



HEALTHCARE
COMMUNICATIONS
ASSOCIATION

The Changing Shape of Healthcare Communications





The Changing Shape of Healthcare Communications

The Healthcare Communications Association (HCA) conducts an annual benchmarking survey, exploring trends in the provision of communication services to the healthcare industry. This report provides a short summary of the findings that have been disseminated in detail to the survey participants.

This year's survey has identified four key spheres of influence on healthcare communications practice, the first three of which relate to tangible environmental changes:

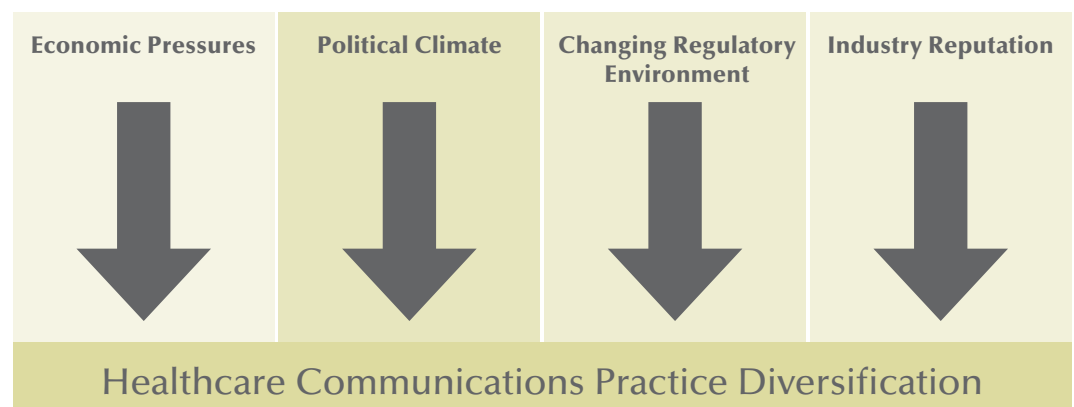
1. Changes in the economic environment – leading to pressure on marketing budgets.
2. Changes in the political environment – the evolution of the NHS and access to medicines.
3. Changes in the regulatory environment – resulting in particular from the new ABPI Code of Practice.

4. The ongoing challenge to the reputation of the pharmaceutical industry.

All these influences are exerting pressure on the communications discipline and leading to diversification of communications activities.

In this report we review these pressures, the changing activity patterns and the implications for the future of healthcare communications. Finally, we pose the question: 'Where can we, as individual communicators and collectively as the HCA, exert positive influence on the changing shape of our industry?'

Note: The results presented here relate to 2007/early 2008, before the current global recession really started to hit. The HCA predicts that some of the trends reported here may well be accentuated by the full economic downturn, albeit others may be reversed e.g. the use of freelance staff. It is important to bear this in mind when considering the implications of the report.





At the start of 2008, both pharma companies and consultancies viewed the pessimistic economic situation as the No. 1 environmental issue likely to affect healthcare communications over the next year.

Over half the healthcare communications consultancies surveyed saw no increase in profit margin and the majority of these saw a decrease, when comparing 2007 to 2006.

The average client budget for a UK (Rx) PR programme fell from £157K in 2006 to £136K in 2007.

Delays in client payments create a further financial pressure for consultancies, who wait on average 47 days from invoicing to payment, compared to an average contracted time of 34 days.

There are additional delays due to the time taken to raise a purchase order (in consultancies' experience this averages 40 days).

Between three and four agencies are typically involved in a pitch, but 40% of those surveyed had, on occasion been involved in pitches with six or more participants. A pitch (for a £200K healthcare account) has an average opportunity cost of £22K for each agency taking part.

At the start of 2008 consultancies were more pessimistic about the year ahead than at any time over the last five years, with a third expecting the general economic outlook to get worse and only 17% expecting an improvement.

NHS developments such as joint working, market access, NICE and the Darzi Review provide major challenges both now and for the future.

The current regulatory environment (particularly in relation to the ABPI Code of Practice) was rated the No. 1 challenge faced by pharma company communications teams.

Key shifts in communications activity patterns include increased strategic focus, more opinion leader activity and an overall move towards medical education and away from PR.

Increased scrutiny means longer approval times and can lead to client caution and reduced budgets, particularly for PR programmes.

Changing skills requirements mean ongoing investment in recruitment, training and working practices is needed to attract and retain the right talent.

More than 9/10 consultancy respondents and 8/10 pharma company respondents believe communications should be taking action to address the reputation of the industry.

HCA Benchmarking Survey Headlines



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A. Environmental pressures on the shape of healthcare communications

The economic environment

- Both industry and consultancy respondents identified the pessimistic economic situation as the number one environmental factor likely to impact on healthcare communications over the next year (i.e. 2008–9).

“The industry is facing its biggest challenges yet with generic medicines use being encouraged and slow uptake of novel medicines, therefore amidst redundancies and increasingly smaller budgets, communications have to reach an ever-increasingly diverse audience of gatekeepers but with smaller and smaller budgets.”
(Industry respondent)

- The economic situation is already manifesting itself in terms of smaller marketing budgets. In-house and consultancy teams are being asked to deliver increasingly complex requirements, with smaller budgets.
- In turn, consultancy profit margins are coming under pressure and generating new business is tougher.

“The pessimistic economic environment is resulting in companies being cautious and reducing their marketing budgets.”
(Consultancy respondent)

The political/NHS environment

- Industry respondents identified responding to changes in the NHS – e.g. implementation of joint working with the NHS, increased complexity and diversity of customers and dealing with market access/reimbursement barriers – as one of the most significant current challenges for their organisations.

- Looking to the future, further NHS changes following on from the Darzi review, market access issues and the evolution of NICE are expected to have further impact on healthcare communications.
- Both industry and consultancies cited the outcome of the PPRS review as a key area of uncertainty.

The regulatory environment

- Working within a tighter environment, with more scrutiny in relation to the ABPI Code of Practice and consequent effect on approval times is seen as the biggest current adjustment for pharma companies.
- This increased scrutiny may reduce communications options and/or require more corporate/strategic input and from the consultancy viewpoint, manifests itself as client caution in initiating programmes (particularly PR) and less willingness to be creative or innovative.

“De-motivation due to more rules, regulations, processes and procedures.”
(Industry respondent)

- Both industry and consultancies expect Code of Practice changes to have further impact over the next year, including potential impact on budgets allocated to PR activities.

“The conservative approach to marketing as a result of the Code changes is leading to stagnation of marketing spirit.”
(Consultancy respondent)



B. Reshaping healthcare communications activities

How have these environmental pressures started to affect the shape of communications activities? A special section of the consultancy survey explored the changing patterns in service provision and the consultancy business model. Parallel changes in the services commissioned from consultancies and conducted in-house were explored in the industry survey.

The chart below shows the change in percentage contribution of each type of activity to 2007 consultancy fee income.

In broad terms, consultancy survey respondents predicted a similar trend in activity patterns for 2008, but with an even greater shift towards medical education and more organisations expecting to increase their public affairs/lobbying and branding activities.

In the parallel industry survey:

- In-house communicators said that the contributions of public affairs/lobbying and corporate communications are increasing

with respect to both targeting of in-house resources and spend on consultancies.

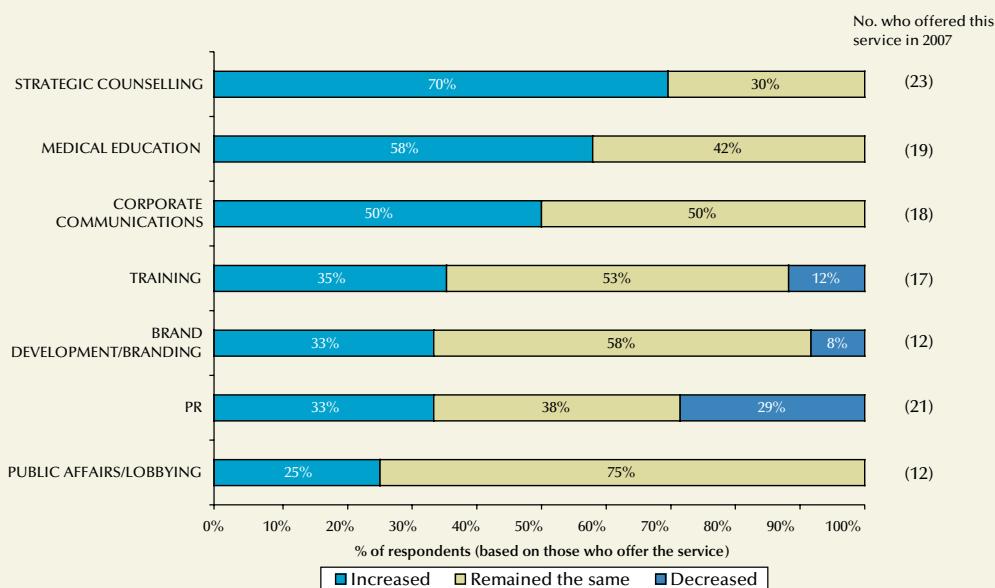
- Strategic counselling is increasing in-house, but industry respondents did not identify this as an area where they were commissioning more consultancy work, in contrast to the consultancy results, which suggest a large increase in activity. It may be that consultancies' activities are becoming more strategic, but as far as the client is concerned these are still viewed as part of PR or corporate communications rather than a separate activity.
- From the industry point of view the perception of an overall increase in medical education activities was less strong than identified in the consultancy survey, but this is likely to be because the commissioning of medical education is often led by brand teams, who were not included in the survey.

The broad areas of 'PR' and 'medical education' can be broken down into a number of specific services.

Detailed analysis of these revealed that:

- Looking at 'PR' activities, both in-house teams

Overall Communications Activities – Change in Contribution to Fee Income – 2007



Note: Percentages are based on those who offered a given service so data need to be viewed in this context (See numbers on right hand side of chart. Total sample = 25 consultancies)

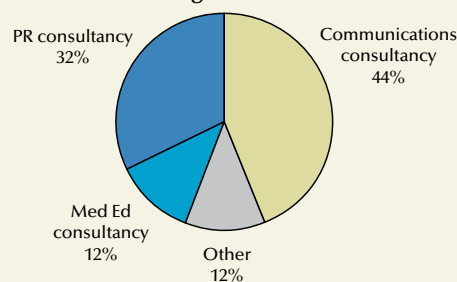
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and consultancies are doing more web-based communications/digital media and issues management work (though, as with strategic counselling, industry respondents don't perceive that they are commissioning more issues management work from consultancies).

- Media relations are one area in which a number of consultancies have decreased their activity, whilst in-house teams are doing more of this.
- With respect to 'medical education', online education is an area of focus for both in-house and consultancy teams, and in-house teams are also doing more market shaping work.
- Opinion leader activity is an important area of increased effort in both the 'PR' and 'medical education' spheres, whether conducted in-house or by consultancies.
- Market access was also mentioned by both industry and consultancy respondents. As the balance of power in the NHS moves away from clinicians this is emerging as an increasingly important focus for communications activity.

Consultancies were asked how they would describe their organisations and the most common term (44% of respondents) was 'communications consultancy', with 32% considering themselves to be 'PR' specific and 12% 'medical education' specific. The precise definitions of PR and medical education have been debated for years, but as the environment and the discipline evolves, so it seems is the recognition that 'comms' is an integrated strategic part of the marketing mix, with broad

How Do HCA Member Consultancies Describe Their Organisations?



scope for influence in different ways, rather than discrete functions.

Measuring the value of communications

In an increasingly regulated environment more companies are moving away from linking communications activities to hard financial endpoints such as sales, towards assessing the 'value' of communications programmes against strategic objectives. Measurement of performance against specific targets based on parameters such as awareness, attitudinal or behavioural changes, media coverage, key message delivery or uptake of services continues to increase.

Whilst spend on evaluation as a percentage of consultancy programme budget remains low at around 4.5%, companies may be able to measure a number of these parameters in-house, for example through existing market research programmes.

C. Implications for the future shape of healthcare communications

What do these changing activity patterns mean for the communications business model? In particular there are implications for two key areas:

Talent management

- Recruitment and retention of talented communicators remains the top internal issue for consultancies and was also identified by industry respondents as a significant current challenge.
- The survey revealed that consultancies are continuing to recruit and expand to meet clients' needs for this broad range of activities – 80% of consultancies increased their staff numbers during 2007.
- Consultancies are increasingly looking to recruit from a diverse range of backgrounds – e.g. the NHS and not-for-profit sector, especially at senior levels. Particular skills that are being sought include media, policy/ NHS, medical/medical writing and digital communications.



- As well as the high cost of recruiting staff, there is a limited talent pool – particularly as more leavers are tending to go freelance or leave the industry altogether, rather than moving between organisations.
- Continued recruitment and expansion means there is a need for training and this year saw an increase in consultancies' per capita training spend, with more time spent on training at the mid to senior levels, and a further increase in spend predicted for the following year. This suggests that, despite financial pressures, there is a recognition that investment in training is critical to ensure that staff are equipped with new skills and to bring staff from other sectors up to speed with healthcare communications.
- The consultancy survey revealed a continued trend towards flexibility in the workplace, with an increasing number of consultancies introducing flexible working hours, and options such as part-time working and occasional working from home becoming commonplace as companies seek to motivate and retain skilled staff.

Strategic focus

- Four of the ten pharmaceutical companies surveyed had expanded their communications teams in the past year; in two cases this expansion specifically focused on corporate affairs.
- For consultancies, changes in strategic focus included expansion into medical education, OTC and new media and general broadening of services offered – which in some cases means the setting up of specialised divisions.

D. The reputation of the pharmaceutical industry

In-house survey respondents identified the industry reputation – transparency, corporate social responsibility, communicating the benefits of what we do and dealing with biased media coverage as one of the important current challenges for their organisations. Whilst less tangible than the environmental

changes discussed earlier, the issue of industry reputation has an all-pervading effect on the shape of healthcare communications.

When asked specifically about what communications should be doing to address the reputation issue, 96% of consultancy and 80% of industry respondents believe communications should be doing *something*.

Consultancies and industry were in agreement on the most important broad areas that should be addressed:

- Being proud of the positive contribution made by the industry and communicating the value that the industry provides (in terms of healthcare professionals' practices, patient care and corporate social responsibility).
- Demonstrating the industry's transparency and openness (e.g. in areas of commercial interest).
- Being up front and taking a pro-active line on issues.
- Ensuring strict standards of ethical behaviour and always working within best practice guidelines.
- Working closely with all stakeholders – such as the ABPI and the media.

“All communications agencies involved in pharmaceutical communications should consistently be looking to enhance the reputation of the pharmaceutical industry through all of their PR initiatives.”
(Consultancy respondent)

“Work with our clients to help highlight the increasing transparency of their data and communications practices etc.”
(Consultancy respondent)

“I think there should be a sustained cross-industry programme of activities (not just a one-off hit) to improve the reputation of the industry and to improve market access to new medicines.”
(Industry respondent)



Conclusion

Conclusion – an opportunity to shape the future?

This report illustrates that the last year or so has been a time of huge change for healthcare communications and this is set to continue. We are moving towards a much broader definition of communications that goes beyond classical 'PR' and 'medical education'.

Whilst diversifying to provide the new services required in a changing environment, communicators must take care not to lose sight of the strategic overview amidst an array of new tactical approaches.

Whilst we can't change the economic or political situation, or remove regulatory barriers, what can communicators, with the support of the HCA, do to address the pressures that are affecting our industry and help positively influence the outcome?

- We must continue to work within the Code in a responsible and transparent fashion.
- We can champion all that our industry has to offer and help people to understand how they can use the whole communications spectrum to achieve their goals rather than focusing on what *can't* be done.
- Instead of being introspective we can work in tandem with key industry leaders to play an active role in positively influencing the reputation of the industry, where this relates to communications.

These actions will improve the environment in which we operate, from which continued investment in the industry, increased access to medicines, and a balance between regulation and undue restriction of practice can follow.

“ This year's benchmarking survey has clearly highlighted how healthcare communications has evolved in a relatively short space of time to address the various and changing pressures facing our industry. It has also presented us with a number of continuing challenges going forward. As I write this at the end of 2008, at a time of even stronger economic pressures and uncertainty, the need for healthcare communicators to unite and meet these challenges head on has never been greater ”

(Sarah Matthew, Chair, Healthcare Communications Association, Joint CEO, Virgo HEALTH)