

PROBLEMS IN THE OVERSEAS PROMOTION
OF PRESCRIPTION DRUGS

BY

JEROLD KENT KARABENSH

Submitted in Lieu of a Thesis in Partial Fulfillment
of the Requirements for the Degree of
MASTER OF BUSINESS ADMINISTRATION
(Commerce)
at the
UNIVERSITY OF WISCONSIN

1960

AWPM
K28
1960

Phar
A/M
K28

ACKNOWLEDGEMENTS

The author wishes to express his sincere appreciation to Mr. R. B. Olson, Sales Promotions Director, Eli Lilly International Corporation and Mr. T. S. Bird, Vice-president, Abbott Laboratories International Company for their invaluable assistance in the completion of this study. Without their cooperation this study would not have been possible.

The author also wishes to express gratitude to Dr. J. Howard Westing and Dr. Robert W. Hammel for their assistance and constructive guidance throughout the study.

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
FOREIGN PROMOTION.....	2
FOREIGN PHARMACEUTICAL PROMOTION.....	9
CASE I..... ABBOTT LABORATORIES INTERNATIONAL COMPANY	17
CASE II..... ELI LILLY INTERNATIONAL CORPORATION	28
CONCLUSION.....	35
BIBLIOGRAPHY.....	41

LIST OF TABLES

	Page
TABLE I.....	16
Expenditures for Pharmaceuticals, Drugs, Toiletries, Etc. by Company	
TABLE II.....	21
Abbott Laboratories Advertising, Samples, and Free Goods As a Percentage of Sales	

INTRODUCTION

The growing number of pharmaceutical products has made the promotion of prescription drugs very important. This importance applies to the foreign as well as the domestic market. Foreign promotion and advertising will have to increase along with market expansion. The promotion of a prescription drug encounters problems which often are different than those of other commodities. Although the drug is sold to a consumer, it is prescribed by a physician. The manufacturer must, therefore, sell the qualities of the drug to the physician. This qualification leads to promotional problems unique to the prescription drug industry.

This study will attempt to define these problems and show how they are being handled by two of the leading prescription drug companies. Each of the companies has over twenty years experience in foreign promotion. Personal visits were made to Abbott Laboratories International Company and Lilly International Corporation for data. This information and secondary data, obtained from books and periodicals, are used in the study.

A general discussion of the problems encountered in foreign promotions is presented before the specific problems of the pharmaceutical industry are indicated. The experience of each company is presented as a case study. The differences in their approaches to the various problems concludes the paper.

FOREIGN PROMOTION

Charles Kindelberger, a noted American Economist, testified before the Douglas Committee Hearings on Economics, that American business has shifted from a national to an international market. The reasons which have led to this shift are many. Companies have found their domestic markets are saturated and overseas sales offer relief for unused capacity. Other companies realize the potential in foreign sales and have set up separate divisions to capture a share of those markets. The development of the EEC (European Economic Community) has led to the establishment of many overseas branches by American companies to take advantage of trade regulations. These advantages are a result of favorable trade regulations which are enjoyed when one locates in an EEC country, and want to trade with another EEC country. Trade areas (common markets) also are being planned in other regions of the globe. The American businessman cannot afford to overlook these expanding markets.

There are a number of problems an American businessman will encounter when he decides to start an international division or a foreign branch. The problem of foreign promotion is only one which he must attempt to solve. He must ask himself whether the job of promoting his product overseas will be different from his domestic promotion.

He must first define his foreign market and the areas

he plans to cover. He can then see if there are any particular promotional problems in this area. These problems are often an outgrowth of progress in the United States. Other countries are not as progressive as the United States in advertising and promotion. Most countries are at least 25 years behind the U. S. in advertising techniques. Even the more advanced countries, such as England, Australia, Argentina, and the Scandanavian countries are ten years behind.¹ The American businessman who sells abroad must often change his advertising approach. Chances are that a successful campaign in his domestic market will not appeal to his foreign market. Foreign advertising should not "smell" of English.² It should have a universal appeal. Each country has its own customs and the overuse of domestic policies can be dangerous. Advertising has universal objectives. These objectives are as follows: 1) attract attention; 2) arouse interest; 3) create a desire for the product; and 4) stimulate action to buy.³ The development of a proper climate, a proper concept of the market, an awareness of the value of news, and an appreciation of people and their attitudes are as important in promotions in a foreign market as in the

-
1. Pratt, E.E., Modern International Commerce, New York: Allyn and Bacon, Inc. 1956, p. 176.
 2. Ibid, p. 182.
 3. Horn, Paul V., International Trade Principles and Practices, Third Edition New York: Prentice Hall, Inc. 1951, p. 220.

domestic market. American companies are supposed to have brought advertising to a higher point of efficiency than their foreign counterparts. If this supposition is correct, they should be able to surpass local efforts in the foreign country. They should achieve more favorable results through the application of proved advertising and sales promotion principles than competing foreign advertisers. Their basic problem is to use their superior skill so the customers in their foreign markets are not offended. Going into a foreign market for the first time calls for the establishment of goodwill. A little of the "right" kind of advertising has been known to swing a whole country into line for a product previously unknown.⁴

The establishment of a foreign promotional budget is as important as a budget in this country. The appropriation should be predicated upon some definite basis. That basis may be:⁵

- 1) A percentage of past sales.
- 2) A percentage of anticipated sales.
- 3) An analysis of the known market.
- 4) The consideration of the potential market.
- 5) A consideration of the money available.

An appropriation must be made and lived up to; any hit-and-miss, or haphazard way of putting money into foreign adver-

4. Brown, David Leslie, Export Advertising, New York: The Roland Press Co., 1923, p. 8.

5. Ibid, p. 116.

tising will lose out. Professor Roland Kramer of Wharton School of Finance and Commerce stated that the size of the international advertising budget should be the same as the domestic budget per dollar sale. It costs more per dollar of sale to create the impulses to buy in foreign markets.⁶ It must be remembered that in foreign markets, as in the United States, a budget that is not flexible is a poor budget. Constant reappraisal of the budget is needed to make the campaign a success.

After the decision to run a campaign is made and a budget is decided upon, the next step is to decide on the use of media. In foreign campaigns this is especially important. The use and coverage of various media in foreign markets is much different from the United States. In the first place, newspapers are probably more carefully read overseas than in the U. S. Circulation is not as high, but the newspapers are given more importance and pass from hand to hand. Magazines lack the influence of their American counterparts. In both of these media, as well as the others, it is extremely difficult to obtain reliable figures on either readership, or cost per reader, viewer, or listener. The use of television is relatively new in most foreign markets and not available in others. Even where it is available, government controls in some countries decide amount, kind, and subject which it will allow in advertis-

6. Kramer, Roland L., International Marketing, South-Western Publishing Company, Dallas, Texas, 1959, p. 311.

ing, if any. If all these obstacles could be removed, the foreign advertiser would still be faced with the fact that relatively few television sets exist in foreign markets. The problems of radio are similar to those of television, except they have existed longer. Because of these restrictions both radio and television lose some of their usefulness as advertising media. U. S. trade papers are widely and effectively used in foreign markets. They are well read and accepted in the foreign market. Two examples of trade journals employed by the pharmaceutical industry are Pharmacy International and El Farmaceutico.⁷ Recently use of El Farmaceutico by ethical manufacturers has fallen off sharply. This is due to a change in policy of the magazine. It gave up its scientific and professional editorials as of January, 1960 and is now concentrating on helping the pharmacist to become a businessman.⁸ A disadvantage frequently found in export trade papers is their inability to reach the consumer. In the pharmaceutical industry this is a minor problem, since the consumer will only purchase the product on a doctor's advice. Informing the doctor is the prime purpose of medical export journals.

International advertising media may be divided into three fields: 1) Trade or industrial; 2) Consumer; 3)

7. Heck, Harold, Foreign Commerce, New York: McGraw-Hill Book Company, Inc. 1953, p. 167.

8. "International Advertising", Export Trade and Shipper, Sept. 28, 1959, p. 38.

Professional or ethical.⁹ As recognized in domestic practice, trade or industrial advertising is aimed at the distributor and industrial customer in hope that he will stock or purchase your merchandise. Consumer advertising is used to induce the consumer to demand and purchase your product. The objective is to get the consumer to ask for your product by name or brand. The field to be expanded upon is advertising and promotions designed to influence professional people to prescribe or to advise the use of your product. Examples in this field are found in medical, pharmaceutical, and dental journals. The use of these journals and promotional materials must be carefully watched by the manufacturer. He must be extremely careful not to offend his overseas market by ignoring their customs and taboos. Taboos are found in all areas. Colors and numbers are very prominent on the list of taboos. A few examples will illustrate this area:

The symbol of three is lucky in West Africa. In the Far East, white is the color of mourning among the Chinese and blue is not very lucky. In the Far and Middle East and Africa, red is a very lucky color. Color plays an important role in the lives of these people and all films should be produced in bright colors. In Greece and Cyprus, houses should be white with blue shutters, the national colors of Greece.

Many a sale which may have taken years of build-up may be lost during a personal meeting when one of the parties violates a customs taboo.

The well-meaning American custom of patting a child on the head is one example of a strong Oriental taboo where the head is held sacred. A careless flick of a cigarette into a hearth is also commonplace

9. Kramer, Roland L., International Marketing, South-Western Publishing Company, Dallas, Texas, 1959, p. 276.

in the United States, but in Japan the hearth is considered sacred.

Our Hong Kong adviser tells that the Chinese do not, as a rule, send clocks as presents. Giving clocks as gifts is strictly taboo...since to the Chinese, clocks can be taken as a bad omen. An overseas advertiser should think twice before using a gift-giving angle in his clock promotions.

Perhaps because religion is a more all-prevading life force in the Orient than in the Occident, it is good business sense not to choose an advertising symbol which might offend the religious sensibilities of Eastern people.¹⁰

It is important for the export advertiser to take precautions against violating these taboos. One way to insure safety is to only employ foreign nationals as salesmen. They will understand the customs of the people and be able to alter any presentation so it will not be offensive.

This information has briefly exposed the reader to some of the problems encountered by the American businessman when advertising and promoting overseas. The following chapters will relate some of these problems specifically to the pharmaceutical industry.

10. Ibid, p. 272.

FOREIGN PHARMACEUTICAL PROMOTION

Pharmaceutical promotion in foreign markets is becoming more important as the world grows smaller. The recent expansion into world markets by United States firms has emphasized the problems of promotion in these areas. These problems, however, are not all of recent origin. Domestic drug companies have long been promoting in their overseas market. Parke, Davis and Company was detailing in India as early as 1899. Its major problems were transportation and languages. It overcame the language barrier in 1908 by hiring Indian nationals as detailmen. The transportation problem still exists to this day.¹¹

At present the pharmaceutical industry is in a 15 year boom in foreign sales. Before World War II, the export market for drugs was \$150 million. The United State's share was one-seventh or \$20 million. At present the market is \$500 million and U. S. sales have been \$221 million. This does not give the true growth picture of the American pharmaceutical industry, because it does not show the amount of money that has been invested in facilities by American companies abroad.¹² The long range forecast for the industry is highly promising.

Many of the problems encountered in foreign promotions

-
11. "Detailing in India", Medical Marketing, July, 1959, p. 16.
 12. "Promotions in Foreign Markets", Medical Marketing, Jan., 1960, p. 6.

are not as important to the drug industry because medicine is international. The common denominator for physicians permits the use of essentially the same approach everywhere. Because we are dealing with a professional group there is little basic difference between medical advertising here and abroad. When the domestic copy is of a strictly educational or instructive nature, the same approach can be adopted for foreign use. It is, however, important that the facts apply to the market for which the advertising is intended. Problems can arise if only direct translations of the American copy is used. Good foreign copy calls for an adaptation not translation of domestic copy. Export advertising has both advantages and disadvantages compared with domestic advertising. Deadlines are not a problem to the overseas advertiser. Plans are usually made well in advance and if any problems arise they can be adjusted. This usually is not possible in the domestic market due to stringent time schedules. Having more time also allows for better preparation of the promotion. The export advertisers main disadvantage is his lack of market information. In the foreign market this information is not available much of the time. The success or failure of a campaign often hinges on the reliability of market information. It is extremely difficult to get such basic information as the population of the country, percentage of literacy, and the percentage of consumers. Without this information it is difficult to estimate the size of the market. In most

countries it is also impossible to get the number of practicing physicians and the number of drug stores. Access to information along these lines would help greatly. In the last six or seven months outside surveys have been initiated in foreign markets. Mr. Thomas Bird, vice president Abbott International Company, indicated that Dayee, Koehlein, and Keating are extending their Drug Store and Hospital Survey to the foreign market. Information is now available on Brazil, Argentina, France, Germany, and England. These are monthly surveys and are purchased by the drug companies. The cost is between \$1000 and \$1500 per month. This information is just a start and the foreign promotion manager still envies the data available to the domestic department.

Promotions and advertising of prescription drug companies usually fall into three major media: medical journals, direct mail, and detailmen.¹³ One of the problems of direct mail is postal service. It is generally good throughout the world, however, the use of a fancy mailing piece can create problems. In some countries mail has to be sent in standard size envelopes. This often calls for a revision in the sizes of mailing pieces. The use of the mails has also caused mailing material to fall into the wrong hands. In one case, one of the companies found that its direct mail medical magazine was on sale at a local bookstall. This must be carefully watched because there

13. "Trends in Pharmaceutical Advertising" by Walter O. Wegner, Journal of Marketing, Jan., 1960, p. 66.

are often offers of samples in this type of magazine. These samples can be dangerous. Another problem with direct mail is the procurement of a mailing list. Accurate lists are hard to obtain in the overseas market. In West Germany, this problem can be partially solved by the use of "indirect mail". Under this system the mail is sent out in batches addressed to all the doctors in a certain city. The local post office will then deliver the piece. Besides the advantage of not needing a mailing list, this method is cheaper. The disadvantages are a loss of the personal touch, lack of a control on any response, and that the mailing must be made from within Germany.¹⁴

Readership figures of journals are highly suspect in the foreign market. This makes it harder to buy space with the assurance of getting one's "money's worth". This problem can be overcome to some extent when dealing with a reputable agency.

A company has three choices when it decides to employ an agency. It may use an international agency with foreign affiliates, a local foreign agency operating in the country, or the international division of a United States agency. Using an international agency usually is more expensive because the 15% fee is split and sometimes raised. Each affiliate receives less profit, therefore, tends to do less work. Quality of a United States agency usually is better,

14. "Advertising Problems in the New West German Republic" by Albert Laue, Export Trade and Shipper, Vol 60:26, p. 54.

but a foreign agency knows the country and its marketing problems better. Dealing directly with foreign agencies is often more effective and less expensive.¹⁵ There is no set pattern for the use of agencies.

Advertising practices overseas often differ from those in this country. Practices disreputable by our standards are freely accepted overseas. In our country it is not considered proper for a scientist or physician to be paid for a technical article, while overseas this is the rule. The overseas ads themselves must be free of puns, double meanings and a play on words. They need convincing reliability. It is necessary to go into greater detail in preparing advertising literature for circulation abroad. It is necessary to be very thorough in describing the indications for products, as well as giving complete dosage schedules and indications for use.

Individual countries often create special promotional problems. In Mexico all advertisements must be approved by the Secretar'ia de Salubrided y Asistencia (S.S.A.). This approval often takes months and affects any campaign run in Mexico. There are fewer detailmen in Mexico, therefore, the doctor is willing to spend more time with each individually.¹⁶ This takes pressure of the other methods of reaching the doctor. In England price is an important

15. Karnig, Andrew "Selecting an Ad Agency Overseas", Medical Marketing, Nov., 1958, p. 4.

16. "Promotions in Foreign Markets", Medical Marketing, Jan., 1960, p. 6.

factor. This is a result of their socialized medicine. Advertisements, therefore, must not look expensive. A mere statement of side effects, contraindications and indications often is all that is needed. This attitude limits the use of direct mail to a "reasonable" amount.¹⁷ German doctors are less receptive to advertising than U. S. physicians. They prefer brief copy.¹⁸ They also state emphatically that they are not in favor of samples mailed to them without specific request. Part of their attitude toward advertisements can be traced to their heavy workload. Literature should be presented as scientific information. Many of the companies label their advertising "Information" because of this attitude.¹⁹ A drug in the German market must be accepted by the "Krankenkasse" (the health insurance system) before it can be marketed.²⁰

Drug manufacturers divide their foreign advertising budget among four media. These are: 1) U. S. trade publications; 2) U. S. consumer publications; 3) foreign publications; and 4) foreign radio and television. The drug manufacturers as a group allocate the largest share of their

17. Ibid, p. 7.

18. Ibid, p. 8.

19. Heugen, Otto P., "Germany: Gateway to the Common Market" Medical Marketing, Aug., 1959, p. 17.

20. "Promotions in Foreign Markets", Medical Marketing, Jan., 1960, p. 8.

foreign advertising budget to foreign publications. A breakdown of the percentage spent in each group by sixteen firms in the pharmaceutical, drug, and toiletries industry is shown in Table I. This table breaks down the expenditures of each of the companies by media. Foreign publications account for 63.2% of the total expenditures.²¹

Export advertising volume has increased from 3,600 pages in 1940 to 23, 422 in 1959. The dollars spent on export advertising have tripled since 1950.²² The problems foreign advertising and promoting have mounted with this increase. More market information, however, is helping to make the problems less formidable.

21. "10th Annual Survey of Advertising Budget Allocations by Exporters" Export Trade and Shipper, Jan. 27, 1958, p. 12.

22. "International Advertising", Export Trade, Jan. 25, 1960, p. 11.

TABLE I

EXPORT ADVERTISING EXPENDITURES OF COMPANIES IN THE
PHARMACEUTICAL, DRUG, AND COSMETIC INDUSTRY FOR 1957 (in %)

<u>FIRM</u>	<u>U.S. EXPORT TRADE</u>	<u>PUBLICATIONS CONSUMER</u>	<u>FOREIGN PUBLICATIONS</u>	<u>RADIO AND TELEVISION</u>
A	1	2	27	70
B	2	-	90	8
C	5	-	45	50
D	-	-	100	-
E	-	-	100	-
F*	5	15	40	25
G*	2	20	35	28
H	-	-	75	25
I	-	-	100	-
J	-	6	45	49
K	-	-	23	77
L	15	40	25	20
M	15	40	25	20
N	25	-	75	-
O	20	-	80	-
P	15	-	85	-
AVERAGE	5.9	7.7	63.2	23.2

* 5% for direct mail, display, and other media.

CASE I

ABBOTT LABORATORIES INTERNATIONAL COMPANY

Abbott Laboratories International Company is a wholly owned subsidiary of Abbott Laboratories in North Chicago, Illinois. It was established to market Abbott products in Mexico, Central America, and South America. It is located in the Merchandise Mart Building in Chicago, Illinois. From this location it handles advertising, sales promotion, finance, market research, and all other functions which are performed in the sale of Abbott's products to the Latin American market. Abbott also has international subsidiaries in Canada, Venezuela (separate from the Latin American company), and Abbott Universal Ltd. Eastern Hemisphere.

Abbott adopted its plan of setting up its international divisions as subsidiaries for four reasons. First of all, there is the concentration of executive control in responsible, experienced officials. The executives of the subsidiary possess greater authority and responsibility than under any other plan. Each company has its own president and executive staff with which it is to solve its own problems. In addition, all possibility of conflict between domestic and export interests or personnel is eliminated. Furthermore, one of the leading advantages of the subsidiary is its ability accurately to determine its own profit and loss. General company overhead is not to be applied to the subsidiary and, therefore, the business

may show a larger profit than formerly.

The fourth reason for establishing the subsidiary is for a tax advantage. The income tax structure in some countries is more favorable than that in the United States. In setting up this particular subsidiary to sell in the Western Hemisphere, Abbott qualified for tax advantages under the Western Hemisphere Trade Corporation Act. In order to qualify, the following criteria must be met:

1) It must be an American corporation, which bars incorporation abroad. 2) It must transact all of its business in the Western Hemisphere, including the West Indies and Puerto Rico, but excluding Hawaii. (Act was passed before Hawaii became a state.) 3) Ninety per cent of its gross income must come from the active conduct of a trade or business, computed over a three-year period. 4) Ninety-five per cent of the gross income over a three-year period must be derived from sources outside of the United States.²³ The fourth criteria is complicated and final qualifying decisions are made by the District Director of Internal Revenue. An example of the tax savings which are obtained by qualifying under this Act are seen in the following illustration.

In 1958, a corporation with a normal tax net income of \$25,000 would pay about \$7,200 in normal tax (there would be no surtax) while a Western Hemisphere Trade Corporation would pay \$5,200, a saving of 8 per cent of normal tax net income and of nearly 28 per cent in taxes. If the normal tax net income is \$100,000, the regular tax and surtax

23. Kramer, Roland L., International Marketing, Dallas: South-Western Publishing Company, 1959, p. 151.

would be \$45,200, but for the Western Hemisphere Trade Corporation, \$31,000 - savings of $14\frac{1}{2}$ per cent of normal tax net income and of about 30 per cent in taxes. Finally, at \$500,000 normal tax net income, the normal and surtaxes would be \$248,200 against \$177,000 - savings of $14\frac{1}{2}$ per cent and 28 per cent respectively. Excess profits taxes are not considered in these illustrations, but under present (1958) law Western Hemisphere Trade Corporations are exempt from excess profit taxes; so are any companies doing 95 per cent of their business abroad with 50 per cent of gross income coming from the active conduct of a business. The Western Hemisphere Trade Corporation, however, may be called upon to pay income taxes in the countries with which it transacts business. The subject is somewhat complicated tax-wise.²⁴

Over the last ten years, Abbott International has had gross sales of \$188,000,000 and a net profit of \$24,800,000.²⁵

These figures indicate that by qualifying under the Western Hemisphere Trade Corporation Act, Abbott International has made some savings.

In its manufacturing phase, Abbott uses both domestic sources and plants established in foreign markets. Mr. Arneson, president of the company stated that Abbott's policy was to ship from a local manufacturing subsidiary, if possible. The reasons for this policy are: 1) legal considerations; 2) health regulations; 3) foreign exchange; 4) import license system; 5) prices; and 6) public acceptance. Many of these are present when deciding on what promotional methods to use.

Sales to its foreign market have doubled from 1949

24. Ibid, p. 152.

25. Personal Correspondence with Abbott International dated March 30, 1960.

to 1959. The forecast for 1960 calls for an eleven per cent increase over 1959 sales. This growth is typical of foreign drug sales. Disguised figures of Abbott's sales and the correct percentages spent on advertising and samples are shown in Table II.

Abbott's personnel policy calls for the hiring of foreign nationals on all levels in the foreign countries. The detailman is "Mr. Abbott" and all detail work is handled through him. Abbott feels that the use of nationals gives their product better acceptance. They also eliminate the problem of language between the detailman and the doctor or pharmacist. A bad reputation as a result of the breaking of a foreign custom is another problem solved by use of foreign nationals. Mr. Arneson stated that whenever advantageous, Abbott will by-pass the wholesaler and sell direct. (This is also a policy of the domestic company.) This gives the detailman stronger claim on his title of "Mr. Abbott". He is the main contact between the medical profession and Abbott.

In its Chicago office, the advertising department of Abbott International keeps a file of the campaigns in progress and those being planned. The plans are recorded on 3 X 5 cards and filed under countries by dates. This file runs for six months and is broken down by weeks. For example, in Peru on March 1-7, Abbott used journal ads for the drugs, Kaltin and Veropak. It also sent out a direct mail piece on Bevitin Con Higado. The use of this file

TABLE II

EXPENDITURES ON ADVERTISING, SAMPLES, AND FREE
 GOODS AS A PER CENT OF SALES
 (Abbott International)

<u>Date</u>	<u>Sales*</u>	<u>Advertising %**</u>	<u>Samples & Free Goods %**</u>
1955	\$18,000,000	4.8	3.9
1956 (A)	16,600,000	4.8	4.3
1957	20,100,000	4.3	4.0
1958	20,700,000	4.7	3.9
1959	24,000,000	4.2	3.8

(A) Eleven months in 1956 due to change in fiscal year.

* Disguised by use of a constant multiplier.

** Actual percentages.

allows the people working on the campaigns to make quick reference to the plan to be followed.

The establishment of promotion and advertising objectives is often adjusted to particular problems of a market. A country's economic and political environment will be studied before deciding on a campaign. Duties, tariffs, and import restrictions warrant careful analysis to find out the most profitable methods to use. Customs of the country and attitudes of the doctors and pharmacists must also be studied.

Abbott has found in many of its promotions that the foreign market not only will accept the domestic theme, but will demand it. In Central Africa, the natives want to be treated with "white man's medicine". In a particular case the native pointed to a blue box containing Vi-Daylin (an Abbott liquid vitamin) and wished to purchase it. The druggist explained that he had a less expensive preparation, but the native insisted that the blue box was what his master used and that was what he was going to use. This example shows how important a trade-mark or a distinctive package can be in foreign sales. The same idea is also evident in a direct mail piece being sent to the Arab market. The photograph on the piece pictures an American woman. Mr. Bird, vice-president in charge of advertising, said that this policy has never been known to cause any bad results in foreign markets.

Foreign trade brings to mind the problem of language translation. Abbott reaches 323,000 doctors in 119 different countries in addition to the United States and Canada, and must communicate in 18 different languages. Language differences often cause a name of a product to be different in its foreign markets. An example is the drug Spontin. In the Belgium market Spontin is a name of a soda water, so Abbott thought it necessary to change to Sponticin to avoid confusion. This creates the problem of rewriting all copy on Spontin which is going to the Belgian market. This increases the cost of their foreign promotions.

Overseas promotions must be geared to the customs and desires of the doctors and pharmacists in each area as well as being cost conscious. The heavy type of drug trade promotion carried on in the United States is not evident in most overseas markets. Abbott does not use counter displays in its foreign promotions because the pharmacists feel that this would encourage shoplifting. Window displays are not used in the tropics because most stores have open fronts. Promotional material which is most effective abroad has been classified by Abbott into four areas: 1) Books and booklets; 2) Technical literature; 3) Portfolios; and 4) Anything the detailman can distribute by hand. Special promotions have been run overseas featuring transparencies of the human anatomy. These were run in journals and were well received by the physicians. They cost 35 to 75 cents each to produce. This cost is far lower than that of the

detailman and they bring good response. Abbott estimates that it costs \$8 every time a detailman shakes a doctor's hand. This cost is similar to that of the domestic detailman's call. The average cost per call in the United States is between \$8 and \$12.²⁶

The economy of the country presents special problems to the advertising and promotional plans of Abbott's staff. In the United States, fancy cartons and bottles are often used to help sell a drug in the highly competitive domestic market. This type of promotion is not possible in most other countries of the world. The added expense of the fancy bottle will price the drug out of the economy. Many tablets in the domestic market are sugar-coated to make them easier to take. The cost of this luxury can seldom be afforded by the foreign market. These reasons limit promotional presentations in foreign markets to the basics.

Each country has its own laws and political unrest which influence Abbott's foreign trade to a great extent. The law in some Latin American countries states that a druggist can only sell an original and unbroken package. This leads to both packaging and promotional problems. It becomes an important job of the detail man in these countries to inform the doctor on the size of the package or packages available so that he will write for the exact number of tablets or capsules. The original label is also left on the bottle. The rule of removing the manufacturer's label and putting on his own is prevalent mainly with pharmacists

26. "Drug Advertising in 1967", Medical Marketing, Jan.-Feb., 1957, p. 21.

in the United States. Because the manufacturer's label is left on, Abbott gets additional advertising. The name of the product travels by word-of-mouth and additional sales may be generated. This policy also prevents substitution of drugs and the company's promotions will not go to waste. Mr. Bird pointed out that there was one exception to this method of sale and that is in the dispensing of narcotics. In this case a prescription label is used and a broken package may be dispensed. The political problem Abbott encountered was during the Suez crisis. Since France and Egypt were not on friendly terms, Abbott could not use advertising in one country if it had been designed for the other. The strong nationalistic feeling of Egypt made it necessary to prepare separate campaigns. Problems such as these often cause increases in cost because of duplication of effort, time, and material.

Restrictions placed on the company's advertising and promotion program must be followed. In certain countries which have socialized medicine it is illegal to advertise a product which is prescribed by physicians under the plan. This restriction, however, only covers advertising which originates in that country. Any ads in foreign journals are acceptable. Therefore, if the doctors in such a country are to be reached an advertisement originating from out of the country must be employed. The solution to this problem gives rise to a different problem. Certain countries impose duties on printed material imported into the country. These

duties often make it quite expensive for Abbott to send in prepared literature. South Africa for example, has a duty on international commercial mail. In cases such as this Abbott must decide which is the most profitable method to employ. Before a drug can either be manufactured or exported to another country, it must be registered in the country. Abbott has on its staff a doctor, who speaks fluent Spanish. He drafts the medical copy for registrations in the Latin American market. This doctor also adapts American copy into copy to be used in advertisements to Latin America. Certain countries require that each advertisement get approval from their Board of Health. Abbott has found that these boards often work on the whims of their director. A statement that is approved one time may be rejected the next time it is reviewed. The revisions necessary are often very costly. This expense can not be estimated since the action of the Board is unknown. The preparation of an advertising and promotion budget under these conditions is very hazardous.

The extent to which promotional pieces, samples, and mailings to foreign markets are employed depends on the individual market. Abbott uses samples in only a limited number of countries. There are two basic reasons which govern this policy. One is that the cost of shipping samples into the country is often prohibitive. The second reason is that in some countries the mail service is not geared for the distribution of samples. When the company

is able to make sample mailings into a country, Abbott tries to make them as interesting as possible. They use colorful stamps on their mailing rather than just a ticket. They feel that many doctors or their close friends are stamp collectors and this is an easy way to create good will. Doctors also receive copies of Abbotterapia, Abbott's international edition of its house organ What's New. It is published monthly in Spanish, French, Italian, and three English editions. One is an English edition for export, another English-Canadian, and the third is an English edition published in England. Mr. Bird stated that at times Abbott has more problems in translating American-English into British-English than into another foreign language. The cover of each edition has a reproduction of an oil painting on it. Upon request a physician can receive a copy of the painting suitable for framing. This service is also offered to doctors in the domestic market.

Mr. Bird feels that Abbott has made favorable strides in its export sales and that the future is bright. The problems are many but more and more information is becoming available to help with solutions.

CASE II

ELI LILLY INTERNATIONAL CORPORATION

Lilly International was incorporated in 1943. Until that time it was set up as a division. Located in Indianapolis, Indiana, Lilly Int. is a wholly owned subsidiary of Eli Lilly Incorporated of Indianapolis. This particular international corporation is not the only one which is set up by Lilly. Lilly has a special corporation for sales to the western hemisphere to qualify for benefits under the Western Hemisphere Trade Corporation Act (p. 18). Within Lilly International the various areas of the world are placed under a separate vice-president. Advertising and sales promotion are under separate managers. These areas supply advertising and promotional material for all sectors of the corporation. The sales promotion manager is Mr. R. B. Olson. Most of the information related in this case was obtained with his direct help.

Lilly sells to its foreign markets through a number of different types of organizations. Promotions vary among operations due to various problems. In some of its foreign markets, Lilly uses affiliate manufacturers or affiliate repackagers. In these areas promotions are usually handled through the affiliate plant. The department in Indianapolis will send the material to the plant for distribution from there. Special promotions, however, may be sent out directly by the Indianapolis office. Another method of

distribution is through sales offices. In markets where this method is employed, both the goods and the promotions are sent to the sales office. Lilly also makes use of distributors where the sales do not warrant setting up a sales office. In these cases the agent is provided with selling tools. Depending on the area, the material is either sent on request or on the basis of merchandise orders. Advertising in these areas is generally handled by the advertising department in Indianapolis. The department acts as its own agency except for some art work and the placement of the advertisements. The advertisements are placed either through United States agencies or foreign agencies. For journals which are published and printed in the United States, local agencies are used. When the material to be used is for only one area or is placed in a foreign market, the foreign agency is used.

Campaigns and promotions must be set up months in advance. However, these plans are never rigid and can be altered. It is a policy of the company not to let the schedule interfere with the promotion of a new product. If a new product is introduced into an area, the plans in this area will be changed to allow for concentration on the new promotion. Old campaign plans are not dropped; they are just revised slightly to make room for the new promotion. Lilly's goal is to get the promotional material to its point of distribution with the product. This plan puts the product on the shelf of the pharmacist when the detail man starts

to tell the doctor about the drug. This makes the drug available to the public when the doctor writes a prescription. A running account of the promotions scheduled is kept up to date in a folder in the sales promotion manager's office. This folder is referred to daily to keep the promotions on schedule. Contained in the folder are schedules for the distribution of samples, journal ads, and direct mail pieces.

To attain their goals, Lilly uses a variety of promotional pieces. They provide the physician and pharmacist in their overseas market with 3 x 5 cards, binder inserts, catalogs, blotters, brochures, folders, and plastic cards. Each of these pieces is designed so it can be used as reference by the recipient. Lilly also supplies calendars, product information booklets, and "memo" pads to its physicians. For a new promotion they use what they call a "Special A Form". It is a combination of a clinical booklet and a 3 x 5 card which can be used for quick easy reference. Much of this material is handled by the detail man. The problem of duplication of effort is possible in the variety of the number of pieces. This is also a problem in the domestic market.

Lilly copes with the language barrier in advertising and publishing of bulletins in foreign markets by employing translators who have no medical background. Lilly feels a layman can look at the advertising more objectively. A medical journal has been published by Lilly since 1917. It is used in both the domestic and foreign markets. The

bulletin is printed in English, French, Spanish, and Portugese and is mailed to all physicians. Its English title is Physician's Bulletin. No direct word translations are used in adapting it to the various languages. The translators break-down the basic ideas and then put them into the various languages.

Nomenclature is also a problem of the international drug company. Often Lilly finds that when they decide to market a domestic product in an overseas market, the name of that product is being used by another company (usually not an American) for one of their products. In other instances the domestic name is just too similar to another product in that market. A third reason may be that the name has a bad connotation in the language of the market. An example of two names for the same compound can be seen when examining the different language issues of the Physician's Bulletin. In its British and French editions, Lilly has the trade mark DOLOXENE for its brand of detro propoxyphene hydrochloride. In the Spanish edition and the American market this compound has the trade-mark, DARVON. It would be an advantage if the same name could be used worldwide.

Lilly has found that artwork and photographs are not the problem they are often thought to be. In the majority of cases the same work can be used in both the domestic and foreign markets. No resentment is shown toward American models. The only caution which Lilly observed is avoiding the use of very tall people and blondes. The main problem

when it comes to this area is the printing of the literature. In countries where paper and printing are available there is a very high duty on imported finished work. The problem is to find out whether it is cheaper to import the finished copy or to have a small number of pieces done locally. If local pieces are made in each market, then the savings of centralization and bulk printing are lost.

In recent years, Lilly's promotional budget has been running between five and six per cent of sales. To determine this figure a number of steps are used. First, the market potential for foreign sales in general is determined. Then Lilly's share of the market, based on past history and future forecasts, is determined. These will give a good picture of Lilly's sales for the next year of their present drugs. An analysis is then made of the possibility of new products being introduced and when they will be introduced. From all these data a practical program is derived and matched with the present level of promotions. The figure arrived at by this method is for the whole international company. It is then broken down by areas, each getting a percentage of the total. A country's economy often governs Lilly's approach to various situations. Most of Lilly's manufacturing is done at its Indianapolis plants. If samples are authorized, they are either finished at this time or sent in bulk to be finished overseas. The decision on which method to use is based on the economy of the choice. In some countries the duties are such that it would be very

expensive to ship finished samples. Besides samples, Lilly also sends small gifts to doctors in their foreign markets. These are handled through the Indianapolis office and direct mailings are used. The problem of gifts and sample distribution is amplified in countries which have socialized medicine. In these countries the company tries to distribute samples to the doctors which have some private practice. In this way only physicians who are able to use the samples will get them. It is often a problem to decide which doctors should get them.

Lilly's international promotions and advertising have pointed out some of the basic problems of foreign sales as well as problems peculiar to the drug industry. One of the basic problems is political unrest. This problem is presently of particular concern to Lilly because it has a repackaging plant in Cuba. The nationalistic policies of Prime Minister Castro are causing much concern. Prime Minister Castro has stated that Lilly may not import any more finished products into Cuba for repackaging. He wants them to make all the drugs in Cuba. This policy is also carried over to the promotional department. This situation illustrates a problem over which neither the company nor the promotional manager have any control.

Sales for the international corporation have been growing over the last five years. This has been because of increased effort on the part of Lilly and the general

expansion of the world drug market. Lilly's plans call for further expansion into foreign markets. They are at the moment completing a new plant in Italy for entry into the common market. The development of common trade areas has made it advantageous for a company to locate in a country within these areas. It then can sell goods within the area under more favorable trade agreements. Lilly is also investigating the possibility of setting up operations in both Germany and France. At present they do not have any formal sales organizations in these countries.

In summarizing the problems which Lilly feels are primarily related to its business, five areas may be listed. These are: 1) the economy of the country; 2) the political situation; 3) Balance of Payments equilibrium; 4) amount of American loans; and 5) competition of European pharmaceutical manufacturers. Lilly's policy is to develop markets in as many countries as possible in order to avoid having "all their eggs in one basket".

CONCLUSION

The preceding chapters have illustrated many of the problems encountered in promoting and advertising a product overseas. Problems of prescription pharmaceutical companies have been primarily stressed. To classify the various problems, it will be necessary to establish categories. Two major groupings can be established, one over which the company has no control and the other over which it can exercise control. The first group covers such problems as politics, economics, world tensions, foreign competition, and laws of individual countries.

The foreign exporter runs into problems from his own as well as foreign governments. He has little control over tariffs and duties. He also can not say what the local health agencies should or should not do. In countries which have adopted socialized medicine there are special problems created over which the manufacturer has no influence. This problem is best illustrated in England, Germany, and France which have national health programs. It is also present in Sweden and Mexico which have strict health agencies which must pass on all medical advertisement.

World tension is neither created nor cured by the overseas advertiser, but he is greatly affected. This type of problem is exemplified by the Suez situation and at present the Cuban crisis. The lack of adherence to International Patent Convention often creates problems for

the domestic producer. He often cannot obtain complete patent protection. The domestic manufacturer, therefore, cannot control his foreign competition to any great extent. He may have to compete with his own product in an overseas market. This area must be closely watched by all domestic producers who sell overseas. At present the World Health Organization is trying to get better patent coverage.

In areas where he has control, the export advertiser has a choice of solutions. The foreign promoter can choose an advertising agency. He should look for an agency which will give him the best coverage in the most areas. In special areas a smaller agency can be used as a supplement. Most pharmaceutical manufacturers have "built-in" advertising departments. They do most of their own work except for the placement of advertising. The use of a foreign agency, therefore, will not mean a drop in quality of the advertisement. Most countries will accept the import of ads, therefore, a drug company could make the ads at its home office and ship them to its foreign agencies. Abbott and Lilly both use agencies for the placement of their ads. They try to use the agency which is nearest to the channel of distribution. Costs can often be minimized under these policies.

The control of copy is almost completely in the hands of the advertiser. A notable exception as mentioned is Mexico and Sweden where medical boards must pass on the copy. Copy translation is important to the drug manufac-

turer. He must be sure that the translation will read so it is understandable by the foreign doctor and pharmacist. Often ideas can be lost in translation. At Abbott the translations are made by medical men of the country in which the advertisement is distributed. It then should be correct in both the medical and language aspects. Lilly feels just the opposite. In their organization, the translators have no medical background. A greater degree of objectivity is their reason for this arrangement. It is also very important to know what type of copy will appeal to the doctor. Each country creates a different problem. Market research is at present expanding overseas and as it develops, it should provide answers to more problems. Technical data can be more easily translated than copy which must make an appeal. It is, therefore, especially important to guard against translation errors when promoting a drug product.

Art work and photography are important to the overseas advertiser. Their control must be carefully watched. The advertiser must be careful in the use of color. Certain colors often are either good or bad omens in foreign countries. The best way to avoid embarrassing errors is to learn as much as possible about a country's customs and taboos before any advertising in that area is attempted. In photography it is not necessary to use native scenes or models. Most foreigners are not offended by the use of American models or American scenery. This fact not only

holds true for art work and photography, but also is important in the other areas of foreign promotions. The violation of a taboo in any area will cause problems for a company.

Related to art work is package design. It is desirable in a foreign market to package a product in an easily recognizable carton or container. Since prescription drugs are often dispensed in original packages, the company can get added recognition. In the overseas market, it is also important to be as economical as possible in packaging drugs because of the lower purchasing power of the consumer. Abbott and Lilly do not use ornate containers in their overseas market for this reason.

A promotional budget is important to any company. The methods used in the establishment of a budget differ widely between companies. This fact is evident in both domestic and foreign sales. Lilly bases its budget on a sales forecast, while Abbott uses a modified version of the percentage of sales method. Each company feels its budget is adequate. The budget should be flexible. This is especially important in the foreign market due to the lack of market information.

The types of literature used can also be controlled by the drug manufacturer. Literature can range from post-cards and 3 X 5 cards to complete medical publications. Each type is used for a different purpose, but there is often too much duplication. Doctors are at present being

bombarded with literature. This is also true in the domestic market. Little is known of the effect of various types of literature in the domestic market, not to mention the foreign one. More research is needed in each country to find out the likes and dislikes of the physician in literature. Until better information is available, the "shot-gun" method will probably be continued by both companies. This is also true of the distribution of samples. This promotion is complicated by the rules of countries which have socialized medicine. There is also the problem of doctors resenting being sent samples without specific request. It is very important to find out the facts on this point because samples are a big part of the overseas promotional budget.

Media problems do not affect the prescription drug manufacturer as it might another type of exporter. He is mainly interested in the doctor, dentist, and pharmacist. This makes him primarily employ print media because it is easier to reach his specific market. If a drug manufacturer also deals in proprietary drugs or drugs which are widely sold over the counter, he may use radio or television. The choice of the prescription drug manufacturer lies between different types of printed media. Concentration is on foreign and export medical journals. The use of newspapers would be good if an institutional type of advertisement was desired. The recent hearings on drug prices in the domestic market have made the drug manufacturer more

conscious of the value of institutional advertising.

The last area to be discussed, over which the drug manufacturer has control, is his employee policy. In this area it is important to get the right kind of help. The company's employees are its representatives in its overseas market. Both Abbott and Lilly use only foreign nationals as detail men as they are fully acquainted with the problems of the people and country with which they are dealing. This policy can prevent many unforeseen problems from occurring. Besides overcoming the problem of customs and taboos, the language barrier will be non-existent. The foreign national can also contribute to the company by pointing out variations in a campaign which are needed in his country.

The problems of overseas promoting and advertising are many. Some can be solved by a change within the company, others need a major political change. It is the duty of the foreign promotional manager to make the best use of the available information and hope that in the near future more information will be available for his use. Lilly and Abbott have definite ideas of how to obtain and use this information. Although they differ in some areas, their approaches are similar. The use of only two companies limits the making of generalized suggestions. The policies of both companies, however, are representative of the drug industry.

BIBLIOGRAPHY

BOOKS

- Brown, David Leslie, Export Advertising, New York: The Ronald Press Co., 1923.
- Heck, Harold J., Foreign Commerce, New York: McGraw-Hill Book Company, Inc., 1953.
- Horn, Paul V., International Trade Principles and Practices, Third Edition, New York: Prentice-Hall, Inc., 1951.
- Kramer, Roland L., International Marketing, Dallas: South-Western Publishing Co., 1959.
- Pratt, E. E., Foreign Trade Handbook, Third Edition, Chicago: Dartnell Corporation, 1952.
- Pratt, E. E., Modern International Commerce, New York: Allyn and Bacon, Inc., 1956.

MAGAZINES AND JOURNALS

- "Advertising Problems in the New West German Republic" by Albert Laue, Export Trade and Shipper, Vol. 60 No. 26, p. 66.
- "Detailing in India", Medical Marketing, July, 1959, p. 16.
- "Germany: Gateway to the Common Market", Medical Marketing, August, 1959, p. 17.
- "International Advertising", Export Trade and Shipper, September, 28 1959, p. 38.
- "International Advertising", Export Trade, January 25, 1960, p. 11.
- "Promotions in Foreign Markets", Medical Marketing, January, 1960, p. 6.
- "Selecting an Ad Agency Overseas", Medical Marketing, November, 1958, p. 4.
- "10th Annual Survey of Advertising Budget Allocations by Exporters", Export Trade and Shipper, January 27, 1958, p. 12.
- "Trend in Pharmaceutical Advertising", by Walter O. Wegner, Journal of Marketing, January, 1960, p. 66.