

## **Big Pharma Spends More On Advertising Than Research And Development, Study Finds**

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A new study by two York University researchers estimates the U.S. pharmaceutical industry spends almost twice as much on promotion as it does on research and development, contrary to the industry's claim.

The researchers' estimate is based on the systematic collection of data directly from the industry and doctors during 2004, which shows the U.S. pharmaceutical industry spent 24.4% of the sales dollar on promotion, versus 13.4% for research and development, as a percentage of US domestic sales of US\$235.4 billion.

The research is co-authored by PhD candidate Marc-André Gagnon, who led the study with Joel Lexchin, a long-time researcher of pharmaceutical promotion, Toronto physician, and Associate Chair of York's School of Health Policy & Management in the Faculty of Health.

"In our paper, we make the case for the need for a new estimate of promotional expenditures by the U.S. pharmaceutical industry," says Gagnon. "We then explain how we used proprietary databases to construct a revised estimate and finally, we compare our results with those from other data sources to argue in favor of changing the priorities of the industry."

The study is important because it provides the most accurate image yet of the promotional workings of the pharmaceutical industry, says Lexchin.

The authors examined the 2004 reports of IMS Health (IMS) and CAM Group (CAM), two international market research companies that provide the pharmaceutical industry with sales/marketing data and consulting services. IMS obtains its data by surveying pharmaceutical firms, while CAM surveys doctors, which explains important discrepancies in the data they provide.

The researchers used 2004 as the comparison year because it was the latest year in which information was available from both organizations.

CAM reported total promotion spending by the U.S. pharmaceutical industry as US\$33.5 billion in their 2004 report, while IMS reported US\$27.7 billion for the same year. The authors observed, however, important differences in figures according to each promotion category. By selectively using both sets of figures provided by IMS and CAM, in order to determine the most relevant data for each category, and adjusting for methodological differences between the ways IMS and CAM collect data, the authors arrived at US\$57.5 billion for the total amount spent on pharmaceutical promotion in 2004. The industry spent approximately US\$61,000 in promotion per physician during 2004, according to Gagnon.

“Even our revised promotion figure for 2004 is apt to be understated, as there are other promotion avenues that are not likely to be taken into consideration by IMS or CAM, such as ghost-writing and off-label promotion,” says Gagnon. “Also, seeding trials, which are designed to promote the prescription of new drugs, may be allocated to other budget categories.”

IMS and CAM data were used for comparison purposes because data from both are publicly available, both operate globally and are well regarded by the pharmaceutical industry, and both break down their information by different promotion categories. Most importantly, the two organizations use different methods for gathering their data, allowing the researchers to triangulate on a more accurate figure for each promotion category.

The authors focused their study on the United States because it is the only country in which information is available for all of the major promotion categories, and it is also the largest market for pharmaceuticals in the world, representing approximately 43% of global sales and global promotion expenditures.

Gagnon’s and Lexchin’s new estimate of total promotional costs is also consistent with estimates of promotional spending by the U.S. pharmaceutical industry from other sources they scrutinized, including reports by Consumers International, a non-governmental organization which represents consumer groups and agencies worldwide; Office of Technology Assessment, which extrapolated results from the cost structure of Eli Lilly, a global pharmaceutical company; Marcia Angell, former editor-in-chief of the New England Journal of Medicine, who extrapolated data from Novartis Inc., a company which distinguishes marketing from administration expenditures in its annual reports; and the United Nations Industrial Development Organization.

As well, note the authors, the number of meetings for promotional purposes has dramatically increased in the U.S. pharmaceutical industry, jumping from 120,000 in 1998 to 371,000 in 2004, further supporting their findings that the U.S. pharmaceutical industry is marketing-driven.

Thus, the study’s findings supports the position that the U.S. pharmaceutical industry is marketing-driven and challenges the perception of a research-driven, life-saving, pharmaceutical industry, while arguing in favour of a change in the industry’s priorities in the direction of less promotion, according to Gagnon and Lexchin.

Their study, “The Cost of Pushing Pills: A New Estimate of Pharmaceutical Promotion Expenditures in the United States,” appears in the January 3, 2008 issue of PLoS Medicine, an online journal published by the Public Library of Science.

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