



Japan has not been at the forefront of digitization, as any traveler or resident can attest. Those industries that on a global basis have most visibly been disrupted by digital technologies (such as banking, retail, and travel) have resisted change in Japan. Among Japan's demographically older population Internet adoption has been slower than in other developed nations: older age groups have tended to hold on to their feature phones, which can process email but don't provide access to the full Internet or apps like modern smartphones—this is changing very rapidly, however. Feature phones are phasing out with sales plummeting 80 percent year on year as consumers now standardize on smartphones. Within a shrinking retail market, Amazon, like many other online merchants, has grown by double digits each year, and joined the “1 trillion yen” club next to the traditional giants such as Seven & i, which are themselves experiencing flat or declining top-line growth. Fintech is growing rapidly, with new government regulation enabling further growth.

The pharmaceutical industry is fully involved in this acceleration and can no longer ignore it. Physicians and patients are ahead of the industry in how they use technology; they are used to and expect a more modern and sophisticated level of digital engagement than pharmaceutical companies currently offer. This is a missed opportunity and those organizations that move rapidly and at scale stand to benefit.

Yet, many executives are still skeptical and timid when it comes to investment decisions. While a very few companies are preparing for big transformations, we still observe many sub-scale pilots with insufficient vision and aspiration. In this short paper we would like to share five reasons why we believe pharmaceutical companies should invest at scale in digital customer engagement in Japan. These are based on observations from our daily practice and real world data.

Five facts show that pharma companies should invest at scale in digital customer engagement in Japan

1. In Japan today you can reach over 85 percent of physicians without a sales representative. Client examples in the recent months showed us we reached a tipping point as more than half of physicians have already shifted away from the sales rep as their primary information source, and 40 percent use digital sources as their primary source of information. Moreover, 85 percent of physicians in Japan use digital sources as their primary or secondary source of information today. In contrast, less than 15 percent of physicians are still reliant on the sales representative as their only source of information – and those are typically of an older, retiring demographic.
2. Digital is now effective as a primary promotional channel. The effect of sales representatives is limited if a physician is already digitally engaged. Actual sales growth data, collected over a period of six months, shows that when a physician is already engaged in

online promotional activities, the additional sales rep detail only makes a further 10 percent sales growth contribution—national data for both primary and specialty care products show that, when brands are growing at 8–15 percent with digital communication alone, they only grow by an additional 2–3 percentage points when both digital and sales representative communication are involved.

3. Late-stage primary care portfolios show decreasing detailing sensitivity in Japan. 2017 sales responsiveness data among physicians grouped by decile for major primary care products show that even among the most detailing-sensitive physicians (top 10 percent for sales responsiveness), the upside is less than 10 percent for national high-frequency coverage compared with no sales coverage at all. We see a similar trend in specialty care products and on-patent products, but this is particularly striking in long-listed products¹—these represent a substantial proportion of the market for pharma companies in Japan, are still subject to significant promotional activity, and generally believed to be sensitive to promotion. That said, many Japanese physician segments do remain sensitive to detailing, but the important lesson is that pharmaceutical companies can and should move away from general detailing coverage based on account of physician potential, towards segmenting and targeting with different channels based on preference. As a result, they can significantly reduce the number of total in-person details delivered to segments that are simply not responsive.
4. Each year traditional sales details lose their effectiveness and are now comparable to digital details. Client examples in the recent months showed us that the percentage of physicians who change their prescription after receiving drug information for a specific brand from a sales representative has declined—from 20–30 percent in 2014 to 15–20 percent

in 2016—while statistical models forecast a decline to a high single-digit percentage in 2018. When receiving information through e-detailing, 10–15 percent of physicians changed their prescription decision in 2014 and 2016, and this proportion is forecast to remain steady. Thus, in 2018, the effectiveness of traditional in-person sales details and e-details will be comparable. Further, the nature of e-details (their content, format, technology platform) has not changed significantly over time; hence we argue that there is an opportunity to increase the effectiveness of e-details with more engaging and value-adding formats. It is also worth remembering that every year the number of institutions placing restrictions on salesforce access (for instance appointment-based systems, set days or quotas) is increasing. Equally, channel-based segmentation can improve the effectiveness and efficiency of promotional spend.

5. The national government is actively driving digital adoption. The Ministry of Health, Labour and Welfare is supporting a holistic database that will ultimately link (among other things) medical claims data and nursing care data by 2020. The “Law of Next Generation Healthcare Platform” certifies vendors that can anonymize and make use of personal health data; it also allows medical institutions to provide the data in opt-out systems. Shakai Hoken Shinryo Hoshu Shiharai Kikin (the payor foundation that reviews and pays all corporate-based payor claims) is embarking on a transformation designed to streamline claims reviews by increasing the level of automation and introducing artificial intelligence to the process.

An untapped opportunity to shape digital customer engagement

Pharmaceutical companies, and their service providers, do not yet provide an engaging and value-adding digital engagement opportunity. Accordingly, the industry is lagging behind the customer. (By the way, this is true of other sectors

in Japan, such as travel; try to book a flight or hotel online to see.) Multiple benchmarking efforts show that the digital offerings from pharmaceutical companies in Japan are not at the leading edge of technology: they tend still to be web based, and do not make use of intelligent or mobile solutions; they are not engaging (static interfaces for plain communication), and not customized (no use of predictive models to tailor content). Moreover, they frequently seek to replicate online what is done offline, without taking advantage of the power of digital: for example, they often just transfer a detailing call online with the same script instead of engaging with services and interactive content, and adaptive and/or gamified educational opportunities.

The digital offering in Japan has been uniquely shaped by M3 (an early and very successful digital platform that delivers quality medical information directly to the clinical and research arenas)—but the situation is evolving. Built over many years, the reach of M3 is very broad and deep, and its digital offering has historically been leading edge. Recently, however, its reliance on classical Internet-based platforms and a points-based incentive system for physicians has raised questions about its ability to create real value for physicians, to have impact and, as a result, to command service fees from pharmaceutical companies. However, the emergence of new players—such as MedPeer—which provide alternative experiences for physicians, offer a window of opportunity for pharmacos to innovate.

In summary, pharmaceutical companies in Japan that invest at scale in digital customer engagement can unlock real value. Transformation will inevitably face internal resistance within the organization—in many cases they have worked in the same way for decades. In contrast, however, such investment will be welcomed by open-minded customers, who are eager to draw more value from their interactions with pharma as they seek to take full advantage of today’s digital solutions to simplify their lives. This applies equally to drug manufacturers and digital service providers.