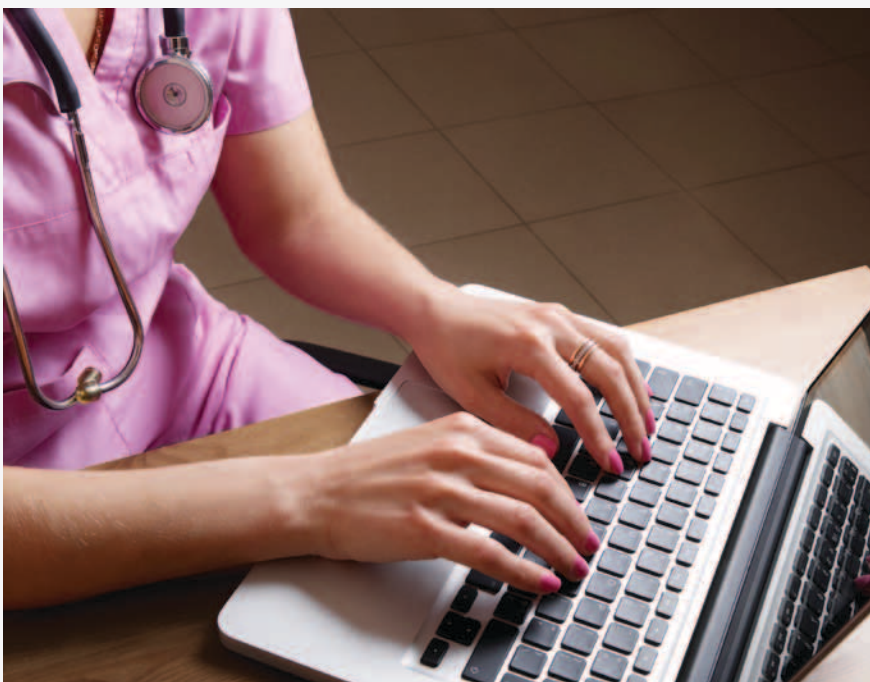
Salsberg: *How advanced is e-detailing in Japan, compared to other developed pharmaceutical markets such as the US and Europe?*

Livadas: E-detailing in Japan is unique, accounting for up to 90% of all e-detailing activities worldwide, according to some research. Initially, we ascribed this popularity to the wide adoption of consumer technologies in Japanese society. That led us to create solutions aimed at younger physicians who actively use smart phones and tablet PCs.

The reality, however, is very different. The typical profile of a Japanese health-care provider engaging pharmacos online is a 55-year old male clinician.

This is where the influence of m3.com should not be underestimated. Launched more than 12 years ago, it established an online service model mimicking a field engagement, while tailoring to its customers' needs not only as a physician but as a human being. In addition, m3.com early on adopted three- to five-minute video messages as a means of communication, further lowering the adoption barrier for older physicians.

Nearly 70% of all Japanese physicians are registered on m3.com, and weekly



visiting frequency is extremely high. And although not every Japanese physician registered to m3.com actively accesses pharmano programs, the reality is that the pull power of this platform in Japan is so strong that the resulting reach, frequency and impact are at an altogether different level compared to any other country or region.

Salsberg: *Can you describe how Lilly uses e-detailing to promote its products?*

Livadas: “Double-coverage” is at the core of our strategy, providing physicians who are regularly called on by Lilly sales representatives with easy access to high-quality online information, programs and services.

Increasingly, we are leveraging the e-channel for educational peer-to-peer programs to engage physicians less familiar with diagnosing and treating patients in the disease areas we serve. This service significantly extends Lilly’s impact to physicians less receptive to promotional messages delivered through sales representatives.

For 2012, we are on track to exceed 2 million online e-details, accounting for more than 50% of all recalled customer engagements (including traditional in-person sales representative details) across the entire company. Measured by e-detailing volume, Lilly Japan is a Top 10 player, significantly ahead of our industry sales rank. And nearly every marketed brand in Lilly Japan’s portfolio occupies the top position in online share of voice.

Lilly Japan is ranked No.1 among the top 20 pharmanos when considering the combined effect from sales representatives and online detailing activities. Furthermore, the research concludes that Lilly Japan’s e-detailing significantly boosts our sales representatives’ effectiveness, further



validating our aggressive e-channel maximization strategy.

Salsberg: *What are you learning as you experiment with the medium?*

Livadas: We are still learning every day, with insights coming from a deeper understanding on how to satisfy our customers’ true unmet needs, tensions or frustrations.

One surprising find (besides the demographics of online Japanese physicians) is e-detailing’s perceived impact. There are many surveys out there that seem to indicate that e-detailing is most effective in driving

awareness, and relatively ineffective at generating new business or increasing loyalty. However, the deeper you get, the more evident it becomes that the reality is exactly opposite. And if you think about, it is quite logical; at the end of the day, if you don’t know something is out there, you don’t go looking for it.

Salsberg: *What pitfalls or challenges are you seeing?*

Livadas: The first and most obvious pitfall I see is that some organizations still see e-detailing, or e-channel at large, as technology-driven rather than customer-driven. As a result, there is too much focus on developing a

smorgasbord of solutions, as opposed to delivering unparalleled customer experiences.

A more structural challenge is pharma's traditional desire to own the channel. Conditioned by direct control over a large sales force, many pharmacos struggle to work effectively with e-channel partners. In the online space, not only does the winner take it all, but more importantly, it is the customer who controls it. It's not because you build it that they will come.

But the biggest challenge is cultural, and is related to how you reward failure. The cost structure to establish an effective e-channel is completely different from that of a traditional sales channel. Initial investments are high and non-linear, requiring a significant level of risk-taking when the benefits might not be well internalized. Few senior leaders in pharma have a clear and practical understanding of what it takes to be successful in this space. Initial failure is part of the process, and the commitment of executive management to work through those failures is absolutely essential.

In early 2010, many other companies' general manager would have pulled the plug after our initial investments failed to pay off. Ensuring we had a brutally honest forward plan based on

the lessons learned from those failures, Alfonso "Chito" Zulueta (President and General Manager of Lilly Japan), provided his full support to the team, including additional funding. The rest is, as they say, history.

Salsberg: *Where should e-detailing fit into an organization—sales, marketing, somewhere else?*

Livadas: Ultimately, this is a channel reaching the customer, and as such it should be aligned within the sales organization. However, the capabilities required to develop and operate an e-channel are significantly different from those to run a large sales force. Considering the high reach and frequency with sales representatives, it makes a lot of sense to anchor e-detailing in marketing while you incubate the channel. As you reach critical mass through the e-channel (or any other alternative channel for that matter), the ultimate challenge becomes to establish true multi-channel sales leadership.

Salsberg: *How do you measure the financial impact of e-detailing?*

Livadas: The beauty of online customer engagements is the wealth of data available throughout the process. Nevertheless, very few companies are able to truly understand the sales contribution and ROI by touchpoint, although simple segmentation and

control-group analysis quickly reveal the positive impact of e-detailing.

Part of the challenge in Japan is the lack of comprehensive prescriber-level data, as well as the plethora of pharmaco touchpoints with physicians. Through extensive analytical modeling, we are now able to understand touchpoint impact at a very detailed level. Suffice it to say that e-detailing is among the most effective programs to drive a profitable top line.

But ultimately, it comes back to strategy. If e-detailing is positioned to substitute for sales rep detailing at the end of a product's lifecycle, it will satisfy an internal desire for action, but one shouldn't be surprised if bottom-line impact is negative.

Salsberg: *What's next?*

Livadas: So far in 2012, e-detailing in Japan has grown 15% by volume, with established players only entering the space in earnest from this year. Demographic and social changes, as well as increasingly limited access, are all drivers for increased future use of the channel. There will be some bumps in the road. The expectation, however, is that the use of e-detailing will be evolutionary, rather than revolutionary. ■



Interview: Philippe Auvaro

GSK Japan KK is among the top 10 pharmaceutical companies in the Japanese ethical market, with sales of more than 322 billion yen (\$4 billion). Headquartered in Tokyo, its core therapeutic areas of focus include allergy & respiratory, diseases of the central nervous system, oncology and dermatology.



Since July, Philippe Auvaro has been GSK's Business Innovation leader. The Business Innovation division includes business development,

digital marketing, new products planning and the business model laboratory. Auvaro has been with GSK since 2005, working in various positions in the sales and commercial organization. He recently spoke with McKinsey's Brian Salsberg, a principal in the Tokyo office.

Salsberg: How long has GSK Japan been engaged in e-detailing in Japan?

Auvaro: I would say that GSK Japan engagement in e-detailing is as old as e-detailing in Japan, and the pioneer role of GSK in this field already existed when I joined in 2005. I believe we ranked among the very first supporters of MR-Kun when m3.com created their platform in Japan. [MR-Kun, or m3.com, is a physician portal launched in 2000]

Salsberg: How advanced is e-detailing in Japan versus other developed pharmaceutical markets such as the US and Europe?

Auvaro: It is difficult to speak of Japan e-detailing in term of "advance." I would rather speak of originality. Part of this originality comes of course from the behaviors of health-care professionals in Japan. Another part would probably



find its origin in the original path of Internet technology in Japan compared with the rest of the world. Smart phones have now invaded our environment but we must remember the days when emails relayed via mobile device already exceeded the volume relayed via laptop and desktop thanks to i-mode and other Japanese original platforms. However, the biggest difference is that very early on, service providers were keen to develop virtual contacts between pharmaceutical manufacturers and health-care professionals on an unbiased platform. Interestingly, such a powerful tool has not found its path in other markets. That confirms in my opinion a unique character of the e-detailing practice in Japan.

Salsberg: Can you describe some successful examples of how GSK uses e-detailing to promote its products?

Auvaro: It would be difficult to single out examples of best practice, and the measure of success is highly subjective. However, I wish to say with some pride that GSK has certainly contributed to very original approaches, for example introducing video clips to provide simple, yet accurate testimony of patients' suffering or interrogation. In difficult areas such as asthma, Parkinson Disease, or epilepsy, we managed to combine sensitivity and medical information. This shows that it is possible to apply our patient-focus value, one of GSK core values.

Salsberg: *What is the most interesting or counterintuitive lesson you have learned?*

Auvaro: E-detailing is still highly intuitive, and it is still an experiment. As such, I strongly believe that it is important to keep an open-minded stance, and to be ready for surprises, good or bad. GSK is experimenting a lot in the field of e-detailing, and every experiment is a contribution to a more sophisticated model—testing the limits; measuring the synergies with other channels; evaluating the content impact; and acknowledging as best we can the feedback from medical professionals. Those with a soft brain, yet a solid methodology, are more likely to gain from the model than those simply trying to replicate the real into the virtual.

Salsberg: *What are the pitfalls and challenges?*

Auvaro: E-detailing cannot stand on its own. It cannot turn into an independent model of promoting pharmaceutical products disconnected from the other channels connecting a manufacturer with academic, medical or clinical circles. So the real challenge is to know exactly when e-detailing makes sense; when it changes the game; when it fits with a specific expectation from the customer; and when it stops doing so. The other key challenge is that the digital experience gets more sophisticated as people get used to its benefits and its convenience. E-detailing in Japan today is still a mass-market type of marketing, while we know that Internet technology enables us to capture a share of our customer's intimacy and to anticipate their needs. Individualized or personalized e-detailing is the next frontier. It is demanding in technology investment and in competency development, and it is most likely to become the norm over time.

Salsberg: *Where should responsibility for e-detailing fit into an*



organization (e.g., sales, marketing, or somewhere else)?

Auvaro: It should be where the intellectual flexibility is, where the passion to achieve the best connection with the customer is the strongest. As I said, I do not believe that e-detailing is a self-sustaining model of promotion. In other words, it works best when combined with different types of promotion channels, and it certainly works even better if the customers feel that their particular needs are specifically addressed. I personally believe that it is not where the e-detailing fits in the organization that matters. It is how the organization as a whole embraces the digital ambition and envisions turning it into a key connection to the medical community.

Salsberg: *Do you measure the impact of e-detailing on the top or bottom line?*

Auvaro: The aspiration is to measure success by the impact, and top line is the usual surrogate, but it must of course make sense from an overall ROI perspective, including the measure of the carry-over effect. If you think of e-detailing as a cheap way to do

detailing, I am not sure you build on success.

Salsberg: *What's next?*

Auvaro: There are several areas worth watching: the digital interference in the act of consultation between doctors and patients; the personalization of information to medical professionals based on large data mining; the growing influence of social networks; and the emergence of virtual thought leaders inside specific medical communities. I am also keen to keep in mind that every year, a new generation of physicians and pharmacists comes into the profession. With the renewal of generations in the profession, it would not be surprising to see new behaviors emerging. I buy CDs in a store, my sons only download. They call me a “dinosaur.” If you try to extrapolate this change of customer behavior and see how it would influence the practice of medicine and the access to medical information for drugs, we have only seen the beginning of a very long journey. ■

