The Merck Druggernaut

The Inside Story of a Pharmaceutical Giant

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5 The Freebie Circuit

The doctor—call him an internist in a major American city—was nervous at first, smiling a little sheepishly, sitting stiffly in his living room chair, on a winter's day in 2002. But soon he was talking more fluently, and his smile turned halfway between smug and embarrassed.

"I get invited out to restaurants I could not otherwise afford" by salespeople from big pharmaceutical companies a few times a month, he shrugged, naming four upscale places in his city. The sales reps call and ask, "'Is there anything I can do for you? Do you want to go to the theater some evening?' I've let them know I prefer [classical music]. They say, 'I'll see what I can do.' The things I'm asking for are all very reasonable. I'm not asking for last-minute, front-row seats." On the drug companies' tab, he's seen "The Vagina Monologues," and Schubert, Wagner, Beethoven, and Mahler concerts. Along with several doctors, their guests, and the sales rep, he

might go to two shows every six months, plus dinner. He figures it had to cost hundreds of dollars each time.

They never talk about medicine. "Obviously, it's all very informal. We just go there and enjoy."

Then, when it comes time to write prescriptions, "I try to give everybody a little piece of the pie. If I like the rep, they get a little more. Some of them have said to me, 'Two prescriptions a month would make a big difference to us.'" So he'll give that rep the extra business one month, as long as the rep's drug is basically the same as whatever else he might have prescribed. "Another company will get it next time."

Once, the internist recalled, he asked a rep for tickets to a particular show. The rep "never called me back. His drug [competes with] other drugs that are very similar, so guess what? He's not going to get many prescriptions from me."

According to the pharmaceutical industry, everything the internist described doesn't happen.

A lot of people in the business world—outside of pharmaceuticals—wouldn't bat at an eye at the internist's recitation. Every industry has to move its product, and most of them use gifts and glitz to some degree to do it. Sales reps the world over woo their clients with trinkets, expensive lunches, conferences in exotic locales, and skyboxes at ballgames. Do they really expect the clients to make their business decisions on the basis of these treats? Yes and no. It creates warm and fuzzy feelings. It creates opportunities to talk up the newest product (and talk down a rival). It can't hurt.

Thus, the pharmaceutical industry has traditionally showered its clientele—doctors—with everything from pens to free samples, pizza, football games, Broadway shows and hundreds of dollars in "consulting" fees. According to the most widely quoted surveys (from consultant Scott-Levin and market researcher IMS Health Incorporated), 80,000-plus drug sales reps spent around $16 billion in 2000 "detailing" doctors at their offices, at restaurants and shows, and at more than 300,000 formal meetings. These numbers represent a steady rise through the 1990s, dwarfing the $2.5 billion spent on consumer advertising and amounting to more than half of the amount the industry dedicated to research. The goal of all this expense: a few minutes face to face with a real, live doctor.

An argument could be made that the pharmaceutical industry has to rely more on client freebies than do most industries, or at least it did until 1997. Before that year, the kind of mass-market advertising that other businesses take for granted was strictly limited for prescription drugs, so hitting up the doctors in person was pretty much the only course open to a pharmaceutical company's promotion department. But medicine is a very fragmented, retail kind of market. Except for hospitals, it's hard to find any centralized locations with a large mass of potential customers; sales reps have to go from office to office. Physicians are also a very unusual sales target. They are busy, highly educated and often self-important. Their time is clocked by the minute. Their egos must be stroked. So what better way to reach them than with a nice dinner and tickets to a Knicks game?

To the drug reps and many doctors, all this was no big deal—it was the way the business world worked, and it was peanuts anyway compared with something like Wall Street's largesse. For that matter, about half of the $16 billion spent on detailing was the value of free samples, which arguably shouldn't count as frills.

However, to an increasing number of critics among consumer activists, politicians, health ethicists, and even doctors, by 2001 and 2002, this way of life was akin to bribery. In part the protests stemmed from the nature of the product. This wasn't toothpaste or sneakers being bartered for the price of a steak dinner. These were medicines that can affect people's health and even survival. Too, the outrage over drug marketing was part of a larger public fury at the pharmaceutical industry in general, especially its prices. Maybe prices wouldn't be so high if the drug companies weren't spending all those billions on pens and football tickets.

It was a level of outrage, in any case, that no other industry confronted. And Big Pharma had to appease that anger somehow.

Jessica Franklin (not her real name) has a bachelor of science degree in microbiology and medical technology. Tom Burr (not his real name) has undergraduate degrees in chemistry and biology and a master's in zoology. Casey Webber (also not her real name) has an undergraduate degree in biology and journalism and has finished the coursework for a master's degree in adult education.

Franklin, Burr, and Webber are not medical students or scientific researchers. They are or were sales reps for Merck through much of the 1990s and beyond.

In training for their jobs, Franklin and Webber each spent three months studying basic science, pharmacology, diseases, and the product lines of Merck and its rivals, and attended classes eight hours a day at a Merck regional center in the western United States. Only a small portion of that was sales training. When a major new product like the AIDS drug Crixivan came out, Webber got two more days of education. Depending on their background, Merck salespeople will come in as a medical rep, a rep I, or, if they have a master's degree and sales experience, a professional rep II.

The hiring process is similar elsewhere. To get her job at another Big Pharma company, Rebecca Dickinson (also not her real name) had to read the text *Basic & Clinical Pharmacology* and score at least 85 percent on a science test. Then she got six months of paid training, which included reading medical textbooks at home, role-playing with a mentor, and more tests. "I did more work in six months than I did in four years of college," she says.

This is not the image many doctors and consumers have of pharmaceutical reps. "You've got to understand the scorn that we physicians have for the drug reps in general," says Dr. Warden B. Sisson, a veteran neurologist in Fresno, California. "Usually they're fairly young people, they're dressed to the teeth, they come in your office, and they are going to talk to you about this drug. I just wish they'd go away."

The doctors' and consumers' image of pharmaceutical salespeople—pushy, sexy, flashy airheads—does have some

basis in reality. All salespeople have to be a little pushy. And yes, Franklin and Dickinson are in their twenties and thirties. And yes, since the 1970s and 1980s, Big Pharma has hired a lot of young saleswomen, presumably to appeal to the mostly male medical profession. (Some old-timers from before the women's era refer to their predecessors as "detail men.") But the reps say they have to know what they're talking about, and be honest about their drugs' side effects, or physicians won't even let them in the door. Back in the late 1970s, when Boyd Clarke was a salesman for Merck, "I would run into doctors who would say, 'How useful is what you're saying? I know you're biased.' I would say, 'You know where my bias is right up front. I'm going to try and give you fair balance, but I'm going to tell you how my products will help your patients.'"

"I want them to use me as a resource," Dickinson says. "I know more about my products than they do."

To the degree that physicians don't throw all reps out the door, those from Merck tend to be seen as a cut above—better educated, more honest, and less pushy. Some of that is probably reflected glory from the company's research labs; doctors figure that the sales force has somehow absorbed the scientific expertise. Still, there are also valid reasons for the good reputation. "Physicians consistently rank Merck salespeople as being the most knowledgeable about the drugs. Merck takes the time to really educate the drug reps," points out Sean Brandle, a vice president at The Segal Company, a Manhattan benefits consulting firm. "With Merck reps," adds a New York City doctor, "you get a sense that they are definitely in control of the information. They know their stuff. Not all companies are like that."

Ward Sisson spares his Merck rep from his general diatribe. The rep, he says, "doesn't bowl you over. He doesn't try to throw the product at you. He dresses nicely, but not as if he's coming for a spit-and-polish interview." Until Dr. Sisson hurt his knees in 1998, he even used to play doubles tennis with the rep—off-duty, he adds. They didn't talk shop, and because they both belonged to the same tennis club, there was no debate over who picked up the check.

In the 1980s, Merck dominated drug marketing the way it dominated the whole industry. "When I was first hired in [in 1987], and probably for the next five or six years, Merck had the most reps out in the field," Webber says. And the company kept expanding, shrinking each rep's territory or product lines as it added more staff. If anything, one industry veteran claims, Merck was too aggressive in using sexy sales women. Then, in the early 1990s, Merck bought Medco, the pharmacy benefits manager, and made its bet on managed care. Predicting that prescription decisions would be determined more by insurance restrictions and President Bill Clinton's health care reform than by marketing, Merck shrank its sales force. Meanwhile, Pfizer built up its marketing firepower to roughly double the size of Merck's.

Unfortunately, Merck guessed wrong. The Clinton reform plan collapsed in 1994 of its own overambition and a no-holds-barred negative ad campaign by the insurance industry, and the Republicans grabbed control of Congress. As a result, Merck had to scramble to catch back up. It added 1,000 reps in 2001 and promised a further 500 in 2002—overkill, some reps and analysts said—even as it cut marketing and administration expenses by the high single digits by consolidating

and pledging "accelerated operational-efficiency and work redesign initiatives."

A drug rep's territory is usually divided by geography and by medical specialty. Merck, by the late 1990s, also aligned its sales crews according to the categories in its worldwide business strategy teams. Thus a rep might handle all the drugs for diabetes, hypertension and cholesterol in a section of a large city, or the cardiovascular line for an entire small state. "Handle," of course, means calling on internists, cardiologists, pediatricians, or whichever doctors are likely to treat the conditions the rep's drugs are prescribed for. That's a lot of doctors—about 1,000 in Dickinson's urban territory. Naturally, the reps prioritize. To some degree, they'll try to cultivate new doctors, but mainly they'll spend time with the ones who give their company the most business, the ones Webber calls "high writers."

It's easy to find out who these high writers are: Almost every time a patient fills a prescription in the United States (and in some two dozen other countries), that sets in motion a whole system of trading information.

Most patients, and even many doctors, have no idea this is happening.

Market research companies buy prescription records from pharmacies and wholesalers (and, to a lesser degree, hospitals and doctors). "On every prescription, there's data about the prescription, the condition, the dosage, packet size, pharmacy, pricing, the doctor who prescribed it," explains Michael Gury, vice president of global communications for Connecticut-