Pharmaceutical Marketing: Transactional or Relational Exchange?

Michel Rod, University of Calgary, Canada
Stan Paliwoda, University of Birmingham, UK

Abstract

The objectives of this paper are to bring together two very topical issues in marketing - pharmaceutical promotion and the movement to a more relationship-based orientation in marketing as well as to address the question of how relationship marketing will affect the marketing of pharmaceuticals to healthcare practitioners.

Introduction

Most marketing academics suggest that we are in the midst of a major shift in the study and practice of marketing - a "fundamental reshaping of the field." (Webster 1992). The classical approach to marketing has emphasized transactional exchange, in which elements of the marketing mix (product, price, promotion, place: the 4Ps) are combined and modified to maximize sales of particular goods and services within a passive consumer market. The new marketing paradigm focusses on marketing as relational exchange, where the ultimate goal is to engage the customer in integrative, long-term, mutually-beneficial relationships that see repeated transactions as a natural consequence of establishing, maintaining and enhancing these relationships. This movement to what is known as 'relationship marketing' has been heralded as a genuine paradigm shift in marketing. The majority of research and theory development in transactional marketing has utilized the transaction as its unit of analysis, and focussed on actors within the traditional channels of distribution. Relationship marketing sees the relationships among actors as the units of analysis and has moved beyond the distribution channel to include such non-traditional marketing relationships as those between an organization and its competitors, regulatory agencies, governments, special interest groups, academic institutions, and other interested stakeholders. Even though there are those who question this transition (Rosenfield 1999), or question the long-term success of a relationship marketing orientation (Grayson 1999), relationship marketing (RM) is being heralded as the future of marketing practice, as well as being a fruitful area of research so much so that entire journal issues have been devoted to this subject (see Journal of the Academy of Marketing Science, vol. 23, no. 4, Fall 1995 and International Business Review, vol. 4, no. 4, 1995, Industrial Marketing Management, vol. 26, 1997, Journal of Business Research, vol. 39, no. 1, May 1997, Journal of Marketing Management, vol. 13, 1997). A fairly consensual view of RM is that it relational exchange falls on a continuum with the relational bonds ranging from transactional to highly relational (Garbarino and Johnson 1999).
Although pharmaceutical promotion seeks to facilitate rational decision-making by all parties involved through the *exchange of information*, another significant objective is to *persuade* healthcare practitioners to select promoted product (Pathak et al. 1992, Taylor 1999). The objectives of this paper are i) to discuss this shift to a relationship orientation, and ii) to describe a pilot case study that examined the degree to which RM has influenced (or been accepted by) the pharmaceutical industry.

**Relationship Marketing**

Numerous authors have concluded that RM represents a paradigm shift in marketing (Webster 1992, Grönroos 1992, 1994, Parvatiyar et al. 1992, Sheth et al. 1993, 1995) - from a preoccupation with the four P's of the marketing mix and short-term, transaction-oriented goals to long-term relationship-building goals. Grönroos (1994) states that RM includes: i) a strategy to attract, maintain and enhance customer relationships, ii) the creation and maintenance of lasting relationships rewarding for both the firm and its customers, iii) an approach that aligns marketing, customer service and quality with a long-term emphasis on customer retention, service, contact and commitment, and iv) a strategy where the management of interactions, relationships and networks are fundamental issues. Morgan and Hunt (1994) describe RM as "encompassing all marketing activities directed towards establishing, developing and maintaining successful relational exchanges". RM deals with the shift in marketing practice from one of basic economic exchange between buyers and sellers to one of developing buyer-seller relationships centered on the entire customer relationship rather than the individual sales transaction.

What have been the drivers of this shift in perspective to a more relational approach to marketing? Globalization, the total quality management movement, a shifting of the balance of power in favour of the customer, and rapid technological developments have all contributed to a questioning of the basic tenets of transactional marketing (Sheth et al. 1993, 1995). Transactional marketing contends that a) competition is the sole driver of value creation, and b) independence of actors/organizations creates a more efficient system for value creation and distribution. Each of these assumptions is challenged by relationship marketing's view that it is cooperation rather than competition that leads to higher value creation; and that because all transactions involve transaction costs among independent actors/organizations, interdependence among transacting parties will reduce these costs, keep quality standards higher, and increase the efficiency of exchange governance. Because market economics has shown that it is more expensive to attract new customers than retain existing ones, RM has emphasized customer retention strategies. The shift from transactional marketing to RM can then be seen as a movement away from competition and independence to cooperation/collaboration and interdependence. The RM literature emphasizes the identification and operationality of certain factors important in developing and maintaining collaborative cooperative relationships, including benevolence, trust, credibility, and truthfulness.
We will describe a pilot study that examined the attitudes towards, and familiarity with, the concept of relationship marketing amongst a group of healthcare professionals and pharmaceutical sales representatives in Calgary, Canada. This study employed an interview format to illustrate the interactions between the 'marketers' and the targets of their marketing efforts. The existence of RM in an industry where regulation and scrutiny is ever-increasing would be determined by observing the interactions/relationships between drug company representatives and health care practitioners. Personal field experience, casual observation, and a review of the literature suggested that an additional objective of this study should be to illustrate the attitudes/perspectives held by health care practitioners towards pharmaceutical promotions especially with respect to activities of pharmaceutical sales representatives. For this pilot study, it was further assumed that attributions of meaning and interpretation of guidelines and marketing codes would play an important role in determining both attitudes towards pharmaceutical promotions and the nature of the relationship(s) between the drug company representatives and health care practitioners hereafter referred to as HCP's, i.e., physicians, pharmacists, nurses. Thus, every attempt was made to let the interviewee determine the flow and content of the interview.

Pharmaceutical Marketing

Although there are several distinct marketing channels in the promotion of pharmaceuticals i.e., direct to the consumer (McKechnie 1999) and between industry and government regulatory agencies and/or third-party payors (Mott et al 1999), this paper will focus on the more traditional industry-to-healthcare provider channel. The pharmaceutical promotions literature is characterized by an ongoing debate between those who view pharmaceutical promotions as a necessary vehicle for the exchange of scientific information between interested parties and those who see it as undermining the unbiased exchange of scientific information in an attempt to simply sell product (Montagne 1992, Kessler 1991, Lexchin 1994, Bleidt 1992, Pathak et al 1992, Taylor 1999). Those adopting the latter view are in favor of strict regulations that attempt to ensure that when used for prescribing, this information is sound (Lexchin 1994). Waud (1992) states an even stronger position:

"From the press, one can get an idea of what it costs to buy a judge or a senator generally, thousands of dollars. But you can buy a physician for a pen or some pizza and beer for a departmental meeting."

On a more positive note, Bleidt (1992) suggests that drug promotions serve as a prescriber's primary informational source, implying that strict regulations and a highly regulated environment will ensure that the informational/educational component will allow the prescriber to make sound prescribing decisions. Similarly, Levy (1994) comments that although some believe promotions to be biased and of dubious value as a source of information, physicians are well aware of these biases and take them into consideration when prescribing. He further states that credibility, trust and accurate claims about their products must be foremost in the representative's promotional material.
in order to facilitate the development of ongoing relationships with physicians. Dickinson (1992, 1994) comments that given the extent to which regulatory bodies monitor pharmaceutical promotions and the formation of strategic alliances between major multinational pharmaceutical and pharmacy management companies, pharmacists can be relied upon to act independently, and use their professional judgment when choosing and recommending medications. However, a recent UK House of Commons Health Select Committee report (cited in Taylor 1999) indicated that pharmaceutical company information provided to physicians:

"in such profusion must be a factor in influencing GPs to prescribe expensive brand name products.....there is a clear disproportion between promotional spending by the industry and spending by the Department of Health on objective and neutral information”

An interesting and animated series of letters to the editor arguing both sides of the debate appeared in an issue of Archives of Family Medicine (Shaughnessy et al. Chambliss. Deamer. Goldstein et al. Levy 1994): the least polarized and most succinct contribution was made by Thompson (1994):

"Drug companies are not charitable organizations. They are in the business to make a profit. Fortunately for society, their products happen to save lives."

This conflict between medical needs and marketing needs illustrates the divergence in perspective between the pharmaceutical firm's shareholders, whose objective is that research and development (R&D) and marketing should increase profits versus the societal view that R&D's objectives should be to produce drugs that increase the quality of life through reduced morbidity and mortality (Myers 1992). Myers' (1992) overall theme is that marketing activities provide a valuable mechanism for both determining and satisfying consumer needs. Even criticism leveled at firms whose promotions are directed at protecting or establishing a market position by introducing products with incremental changes indicate that they often provide some societal benefit - whether through improved patient convenience or price competition. An excellent recent review article encapsulates the range of pharmaceutical marketing strategies evident in the UK (Taylor 1999).

**Pilot Study - Calgary**

The following individuals were contacted and agreed to be interviewed for the purpose of this study:

1. Physician # 1 - specialist
2. Physician # 2 - family physician
3. Nurse
4. Pharmaceutical Sales Representative # 1
5. Pharmaceutical Sales Representative # 2
6. Chain Retail Pharmacist

*in McLoughlin, Damien. and C. Horan (eds.), *Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999*
Since the objectives of the pilot study were to describe the attitudes perspectives of a sample of HCP's towards pharmaceutical promotions and to have them describe the types of interactions/relations that were developed, it was felt that including the seller's perspective (Pharmaceutical Sales Representatives) would provide for a more balanced set of data. This small number of HCPs was not necessarily representative of the entire population, but would give a sense of the attitudes and levels of awareness present in this small sample.

Both pharmaceutical sales representatives worked for rival firms, covered the same territory, and maintained regular contact with the specialist and the nurse; the independent retail pharmacist served a number of the specialist's patients. Out of the eight interviews, five individuals knew each other, which made for interesting discussion. This enabled the author to compare how both sides of the relationship viewed their interactions with one another. Informal, conversational interviews were important in uncovering and describing the interviewees' perspectives on the phenomena of interest, i.e., their subjective views were what mattered (Marshall & Rossman 1995).

Interviews were conducted in a setting of the interviewee's choosing and informed consent was obtained verbally in addition to assuring anonymity of respondent and confidentiality of material. Each interviewee was told of the author's interest in relationship marketing; especially with respect to HCP-pharmaceutical firm interactions and the pharmaceutical sales representative as interface in this potential relationship. Interviews ranged from 45 minutes to two hours. Since it was felt that respondents would be more "revealing" without the presence of a tape recorder, records of the interview were restricted to agreed-upon note-taking, which were reviewed and clarified within twelve hours of each session in order to assure their accuracy.

**Results and Interpretation**

**Pharmacists**

Unlike the divergence of views in the literature, the pharmacists held similar views towards pharmaceutical promotions, identifying both an informational and marketing component to these promotions. They saw information regarding new pharmaceutical products or changes to existing products in the areas of dosage, potential therapeutic outcomes or newly-approved indications as worthwhile, whereas detailing established products by sales reps was viewed as being purely promotional. The hospital pharmacist was the most outspoken in his assessment of pharmaceutical promotions, stating that he did not look forward to seeing reps, and viewing them as "slick salespeople" using "standard sales pitches" to get their particular product(s) on the hospital formulary. His preference was to see or speak to reps only when there were problems with orders or when he needed to report problems with specific drugs.

*in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999*
Based on the frequency with which physicians lobbied the pharmacy and therapeutics committee to have particular pharmaceuticals added to the hospital formulary, he saw physicians as being greatly influenced by the reps. This finding supports a study (Poirier et al 1994) in which a sample of physicians and pharmacists were surveyed with respect to their attitudes towards pharmaceutical marketing practices. The study's conclusion was that HCP's believed that pharmaceutical marketing practices:

"create potential ethical dilemmas that may compromise the objectivity of formulary decisions."

The chain retail pharmacist made the comment that had he been an avid golfer, he would have the opportunity to golf three times a week free of charge, based upon invitations from sales representatives. Acceptance of these invitations would appear to contravene the Canadian Pharmaceutical Association's guidelines with respect to 'gifts, donations and samples': "Gifts or donations of a personal nature should not be accepted". (CPhA guidelines, pg. 39). This pharmacist did not particularly like reps, especially when they failed to make regular calls or pursued their detailing responsibilities. He did, however, want reps maintaining regular contact to check on inventory, give credit, and pick up stock that was past its due date. He noted that the reps always seemed to be either too busy or away when their presence was required for anything other than detailing. As a result, this pharmacist's biggest pet peeve was having to "swallow the loss" on products that were past due. Although he established an informal atmosphere in the store where everyone was on a first name basis, he resented sales reps waltzing in unannounced for the first time in a couple of years and chatting him up on a first name basis.

Continuing professional education and patient education were the common themes identified as interactions/relationships that might constitute relationship marketing. Other actions identified as valuable and highly beneficial to the relationship between pharmacist and customer were informational/educational information from the pharmaceutical manufacturers directed to the patients (e.g. blood pressure charts, asthma flowmeter charts, etc.).

The independent retail pharmacist noted that some customers insisted that their prescriptions be filled at his location rather than pharmacies much closer to their homes because of such drug company value-added services as computer software that enabled him to provide customers with a printout detailing the indications, dosage, contraindications, side effects and other aspects of their medication.

The hospital pharmacist remarked that drug companies offered an abundance of money to his department for educational purposes. He stated that because the drug manufacturers have to invoice all hospital pharmacies the same price for goods, they establish good relations with pharmacy purchasing people by offering year-end refunds/rebates based upon volume purchased over the year. They also "bundle" products, where special deals can be offered when a mixture of products is purchased. The educational component comes from purchase incentives where pharmacies were encouraged to purchase a pre-
determined amount of a particular product in exchange for significant sums of money towards educational functions.

The independent retail pharmacist expressed an interest in changing from a system of what he regarded as essentially wasteful free samples of product to one of re-imbursements of trial prescriptions. Patients would receive a trial prescription with some sort of re-imbursement from the manufacturer rather than a free sample of medication from their physician. It is obvious that under a system of free samples, the pharmacist loses the opportunity to profit, whereas under his suggested trial prescription system, he is able to charge his usual dispensing fee. This attitude is in marked contrast to most physicians, who appreciate the opportunity to dispense free samples to their patients. This typifies relationship marketing at the operational level, as free samples not only enhance the relationship between physician and sales rep., but also between physicians and their patients.

Physicians Nurse

This group was expected to provide especially interesting discussion because, unlike retail pharmacists running businesses, the physician/nurse has no direct income potential from prescribing drugs. Both physicians held moderate attitudes towards pharmaceutical promotions by reps.

The specialist admittedly used the reps as an information resource for both himself and his patients and had no problem requesting textbooks or informational pamphlets for the patient library. In return, he felt no obligation whatsoever to reciprocate by prescribing the sales rep’s products exclusively. His choice of prescription depended upon several factors: patient history, patient response to trial usage, cost to the patient if they had no coverage, and drugs covered by patients’ insurance plans. One pharmaceutical company had, in fact, spent a large sum of money sponsoring educational training for one of the physician's employees (presumably in the hope of convincing the clinic physicians to prescribe its product versus its competition's cheaper one).

He felt that he knew more about what they were detailing than sales reps did, most of what they did being purely promotional; the bottom line for him was patient care. As with the hospital pharmacist, long term relations were in the form of educational sponsorship. Material for the patient library as well as patient information sessions were some of the means by which the drug companies attempted to develop something more than just transactional exchange.

The family physician was insightful as he had a keen interest in business, and marketing in particular. This interest was made apparent by his attitude towards the pharmaceutical reps. He enjoyed meeting with them as long as they booked appointments and presented a very casual atmosphere. He did not like the “rehearsed sales approach”, to which most
reps reverted if they were accompanied by an immediate supervisor. He divided his visits into "updates" - where new information was provided, and "maintenance" visits - where the rep "just checked in" to inquire as to what he could do for the physician and to leave samples.

His overall attitude towards pharmaceutical promotions by sales reps was that, although they did not influence his prescribing based on how or what they detailed, their sheer presence on a regular basis served as a "reminder" of the product. This continual product "awareness" led to prescribing those medications foremost in his mind, i.e., given no major differences between medications' efficacies. His view was that less than 5% of his encounters with drug reps provided new information; and that physicians should prescribe generic names, but that good marketing, easier spelling and ease of remembering has led to the prescription of brand names, e.g., 'Effexor' versus 'Venlafaxine hydrochloride'.

The nurse reflected many of the same views as the specialist. Her attitude was that, even though she was not the person writing prescriptions, the sales reps respected the fact that she had some influence over the physician. Her belief was that any interaction with sales reps should focus on patient care, and reflect honesty and sensitivity. She valued reps who did not insist on meeting with the HCP, even with a booked appointment, when the clinic was busy. She valued regular visits from reps with educational material for patients but not "as a ploy to push drugs." She had frequently requested textbooks and reference material for their patient library without feeling the need to reciprocate.

Pharmaceutical Sales Representatives

The interviews with the two pharmaceutical sales representatives provided a most enlightening portion of this pilot study. Obtaining their perspectives on pharmaceutical promotions and relationship development was particularly interesting - especially when attempting to decipher whether they were discussing their personal viewpoints or those of their respective organizations. What made for additional insights were the facts that, a) as previously mentioned, the two reps interviewed for this study were in direct competition with one another due to their coverage of the same territory and the similarity of products that each was detailing and b) each had marked differences in their personal selling approach.

General themes that dictated overall approaches to interacting with HCP's as observed in one rep, were being creative, demonstrating personal and professional integrity, utilizing a soft sell approach and personifying the marketing concept, as opposed to the sales concept, i.e., what are your present and anticipated wants and needs versus this is what I have and this is why you should purchase it. In one clinic where she met regularly with the specialist and nurse, the rep felt that a combination of lower prices and better relationship-building than the competition had resulted in almost exclusive use of her products. This particular rep had worked a long time to "win over" the clinic staff. Her sensitivity to the needs of the clinic, and ability to distinguish between opportune versus inopportune occasions to speak with staff members, and "extras" endeared her to a greater extent than the rival sales rep. "Extras" included dropping off fruit baskets or sandwiches.
when she knew that the clinic would be particularly busy without staying to speak with anyone; leaving packages of beernuts at the reception area 'anonymously' (professional guidelines prevented her from leaving any form of company card that would identify her as the source of these gifts, but she came to be identified as the rep who leaves beernuts); and inviting selected clinic members out for dinner (at her expense, rather than her company's) after having received a pay raise as a 'thank you' for the clinic being largely responsible for her increased sales. Many of these 'extras' are particularly interesting in light of each party's interpretation of professional guidelines.

The foregoing description is in marked contrast to the other sales rep from the rival firm, whose company had been the exclusive supplier to the clinic prior to the other firm's arrival onto the scene. Her approach was to "stretch the guidelines" even though she had pointed out that, not being a member of the Canadian Research Based Pharmaceutical Companies, her firm was not required to follow the association's guidelines. Her approach to detailing was very aggressive and she employed a number of individual skills. Her technique was to use events she determined were important to the HCP's to whom she detailed, e.g., family, pets, hobbies, birthdays, any recent publications etc., as a means of getting closer to them. She would compliment physicians on the family photos on their desks, their clothes, hair, general appearance, remember their birthdays, etc. She recognized that often, in rural areas, the individuals she visited looked forward to having someone to speak with, and she was able to capitalize on the fact that many of them found her engaging. Her comfort with this approach and the perception that she was not compromising her standards for the sake of a sale reflect Levitt's (1983) comments that salespeople need 'charisma', since it is charisma that closes a deal rather than the product's quality. In this article, Levitt likens buyer-seller relationship management to marriage:

"The sale, then, merely consummates the courtship, at which point the marriage begins. How good the marriage is depends on how well the seller manages the relationship. The quality of the marriage determines whether there will be continued or expanded business, or troubles and divorce."

For both sales reps, the approach to developing long term relations was contingent upon establishing rapport with clients and providing educational material as well as sponsoring educational forums (both for the patients and HCP's) - although establishing rapport was approached differently by each rep. How much of this difference in approach reflects the type of training that neophyte salespeople receive by their respective firms as opposed to their own stylized approach to selling i.e., an organizational policy/culture issue versus individual practices/values, is beyond the scope of this study, but it would be an interesting piece of research in its own right.

Discussion

This technical paper has discussed the paradigm shift that is occurring in marketing and illustrated a case in which there has been a long history of attempts by the selling firms to engage the customer in long-term, mutually-beneficial relationships. By looking at the...
interactions between a small group of healthcare practitioners and two competing representatives from the pharmaceutical industry, it was anticipated that elements of relationship marketing would be evident. The most telling example of this was that the clinic in this study was no longer doing business with a pharmaceutical manufacturer that had previously enjoyed a monopoly with the clinic physicians. Given the assumption that there was parity in terms of product performance between the two competing firms, switching had occurred because of extra-product features that typify the type of exchange that relationship marketing espouses.

Is there a way of predicting when marketing relationships will naturally emerge? Can relationship marketing be forced onto a market that prefers the more traditional transactional exchange paradigm? Is relationship marketing the most appropriate strategy for the pharmaceutical industry given the nature of regulations and scrutiny present? Christy et al (1996) suggest that there are several customer or market features as well as product or service features that will encourage the growth of relationships. These include:

- high involvement by the customer in the product field - this would be relevant in the pharmaceutical industry as healthcare practitioners must know about pharmaceuticals;
- customer uncertainty about a product field - this feature is relevant when new products are introduced and practitioners rely on the reputation of the pharmaceutical firm;
- the ability or preparedness to pay for more than just the product - this is not the norm in the pharmaceutical industry as any value-added services will probably be a cost-free means of differentiation;
- the customer will need to satisfy certain qualifying conditions - rebates and other purchasing incentives make this relevant;
- the need for higher than normal customization of the product or service; and
- a customer's perceived need for training - this is very relevant to the pharmaceutical industry as industry sponsorship of continuing medical education is synonymous with relationship marketing.

It was the aim of this paper to illustrate how evidence of relationship marketing is apparent in the marketing of pharmaceuticals, and the presented case supports this contention. The pharmaceutical industry can be viewed as having been proactive in its adoption of a 'relational exchange' orientation since relationship marketing and the development of key stakeholder relationships appears to have been implicitly practiced for quite some time. Increasingly, relationship marketing has a role to play in the emerging industry trend of outsourcing key facets of pharmaceutical marketing (Mitzen 1999) as well as personal selling and sales management (Weitz and Bradford 1999). However, a more explicit adoption and demonstration of the principles underlying relationship marketing would lead not only to more effective pharmaceutical promotions but also to an enhanced appreciation of the critical role that it plays in the effective delivery of healthcare services.

References

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999


*in* McLoughlin, Damien. and C. Horan (eds.), *Proceedings of The 15th Annual IMP Conference*, University College, Dublin 1999


