

Understanding the Impact of DTC Investment Levels:

Does Higher Spend Equal Better Results (and Will Cutting Spend Hurt)?

BY MIKE KELLY AND KATHY ANNUNZIATA

Much has been written recently about the dramatic drop in DTC spend that occurred in 2008, particularly in the last quarter, as the recession fully took hold. Some reports have put the decline in DTC spend last year as high as \$1 billion dollars—an 18% drop since 2007.

Is reduced DTC investment causing reduced DTC effectiveness? Are those spending more really getting more out of their DTC dollars? Should savvy marketers be pouring more into DTC to stand out from the crowd—or re-directing DTC dollars to other promotional channels? To learn the answers, Consumer Health Sciences (CHS) conducted an analysis of its National Health and Wellness Survey (NHWS), the largest international database of self-reported patient healthcare information.

Overall, Awareness Is Dropping Even in High-Spend Categories

Looking across therapeutic categories, the percent of US adults remembering they saw or heard a DTC ad over the last six months through any channel—TV, radio, magazine, newspaper, Internet or in a doctor's office—fell from 71.4% in 2007 to just 70.6% in 2008 (See figure 1.) If we look back a few years, we see that this downward trend is not new in 2008. In 2005, DTC ad recall among US adults stood at an impressive 76.6%—and has dropped each year since, with 2008 reaching a new low.

What if we focus on specific categories—particularly those that have had high DTC investment levels? Drilling down into individual therapeutic areas reveals the same consistent downward spiral from 2005 to 2008 that we see at the overall level. (See figure 2.)

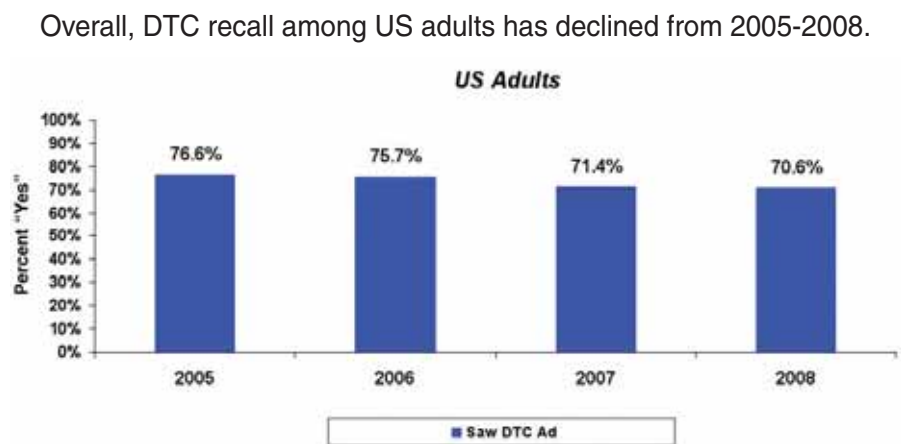
Among patients diagnosed with asthma—a traditionally high-spend category—DTC ad recall has fallen each year, dropping from 82% in 2005 to 75% in 2008. We see this pattern repeated among patients suffering

from a variety of conditions. From 2005 to 2008, DTC ad recall decreased from 82% to 76% among patients with self-reported depression/anxiety...from 84% to 78% among patients with self-reported pain...and from 84% to 78% among patients with self-reported insomnia/sleep difficulties.

The best predictors of whether patients recall a DTC ad are characteristics of the patients themselves. For example, among asthma patients, those currently taking a prescription medication for their condition are statistically more likely to remember an asthma-related DTC ad than those who are not. Similarly, in the insomnia/sleep difficulties category, ad recall is higher among sufferers than non-sufferers—and particularly high among diagnosed sufferers.

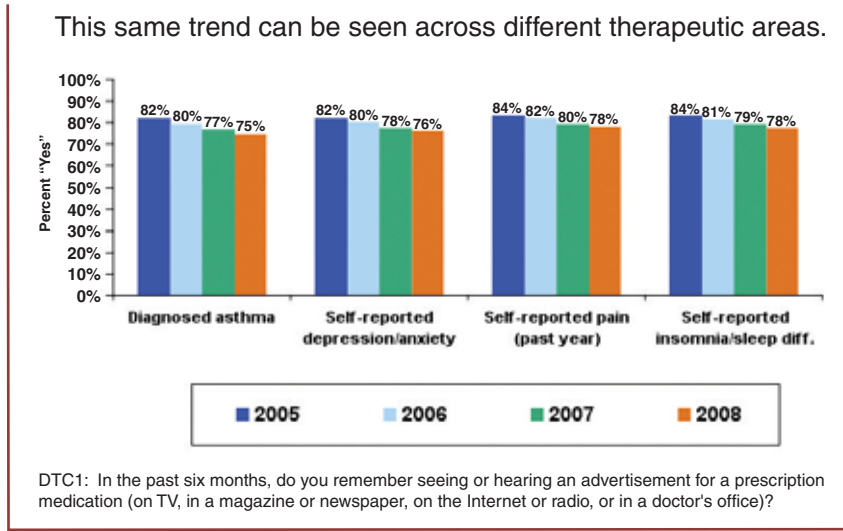
These findings demonstrate that the viewer's vested interest in the condition has a big impact on the level of DTC ad recall. In addition, they seem to bear out the caveat often put around current DTC approaches. While they do get through to those already diagnosed and in treatment, they are less effective in reaching the undiagnosed and untreated.

Fig. 1: DTC Trends – Recalled An Ad



DTC1: In the past six months, do you remember seeing or hearing an advertisement for a prescription medication (on TV, in a magazine or newspaper, on the Internet or radio, or in a doctor's office)?

Fig 2: DTC Recall by Condition



Digging deeper, however, reveals that, by keeping recall rates level, Advair's increased spend has substantially widened the gap between its position and that of its closest competitor, Singular. In fact, while Singular's recall rate dropped between 2007 and 2008, Advair became the second most recalled brand among diagnosed asthmatics, behind only Viagra. (See figure 3.)

In turning to Ambien, we see that its reduced spend did result in reduced brand awareness. Among adults with self-reported insomnia/sleep difficulties, brand recall for Ambien fell from 8.18% in 2007 to just 6.41% in 2008.

It is important to note that even with its reduction in DTC investment, Ambien was still among the top-five DTC spenders, as of Q3

2008. As a result of its significant spend, it was able pass Lunesta in awareness levels. In 2008, Ambien was the fifth most recognized brand among adults with self-reported insomnia, up from sixth place in 2007. In contrast, Lunesta dropped from third to seventh place over the same period (See figure 4.)

Of course, DTC marketers don't just want consumers to remember their brands. They want them to take action. Advair's increased spend was very effective in motivating a key patient group—uncontrolled asthmatics—to speak to a healthcare professional or take some other action to learn more about the drug. An impressive 19% of uncontrolled asthmatics had either

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Advair and Ambien: A Tale of Two Brands

To gain even greater insight into the effect of spend on results, CHS looked at two top-five DTC spenders that took very different approaches. In the first three quarters of 2008, Advair significantly increased its DTC spend over the same period in 2007. In sharp contrast, Ambien dramatically reduced its DTC spend as of Q3 2008 vs. Q3 2007. Did those different investment approaches yield different results?

Let's look first at ad recall. Advair's increased spend in 2008 had only a small impact on growth in brand recall among diagnosed asthmatics. In fact, between 2007 and 2008, Advair recall rose from 10.01% to 10.13%—a very minimal increase.

Fig 3: Top Brands Recalled by Diagnosed Asthma Patients (% of all patients)

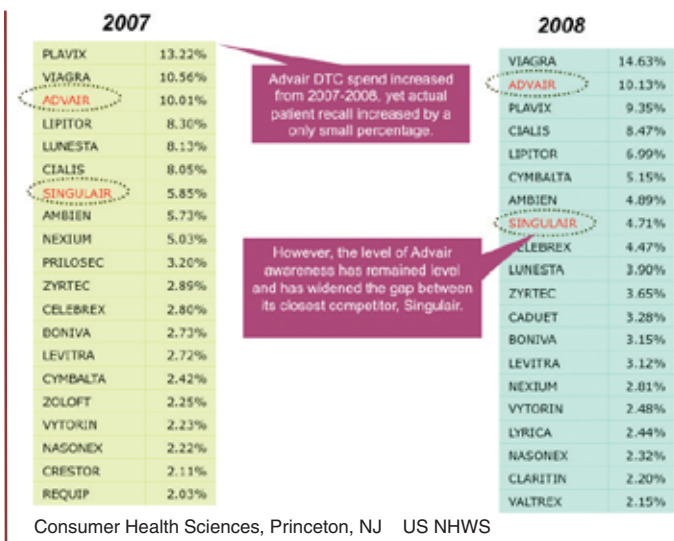


Fig. 4: Top Brands Recalled by Adults with Self-Reported Insomnia/Sleep Difficulties (% of all adults)



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taken action or planned to take action as a result of seeing an Advair DTC ad.

Even with its reduced spend level, Ambien advertising also was effective in driving action. Almost a quarter of patients (23%) with frequent insomnia—those suffering sleepless nights once a week or more—had taken or were planning to take action, as a result of recalling an Ambien ad. In addition, that important group of frequent sufferers was more likely to take action as a result of recalling an Ambien ad than a Lunesta ad.

Conclusions

We started the article asking if marketers should be putting more money into DTC to improve effectiveness—or decreasing DTC spend and allocating dollars to other channels. The answer we found is...it depends. Every brand has its own market circumstances and objectives that will determine whether DTC advertising is an effective promotional strategy.

Certainly, conditions that are highly prevalent, that offer high revenue potential per patient and that are widely covered by insurance would be strong candidates for DTC. But

every brand must be analyzed carefully and individually to determine the right level of DTC investment.

In addition, it's important to remember that, in our examples, even though Ambien's spend had decreased, it was still quite significant. Both Advair and Ambien were seeing good outcomes for their high DTC spend levels vs. competitors who had chosen to invest less. When DTC is the right choice for a brand, it can deliver strong results. **DTC**

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