Marketing Analysis: Merck & Co., Inc. & Pfizer Inc.

Team 6 Section B5

Tommy Ahati
Marketing Analysis: Merck & Co., Inc. & Pfizer Inc.

Team 6 Section B5

Pharmaceutical Marketing

Originally, marketing drugs involved heavy coordination with the sales or “rep” force. Companies would often call up seminars with doctors, hospital workers, or any other workers in the healthcare industry to help promote the product according to the specificity of the drug and specialty of the field.

General Process of Sales Rep Force:

1. Rep Schedules times with Doctors before hand
2. Sales rep comes in for a few minutes
3. Sales rep advertises and explains the product or drug
4. Free samples and promotional materials are handed out

There was some abuse to this sales rep force as many would give biased information or bother the convenience of the doctor with his patients. Eventually, M.D.s began to restrict and even prohibit the welcoming of pharmaceutical sales reps within the company.

By 2005, many of the larger firms decided to hire “large payors and PBMs as well as individual doctors” to market their drug (Collis and Smith 707-509). Nonetheless, the value of the free samples increased drastically between 1996 and 2005.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Rep Contacts</td>
<td>3010</td>
<td>4057</td>
<td>4803</td>
<td>6198</td>
<td>7336</td>
</tr>
<tr>
<td>Journal Advertising</td>
<td>459</td>
<td>498</td>
<td>484</td>
<td>437</td>
<td>499</td>
</tr>
<tr>
<td>Direct to Consumer</td>
<td>791</td>
<td>1317</td>
<td>2467</td>
<td>2649</td>
<td>4024</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4260</strong></td>
<td><strong>5872</strong></td>
<td><strong>7754</strong></td>
<td><strong>9284</strong></td>
<td><strong>11859</strong></td>
</tr>
<tr>
<td>Value of Free Samples</td>
<td>4904</td>
<td>6602</td>
<td>4954</td>
<td>11863</td>
<td>15866</td>
</tr>
</tbody>
</table>

Pharmaceutical Companies also marketed towards the “widely respected physicians who were instrumental in the adoption of a new drug by setting prescribing standards” (Collis and Smith 707-509). Companies would often set up joint-ventures with vaccines and drugs in adjunct with the academic community and the graduate school realms to foster the “opinion leaders”.

In the recent years, Direct to Consumer Advertising became a phenomenal marketing source for the pharmaceutical companies. Studies show that “60% of the patients who discussed a specific drug with their doctors received a prescription for it.” With a well-educated America, it became more effective to sell the specific drugs directly to the market with no intermediary person such as Physician or Healthcare
worker. In general, the Major Drugs has switched from to a more Selective Market Exposure to a Direct Distribution.

**Merck & Co., Inc. Marketing Strategies**

**Orientation**

Throughout the history of Merck, the company tended to side towards a more Production Orientation than Marketing Orientation. According to the quote, Merck was much more interested on the research and the ability of the product to sell itself, marketing would only be an accelerating factor to help sell the product. However, Merck has been switching to the Market Orientation strategy. Now Merck is more concerned, with the rise of competing Generics, to focus on more of advertising and commercialization.

Currently Merck’s Marketing Campaign has changed in the following ways:

- “Key Franchise” Management – Offering data and percentages to substantiate the drug
- New Sales forces were organized to bolster top selling drugs
- Reps were to promote simultaneous drugs to offer opinions and choices
- Reps visiting the same doctors were reduced
- Meetings were setup with doctors to discuss the drug’s efficacy

**Product**

Merck’s products

**Price**

**Pfizer:**
Tactic: increasing the price of old drugs, developing new drugs
Reason: lose of patent protection
Example: the price of Lipitor rose by 16%

**Merck:**
Tactic: cutting the price of drugs
Reason: improvements in manufacturing efficiency; challenge of generic competition
Example: lower the price Sustiva by 14%; decided to sell its cholesterol-fighting drug to some major managed-care companies at a lower price
Pfizer's pricing strategy is to raise prices on drugs due to lose of patent protection. By increasing the price of old drugs, Pfizer encourages customers to switch to -- and continue to buy -- similar, newer products developed by Pfizer that enjoy market exclusivity well in the future. For example, Pfizer raised the price of the world's top-selling drug--cholesterol-fighting Lipitor, which will lose its patent protection in 2011 by 16%.

However, Merck's pricing strategy is to cut the price of drugs due to both the improvements in its manufacturing efficiency and the challenge of generic competition. For example, Merck has agreed to lower the price of HIV med efavirenz, which is known as Sustiva in the U.S., by 14% due to the improvement of efficiency. Facing the challenge of generic competition, it also decided to sell its cholesterol-fighting drug to some major managed-care companies at a lower price.