Widening the Focus
The Continuing Evolution of Healthcare Communications

10 years of the HCA Benchmarking Programme

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Introduction

Looking for a new agency? Changes in the last 10 years mean that your search criteria have probably evolved. For instance, many agencies have diversified to offer the wide variety of disciplines required in today’s world, including digital and market access expertise, so it helps to be clear about what you are looking for. What is their record for finding and keeping talented senior staff? How often do they train their staff on the Code so that they are able to offer sound and appropriate counsel? There have been changes in the pharma industry too, especially due to pressures on NHS budgets and the patent cliff. Communications budgets are generally getting smaller, and many pharma companies have sensibly adjusted accordingly by bringing commodity-based items, such as print, in-house. However, with smaller budgets it may be worth considering whether a pitch is necessary at all. This special report on 10 years of the HCA benchmarking programme offers insights into the agency world and its operation with pharma industry partners.

2012 marks the tenth year in which the HCA has conducted a survey amongst its consultancy members, identifying trends in activity patterns, working relationships and the external environment. We report here on the latest findings, as well as the patterns that have emerged through the survey over the last 10 years. To understand the in-house perspective on these trends, qualitative research was conducted amongst a small sample of senior communicators in HCA member pharmaceutical companies and their comments are included as quotations alongside the text. There is no doubt that it has become much tougher for both agency and in-house teams over the last 10 years, as pharmaceutical industry pipelines diminish against a backdrop of global recession. Yet at the same time the communications industry has responded to new challenges by diversifying its range of activities and capitalising on new technology, and it is growing in size and scope (according to the 2011 PR Week League Tables the total fee income for the top 25 healthcare agencies exceeded £77M). This report explores these dual and potentially contradictory themes – the evolving nature of communications activities and the pressure on communications budgets with which to deliver these - and looks at the implications for staffing and talent management and industry/agency relationships.

“There is nothing like a period of austerity to focus efforts and resources more carefully. As this 10-year special report shows, financial pressures on the industry have had a knock-on effect for agencies. However, for those agencies that adapt and demonstrate true value, it is clear there are great opportunities; only the smartest will survive and that requires top talent and investment in training. It will be just as important as ever in the coming years for agencies and clients to work together to demonstrate how communications efforts can make a real difference to the bottom line”

Claire Eldridge – Managing Director & Owner, Aurora and HCA Benchmarking Sub-Committee member
Evolution of communications activities

- Since the HCA first started measuring activity patterns we have seen a gradual shift away from “traditional PR” (such as media relations) towards the Medical Education/unbranded end of the spectrum.
- There has been an increased focus on strategic counsel, as consultancies recognise that this expertise is essential to bring value to their clients beyond the ‘nuts and bolts’ of a communications programme.
- In the most recent few years the importance of web-based/digital work has risen – both in terms of the proportion of agencies offering this and its increasing contribution to growth. Consultancies have also had to develop skills in other new areas such as market access.
- More agencies now define themselves as ‘Communications consultancies’ as opposed to ‘PR’ or ‘Medical Education’ (70% in 2011-12) and tend to cover a broad range of activities. Fig 1. shows the most common offerings.
- Pharma companies are also developing more sophisticated expertise in different areas and this can mean fragmentation into specialist departments such as customer relations and government affairs. Some activities may be brought in house – e.g. internal communications, both to keep control of the message, and as a result of declining budgets.
- Whilst ABPI Code changes were, a few years ago, seen as one of the biggest industry ‘issues’, the ability to respond to regulatory change now appears to be embedded, with sign-off time built in and the ability to adapt and be creative as well as compliant. Nevertheless, the impact on staff time and training requirements for both pharma and agencies is significant.
- Recruitment has remained the number one issue for consultancies over most of the last 10 years. There has always been competition for talented/senior staff, and the need to find specialists in new areas such as digital has provided an additional, more recent challenge which keeps this issue at the fore.
- Looking at consultancies’ staffing profiles, there has been a shift to a more senior profile – in 2011, 45% of staff were at account director level or above, compared to 34% 10 years ago, reflecting the client need for higher level strategic input.

“Agencies have the regularity of contact with the media – even if we have media skills we can’t use them on a daily basis. Fresh thinking and creativity are also important because we need new ideas – e.g. what can be done with digital/social media and ideas of how to work with patient groups etc. We can learn from agencies because of the range of work they do, and get exposure to – whereas we are just working in one company”

“A big change towards market access and the NICE/HTA agenda, and now QOF, QIPP and local blacklisting – our communication has evolved – it’s no longer just disease awareness/ general education but more about earlier access to medicine”

**Fig 1. Most common communications activities – percentage of consultancies offering**

- Meetings and events: 96%
- Web-based communications/digital media: 93%
- Professional relations: 86%
- Key opinion leader development: 86%
- Strategic counsel (PR): 86%
- Strategic counsel (Medical Education): 82%
- Internal communications: 82%

(2011-12 Benchmarking Survey data)
Pressure on communications budgets

Falling budget size

• There has been a significant drop in the size of communications programme budgets compared to 10 years ago (Fig 2.). Both agency and pharma report that more project work is taking the place of full programmes.

• Linked to this, the mean fee income received by agencies per client account has been declining year on year (Fig 3.). The result is that the number of accounts worked on by each staff member has increased, as more accounts are needed to bring in the same income.

• In 2011, 80% of agencies were on the receiving end of budgets being cut once work had commenced, impacting on both turnover and resourcing.

• In 2011, 50% of programmes were commenced prior to formal authorisation in terms of a contract or purchase order, leaving agencies reliant on clients’ goodwill.

Procurement and Agency selection

• There has been a decline in the proportion of agencies increasing their standard billing rates each year, and a clear trend towards more pressure for agencies to discount their fees, with fee for volume discounts being the most common specific arrangement.

• This increased pressure on agency fees is clearly linked to the development of the procurement function. Whilst procurement clearly has an important role to play in the selection process, problems arise when there is a lack of appreciation of what healthcare communications involves and why it cannot be treated as a commodity product.

• Consultancies are sometimes asked to discount their fees to a prohibitive level – a worrying scenario results if agencies are tempted to agree to loss-making terms in the hope that it will lead to future business, as this creates a client expectation that is unsustainable.

• In addition, there are new areas of non-billable spend such as additional Code training, time spent on the procurement process and CSR initiatives – costs that are harder for agencies to absorb as client budgets tighten.

• Pharma companies are increasingly sourcing certain ‘commodities’ such as print and travel themselves, using consultancies for the core communication skills that they do best – a positive response to budget pressures.

“The move away from annual programmes to individual projects is less rewarding in a way. When you had an annual programme you could see you were building a momentum and really adding value to the business, whereas with project work it’s hard to see the impact or build connections or relationships. I think eventually people will reflect and say ‘We’re missing out here’”

“The difficulty is that sometimes budgets are cut before you have had time to see a return or because of a senior personnel change. We are sometimes dictated to by the 12 month planning cycle and this doesn’t suit the way comms activities work – you end up sometimes choosing those activities that will show a return in the time period, rather than those that are best”

“The process is more focussed on saving money than delivering value – very frustrating. Relationships and credibility that agencies have are often secondary to cost and not given the correct level of consideration – reducing PR to the level of office stationery. It’s a false economy – as agencies appointed on cost considerations sometimes have to be replaced as they are not up to the job”

“Overall we are doing fewer pitches – we tend to do more credentials. For smaller projects we tend to award without a pitch – it’s not fair to ask an agency to pitch for a small amount of work”
Pressure on communications budgets continued

- With today’s pattern of a greater number of lower value accounts, it may be harder for agencies to recoup their investment in pitches. Fig 4. Illustrates the significant cost of pitching for healthcare communications programmes. The relatively small differential between UK and larger global pitches indicates that there are some economies of scale, which conversely suggests that pitches for lower value accounts are likely to be costly relative to the potential business to be gained.

- It is positive to note that there has been an increase in the proportion of new accounts being gained without a pitch – up from less than a third 10 years ago to just over half in 2011. However this may simply be reflective of more lower-value accounts that don’t warrant a pitch.

- Online auctions have become a reality, but participation appears to be declining, having peaked in 2009 (when two-thirds of agencies had taken part in at least one). This suggests that either online auctions are becoming less popular with clients as they realise that communications services cannot be fairly selected in this way, or that agencies are simply deciding not to take part.

Implications for Agency function and offerings

- Agencies wait an average total time of three months from commissioning to payment, unchanged over the last few years despite the increasing sophistication of pharma company finance systems. The time taken to raise a purchase order contributes significantly to delays, which can create cash flow and staff planning difficulties for consultancies, potentially compounded by the move away from annual retainers to more project work.

- There has been a shift towards a much ‘leaner’ consultancy staffing profile, with administrative functions being pared down to around 5-10% of staff as opposed to almost 20% 10 years ago. Of course this may also reflect efficiencies brought about by new technology.

- Another area that may have suffered from budget cuts is training – average agency training spend has changed little over the whole 10 years that it’s been measured, despite the need to up-skill staff in new areas and the requirement for ongoing, specific ABPI Code training.

- Consultancies have also cut back on staff benefits, with salary bands changing little over 10 years, especially at junior levels, and some of the more attractive perks – notably company cars - now the exception rather than the norm.

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The HCA has produced a ‘Pitching Code of Conduct’ which member companies are encouraged to adopt, to help foster best practice in an area that represents a significant time investment for both client and agency (see Appendix 3).
Looking to the future

The HCA’s research reinforces the importance of industry and agencies working in partnership to demonstrate and deliver the value that communications can bring, which has always been a fundamental tenet of the HCA.

Despite the economic uncertainty and expected continuation of pressure on communications budgets, the findings indicate that there are still opportunities for companies that are able to demonstrate value and capitalise on new opportunities. Also, the impact of the recession on pharma may provide opportunities for those agencies that can respond flexibly to pharma companies’ resource needs.

“We (in communications) are usually the people responsible for meaningful dialogue with the media, patient groups and policy makers – so we have an important role and we do provide value. But as blockbusters become a thing of the past and the cost cutting environment becomes the norm it will be tough, so agencies need to keep evolving and keep having conversations with us about how we maintain a sustainable business model. We also need to keep talking about the opportunities that are emerging. For example, the cost-cutting agenda in the NHS is an opportunity for us to demonstrate the value that innovative medicines and technologies bring.”

Philippa Manning - Director, External Communications, GlaxoSmithKline UK

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Harry Brady - Communications Leader, External Affairs, MSD UK

“The outlook is generally good for healthcare communications: There is a proliferation of new media vehicles and consequently journalists have more space to fill. Couple that with the fact that new scientific research is always interesting and we, as a society, are taking healthcare into our own hands and want to know what that latest scientific research is. It makes for a potent combination of increased supply and demand. We just need to further convince Procurement and Marketing of the value of Communications in order to secure the necessary financial budgets to deliver excellent healthcare communications. Then we can look forward to a bright future”

Jo Taylor - Communications Director, Daiichi Sankyo UK Ltd.

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Philippa Manning - Director, External Communications, GlaxoSmithKline UK

The HCA would like to thank Chandler Chicco Companies for their support with the design of this report
Appendix 1: About the HCA

The Healthcare Communications Association (HCA) was founded in July 2001 as an independent, not-for-profit organisation with the stated aim of promoting excellence and best practice in the field of healthcare communications. It grew out of the recognition that healthcare communications was playing an increasingly pivotal role in the strategic marketing plans being developed for pharmaceutical products and deserved a representative body to champion its cause.

The HCA is now a high profile and influential player in the healthcare arena. It has sufficient influence and credibility to shape opinion and lead debate and is flexible and progressive enough to respond to changing circumstances. Membership has expanded rapidly and the HCA now counts a significant proportion of the leading communications consultancies and pharmaceutical companies among its members.

Contacts

HCA BENCHMARKING SUB-COMMITTEE

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Polly Purser, Chandler Chicco Companies (Human Resources)
Mark Swainson, Virgo HEALTH (Finance)

HCA Website - www.hca-uk.org

Appendix 2: About the HCA Benchmarking Survey

This is the tenth year that the HCA has been successfully running a Benchmarking Survey as a service to communications consultancies. The 2011-12 survey, conducted in May-June 2012, attracted participation from 28 HCA member companies, with broad representation across the spectrum of those providing PR and Medical Education services. Benchmark data is collected for the previous full year – in this case the year to December 2011 – but participants were also asked to comment on the latest emerging trends at the time of completing the survey.

As well as the topics commented on in this report, the survey included in-depth sections on financial performance & billing and salaries & benefits, the findings of which are shared only with participants, due to the sensitivity of the information and to recognise their commitment to the process.

A key objective is to gain insights that will enhance the HCA’s role in promoting best practice and fostering productive working relationships between individuals and organisations. The benchmarking exercise is handled according to the strictest codes of confidentiality, carried out by a specially commissioned, independent market researcher in order to guarantee anonymity and confidentiality, with no data being attributed to individuals/companies or even seen or shared with anyone else from the HCA.

Survey participants have received detailed reports covering all aspects of the findings. Whilst they cannot be publicly named for reasons of confidentiality, the HCA would like sincerely to thank all those individuals that took the time to contribute to this important exercise.

Note: The consultancy survey is completed by one key individual (typically the agency MD), with input from finance and/or human resources as required. These individuals are in a good position to give an overview of what is happening within their own organisations, as well as the prevailing attitudes towards communications, though the survey does also reflect the personal opinions of those individuals who responded.

In addition this year, qualitative research was conducted amongst a small sample of senior communicators in HCA member pharmaceutical companies, in order to understand the in-house perspective on the issues identified in the survey. Each of the quotations is the opinion of a single individual, and may not necessarily reflect the views of others. Moreover, inclusion of the quote in this report does not imply endorsement by the HCA.
**Appendix 3: HCA Pitching Code of Conduct**

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<thead>
<tr>
<th>AS A GOOD CLIENT WE WILL...</th>
<th>AS A GOOD AGENCY WE WILL...</th>
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<tbody>
<tr>
<td>Only pitch when we have a genuine requirement for agency support</td>
<td>Decline to pitch if we cannot devote the appropriate time or dedicated account team to the pitch and subsequent business</td>
</tr>
<tr>
<td>Consult the incumbent before briefing other agencies</td>
<td>(As the incumbent) expect an honest appraisal of the background to the pitch</td>
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<tr>
<td>Prepare a thorough written brief and set aside time to clarify the brief/answer questions</td>
<td>Expect a thorough written brief and the time to speak to/ opportunity to meet the client team to ask questions and clarify the brief</td>
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<tr>
<td>Involve all key stakeholders, including procurement and communications, from the outset of the process and allow equal access to them</td>
<td>Engage with all key stakeholders from the outset of the process</td>
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<tr>
<td>Share other key aspects of the marketing mix if appropriate, so that an integrated communications plan can be proposed</td>
<td>Share ideas in good faith that they will not be used by another winning agency</td>
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<tr>
<td>Allow at least three weeks between receipt of the brief and the actual pitch date to give time to prepare, and if possible provide a choice of dates</td>
<td>Require sufficient time to respond to a pitch brief (at least three weeks) and would welcome a choice of dates for the pitch</td>
</tr>
<tr>
<td>Limit the number of agencies pitching to no more than four and share this number with all those involved</td>
<td>Reserve the right to leave the pitch process if the number of agencies is discovered to be too high</td>
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<tr>
<td>Ensure everyone’s time is put to best use by exploring parameters that could be ‘deal-breakers’ (e.g. team chemistry, billing rates) in advance of the pitch</td>
<td>Take part fully in any pre-pitch selection criteria such as chemistry meetings and procurement discussions, with openness and honesty</td>
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<tr>
<td>Explain the criteria you will be assessed against</td>
<td>Decline to pitch if we are unable to meet the requirements of the brief or lack the required expertise/knowledge</td>
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<tr>
<td>Give a clear indication of the programme size and scope and if possible, provide a precise budget</td>
<td>Commit to present proposals that come within the budget where one is given, but not be constrained by budget where no indication is given, nor expect to be judged for this</td>
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<tr>
<td>Not ask for an entire programme to be accompanied by detailed budgets and timelines at pitch stage</td>
<td>Provide billing rates and guideline costs for programme elements</td>
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<tr>
<td>Expect to see at the pitch the actual team who will be working day to day on the account</td>
<td>Ensure that the pitch team as far as possible represents the actual team who will be working day to day on the account</td>
</tr>
<tr>
<td>Ensure that the key decision-makers are present and that there is consistency in attendees at all agencies’ pitch presentations</td>
<td>Ensure that any senior presence at the pitch will be reflective of their continued involvement if awarded the business</td>
</tr>
<tr>
<td>Set a date by which a decision will be made and constructive feedback given and keep you informed if this changes</td>
<td>Appreciate timely, honest and constructive feedback as soon as possible following the pitch decision</td>
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