

## Pharma Tackles the Social Network

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While many industries have streamlined their marketing and sales efforts with various online platforms such as Facebook, Myspace, Digg, etc., pharmaceutical companies are still trying to tackle social networking. Whether it is the fear of increased adverse event reports or FDA regulation of patient and physician interaction, pharmaceutical companies are still weighing the positives and negatives of Web 2.0.

As pharma continues balancing the proposition, another player from the health care industry, Web MD, a site complete with interactive tools such as blogs, message boards, ask an

expert, etc., just announced, on Feb. 19, a 15 percent increase in total revenue, a 21 percent increase in online ad revenue with 54 million unique monthly users and 1.3 billion quarterly page views for the fourth quarter of 2008.<sup>1</sup> For any digital or print media, these are impressive numbers, but what exactly is Web 2.0 and what are the issues pharma faces if it chooses to embrace the platform?

According to Tim O'Reilly, "Web 2.0 is the business revolution in the computer industry caused by the move to the Internet as a platform, and an attempt to understand the rules for success on that new platform."<sup>2</sup> As opposed to using a business model charging the end-user for software or content, Web 2.0 encourages providing free services to develop large networks of users that industries hope to reach that will buy their product. For instance, Sermo, a social networking site for physicians, provides a free service for physicians to communicate and engage each other on various topics ranging from treatment options to quality of

life discussions, however it creates revenue by charging government, finance and health care organizations for the right to view and observe physician interaction on Sermo.<sup>3</sup>

Another aspect of Web 2.0 is the idea that information should be free and open to everyone. Web 2.0 platforms encourage derivative works, user tagging of popular items, compatibility between services, and the integration of multiple mediums such as video, audio, photo or touch technology. A great example of this philosophy is Add This, a small bar that Web sites can integrate to postings that immediately makes their site one-click compatible with Facebook, Digg, Twitter, etc. If a user visits an online retailer<sup>4</sup> like Wal-Mart and sees an item she/he likes, the user in one click can post the item to all the networks they belong to.<sup>5</sup> Instead of your traditional push marketing approach which relies on costly advertiser generated impressions, social network marketing allows companies to touch a larger base at a lower cost per impression through "word of mouth."

While this type of marketing is inexpensive and can be very effective, the drawback is the human element. Social network marketing programs are unpredictable because they rely on user interactivity to make the marketing campaign a success. With interactive Web 2.0 platforms, inevitably, there are iterations of the message which become distorted or manipulated. There are positives and negatives, but the negatives in this case can cause far more damage to an image conscious industry such as pharma than other less regulated industries.

The pharmaceutical industry must answer to many different constituents, including the FDA, physicians, patients, politicians and media (e.g., the Division of Drug Marketing, Advertising, and Communications stipulates requirements for consumer-directed advertisements). There are also restrictions concerning the presentation of information including the color and point size of the font used in an advertisement.<sup>6</sup> This results in a very controlled flow of information from the industry to the consumer. Therefore, entering the social

networking arena would open pharmaceutical companies to unpredictable results, reactions, and brand perception that many companies currently feel outweigh the benefits of such marketing efforts. As Fard Johnmar of Envision Solutions, a social network consulting firm, said, “Generally, though, they’re [pharma] still looking at the tenor and tone online of their products and competitive products. But mostly, they’re monitoring, not participating.”<sup>7</sup>

One area everyone seems to be monitoring is Sermo. As we stated earlier, Sermo is a social network platform, started by Daniel Palestrant in September 2006, comprised of over 77,000 licensed physicians. From January 2008 to January 2009, Sermo traffic fluctuated between 38,000 to 68,000 visitors per month.<sup>8</sup> Initially, Sermo generated income by allowing their clients, a number of them financial groups like hedge funds, to observe user interaction on the site and also ask direct questions sometimes through surveys.<sup>9</sup> This gave valuable opportunities to predict future trends and gauge interest in potential treatments by identifying new treatment needs or displeasure with certain medications. Now, with \$39.2 million of funding,<sup>10</sup> Sermo is considered one of the premiere Web 2.0 platforms that generates revenue by aggregating user content.<sup>11</sup>

In October 2007, Sermo entered into a transaction with Pfizer allowing Pfizer-affiliated physicians to interact with Sermo users.<sup>12</sup> Financial terms were not disclosed, but the deal enabled Pfizer-affiliated physicians to communicate with Sermo users, track opinions, conduct surveys and reply to comments or posts. The American Medical Association determined that all of Pfizer’s posts on Sermo must be flagged to indicate that such post is made by an affiliated physician rather than an independent physician. Additionally, the AMA also mandated that sponsored posts, such as Pfizer-affiliated physician postings, are not allowed to make up more than 2 percent of Sermo posts.<sup>13</sup> If Sermo users find Pfizer’s posts slanted or biased, Sermo allows for instant refutation. Pfizer’s partnership with Sermo was highly publicized and debated in the media.

On the heels of that partnership came Johnson and Johnson’s purchase of

Childrenwithdiabetes.com, an online community for parents of children with diabetes. Although financial details were not disclosed, this transaction piqued the interest of many in the industry because JNJ allowed the site to continue operating its existing platform with very little change in restrictions. It is possibly the most Web 2.0 pharma-owned site, which Bnet Pharma describes as a “pure media venture”.<sup>14</sup> JNJ retained the pre-existing Web 2.0 approach on Childrenwithdiabetes.com including open bulletin boards, online polls, chatrooms, conferences, and even ads from competing companies. JNJ’s main source of revenue on the site are from banner ads.

Advertising and digital media agencies advising pharmaceutical companies have encouraged them to embrace the free, no-strings attached, approach to Web 2.0.<sup>15</sup> Successful Web 2.0 platforms such as Facebook, Chowhound, Sermo or Childrenwithdiabetes.com offer more freedom, more interactivity, less sponsored content, and more genuine interaction between users. Yet, pharmaceutical companies have made very little movement in this space largely due to uncertainty of whether this type of advertising would be in compliance with DDMAC rules and other restrictions and regulations applied to pharmaceutical advertising.

As Jason Rogers, Vice President of Accounting Services at Catapult Marketing states, “The legal departments will say it’s just not an area we can play in. ...”<sup>16</sup> Brand managers working for pharmaceutical companies do not want to expose their brands to potential increased liability.<sup>17</sup> Additionally, there is the question of how pharmaceutical companies would deal with adverse event reports on message boards or forums they create. On Childrenwithdiabetes.com for example, if there is a post or comment detailing a potential adverse event, the moderator will report it to the company that manufactures or provides the treatment/product in question.<sup>18</sup> After that, the company would most likely follow its protocol for adverse event reporting.

In the end, the choice to implement a Web 2.0 platform by a pharmaceutical company will be based on many factors, including regulatory risk. There is not a definitive answer whether or not the benefits

of Web 2.0 outweigh the negatives, and a lot will depend on the type of product being promoted by the company. The potential upside to be one of the first in this space may outweigh the costs and risks associated with engaging in this type of marketing. Pfizer's and JNJ's experience with Sermo and Childrenwithdiabetes.com, respectively, and their ability to navigate through these complex issues, will provide a road map for other pharmaceutical companies who decide to implement these new marketing platforms.

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<sup>1</sup> PR Newswire

<sup>2</sup> Tim O'Reilly, What is Web 2.0, O'Reilly Network, Sep. 30, 2005.

<sup>3</sup> CrunchBase (last edited Dec. 22, 2008).

<sup>4</sup> Yahoo!A

<sup>5</sup> Wal-Mart

<sup>6</sup> FDA Prescription Drug Advertisements, 21 C.F.R. 202.1(1999).

<sup>7</sup> Ed Silverman, Pharma says 'What Social Network?' Fard Explains, Pharmed, Jun. 6, 2008.

<sup>8</sup> Compete (last visited Mar. 3, 2009).

<sup>9</sup> Joshua Schwimmer, Dinner with Sermo's CEO, Dr. Daniel Palestrant, Healthline, Oct. 21, 2007.

<sup>10</sup> The Deal.com (Series A, 9/06, 3,000,000 funded by Longworth Venture Partners, Series B, 1/07, 9,500,000 funded by Longworth Venture Partners Softbank Capital, Series C, 9/07, 26,700,000 funded by Legg Mason, Longworth Venture Partners, Softbank Capital)

<sup>11</sup> id.

<sup>12</sup> Shannon Pettypiece, Pfizer to Assess Doctors' Opinions Using Sermo Networking Site, Bloomberg.com, October 15, 2007.

<sup>13</sup> Hippocratech

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<sup>14</sup> Jim Edwards, A Q&A With J&J's Joe Natale on Why Pharma Stays Stuck in the Web's Past, BNET, Oct. 20, 2008.

<sup>15</sup> Jim Edwards, Why Pharma Fears Social Networking, Brandweek, Oct. 19, 2008.

<sup>16</sup> id.

<sup>17</sup> Jim Edwards

<sup>18</sup> id.