

Research identifies marketing mix strategy for pharmaceutical firms

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Research in Marketing Science by Professor Kamel Jedidi, John A. Howard Professor of Business, Marketing, Columbia Business School; Professor Oded Netzer, Philip H. Geier Jr. Associate Professor, Marketing, Columbia Business School; and Professor Ricardo Montoya, Department of Industrial Engineering, University of Chile, Santiago, Chile, reveals how pharmaceutical managers can maximize the return on marketing investments – by determining the physicians to target as well as when and how to target them. The researchers investigate the effectiveness of detailing – salesforce representatives visits to the doctor office to discuss specific drugs, and sampling – free drug samples of the drug offered to the physicians to promote the drug, on the pharmaceutical firm's long-term profitability. The researchers find that both detailing and sampling have an enduring effect. The effect of these marketing actions can last up to 10 months after the marketing effort. The researchers' framework provides implications for customer management and maximizing long-run profitability.

The researchers aimed to determine if marketing actions, specifically detailing and sampling, influence physician's behavior, and if they had a short or long-term impact. To reach their findings, the team used an econometric model that accounts for dynamics in customer behavior and the short and long-term impacts of marketing actions. The study's data comprised of physician-level new prescriptions as well as detailing and sampling activities doctors received over a 24-month period after the launch of a new drug used to treat a medical condition in postmenopausal women.

Through the econometric model, the researchers segment the [physicians](#) into three prescription behavior states. Over time physicians transition between the prescription behavior states. Detailing was particularly effective as an acquisition tool, moving physicians from the inactive state, whereas sampling is mostly effective as a retention tool, keeping physicians in a high prescription-behavior state. Professor Jedidi explains, "A possible explanation for this result is that when physicians are in the inactive use state, they are more receptive to new information about the drug. Then, as they move to the frequent state and are familiar with the drug, physicians can primarily benefit from receiving free samples to encourage them to keep prescribing the drug."

Furthermore, the study demonstrates that ignoring the dynamics in physician-buying behavior and the long-term effects of marketing activities leads to suboptimal allocation of marketing interventions, which has applications to marketers in other fields. Professor Netzer elaborates, "In this research we address key managerial questions, including what are the short and long-term effects of marketing activities and how a firm should target its marketing efforts. Companies spend more than \$150 billion a year on direct marketing in the United States alone. To optimally allocate marketing efforts across customers, a firm needs to consider the evolution of its customers over time."

The study highlights the possible substantial financial implications from simultaneously accounting for the dynamics in consumer behavior and the long-term effect of marketing actions when allocating marketing resources.

Provided by Columbia Business School

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