This StatPack includes updated eMarketer forecasts and third-party data

Methodology

Healthcare and Pharma Ad Spending Outlook

Healthcare and Pharma Spending by Format

Healthcare and Pharma Spending on Display vs. Search

Healthcare and Pharma Spending on Digital Video

Programmatic Ad Spending

Healthcare and Pharma Mobile Ad Spending
Behind the Numbers: Methodology

eMarketer’s US digital ad spending by industry estimates are updated twice a year to keep our subscribers abreast of trends in this business-critical area. **For this forecast, we analyzed nearly 60 interviews and over 160 metrics from 16 sources,** including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders.
eMarketer’s digital ad spending figures include advertising that appears on desktop and laptop computers, as well as on mobile phones and tablets, and all the ad formats on those platforms: banner ads (static display), classified ads, email (embedded ads only), mobile messaging (SMS, MMS and peer-to-peer [P2P] messaging), rich media, search ads (including contextual test links, paid inclusion, paid listings and search engine optimization [SEO]), sponsorships, lead generation (referrals) and video (including in-banner, in-stream and in-text).
This industry includes pharmaceutical products, facilities, services, researchers, drug manufacturers and marketers, doctors, hospitals and biological products, as well as establishments providing healthcare services and social assistance for individuals. Also includes health insurance advertising.
Pharmaceutical Company Leverages Custom Machine Learning Location Models to Drive Awareness and Engagement

Client Objective
A LARGE PHARMACEUTICAL COMPANY sought to increase consideration and prescription fills for their Type II Diabetes drug. The brand partnered with AdTheorent to reach consumers using advanced machine learning targeting tactics in order to drive an efficient cost-per-treatment (CPT).

AdTheorent’s Solution
TO REACH THE TYPE II AUDIENCE, AdTheorent worked closely with a third-party healthcare data company to develop an audience based on past healthcare conditions. Data used to build this audience included offline data from pharmacy and healthcare sources.

As a secondary targeting tactic, AdTheorent developed machine learning models across mobile and desktop devices to reach patients with the highest likelihood of seeking treatment. AdTheorent and the brand worked together to identify high-value actions on the brand site that indicated consumer interest to learn more about the brand and increase likelihood to convert to treatment. AdTheorent placed pixels throughout the brand website to track patient actions after exposure to the brand campaign. Using pixel data, predictive models optimized toward consumers most likely to take key actions on the brand site.

Campaign Results
THE CLIENT USED A THIRD-PARTY pharmaceutical measurement partner to study campaign performance. The study measured media success in driving off-line prescription fills and evaluated partners for the most efficient CPT.

AdTheorent machine learning models uncovered that audiences were most likely to convert to the brand when exposed to media on mobile devices. Since predictive models have the ability to self-learn, the models automatically optimized campaign targeting to run the majority of impressions on smartphone devices.

The final cost-per-treatment of $52.28 using predictive targeting was 4X lower than targeting based solely on offline healthcare data. With the lowest cost-per-treatment on the media plan, AdTheorent’s performance exceeded client expectations, and the campaign was renewed for the full calendar year.
Digital Healthcare and Pharma Ad Spending Outlook
Factors influencing digital ad spending in the healthcare and pharma industry

- **Direct-to-consumer (DTC) ad spending in the pharma category is rising.** “Consumers are changing the way they manage their health,” Julia Phelan, executive vice president and executive director of FCB Health, told Medical Marketing and Media (MM&M) in April 2018. By speaking directly to patients, pharma brands are educating consumers on possible treatments. “[Patients] can’t write themselves a prescription, but they can ask the right questions.”

- While many DTC campaigns utilize TV, some brands, such as Allergan, are looking to **shift their spending to digital, including digital video.**

- **Social is increasingly seen as a way to reach physicians, and it’s also being used to engage patients in novel ways.** Pharma brand Novocure sponsored a Facebook Live event for cancer treatment drug Optune featuring two patients, their caregivers and family members. After the event, traffic to Optune’s site increased 1,900% month over month, according to Novocure.
Healthcare and pharma brands will spend $2.84 billion on digital advertising in 2018

Spending on digital ads in the healthcare and pharma industry will increase 12.7% in 2018, which is below the average growth in digital ad spending for all industries measured by eMarketer. Growth is expected to be slightly slower for 2019, when ad spend will increase 10.6%.
Healthcare and pharma brands are spending heavily in TV advertising

The pharma industry considers TV a safe space, with guaranteed reach. Spending on national TV ads totaled $3.45 billion in 2017, up from $3.11 billion in 2016. Print spend in healthcare and pharma, however, is slowing. Healthcare journals reported a decline of $100 million in ad revenues between 2016 and 2017, according to Kantar Media.

Source: TV ad spend numbers from iSpot.tv, via FiercePharma
Though the industry still invests in traditional media, digital spend is growing

- “There’s not a lot of budget being cut out of TV and going into digital channels,” said Lee Baler, senior media director of planning and investment at iCrossing. “When we look at TV, the reach is still big, but you’re hitting the same audience frequently. We’re looking to see how clients can move money out of TV, but it’s been [a slow process].”

- **But others see the value in digital.** Sandra Peterson, group worldwide chairman at Johnson & Johnson, told listeners at the UBS Health Care Brokers Conference in May that in its consumer division, “more than 50% of our marketing is now consumer engagement marketing. It’s digital marketing.” That includes recently launched JJVision.com, a portal linking the brand’s consumer and eye care professional sites.
Healthcare and pharma's digital ad spend growth will be **lower than the average**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>Media</td>
<td>24.9%</td>
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<tr>
<td>Entertainment</td>
<td>23.6%</td>
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<tr>
<td>Computing Products*</td>
<td>21.7%</td>
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<tr>
<td>Other</td>
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<td>CPG and Consumer Products</td>
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<td>Financial Services</td>
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<td>Telecom</td>
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<tr>
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<tr>
<td>Healthcare &amp; Pharma</td>
<td><strong>12.7%</strong></td>
</tr>
</tbody>
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*includes consumer electronics; Source: eMarketer, June 2018
In 2018, healthcare and pharma's share of digital advertising will be 2.7%

*includes consumer electronics; Source: eMarketer, June 2018
Among the largest brands, overall ad spending was essentially flat for 2017

Total spend for 2017 (includes traditional and digital channels)

- **Johnson & Johnson:** $2.5 billion, up 4.2% YoY from $2.4 billion in 2016
- **Merck:** $2.2 billion, up nearly 5% YoY from $2.1 billion in 2016
- **AbbVie:** $846 million, up 10.7% YoY from $764 million in 2016

- **Novartis:** Down 7% in 2017 (includes expenditures for marketing and advertising)
- **Pfizer:** $3.1 billion, down 3.1% YoY from $3.2 billion in 2016

Sources: Johnson & Johnson; Novartis; Pfizer; AbbVie; Merck
Digital Healthcare and Pharma Ad Spending, by Format
Display will account for the majority of ad spending for healthcare and pharma brands

Spending on search is slowly gaining, in an industry dependent on TV and video. In 2018, we forecast that search will grow 6.0%, while display will increase 17.3%. **Search will get a larger boost of 11.4% in 2019**, due to the high cost of search terms and the competitiveness of the market in the pharma sector.

US Healthcare and Pharma Digital Ad Spending Share, Search vs. Display, 2018 (% of total)

Source: eMarketer, June 2018
Spending on digital video by healthcare and pharma brands will grow **13.7%** in 2018

Digital video will account for **16.3%** of total healthcare and pharma digital ad spend in 2018, up slightly from 16.2% in 2017.

An area where digital video is especially effective is physician-directed content.

**Doctors are spending, on average, 3 hours per week watching profession-related video content.**

Source: eMarketer; *Study is from Google and Manhattan Research, cited by MediaPost Communications*
Healthcare and pharma brands’ share of digital video ad spend in display is 28.9%
Healthcare and pharma brands will increase digital video ad spend by **13.7%**

US Digital Video Ad Spending Growth, by Industry, 2018

*includes consumer electronics; Source: eMarketer, June 2018*
Healthcare and pharma brands’ use of TV is translating to more spend on digital video

“The best of what I saw in DTC this year wasn’t a TV commercial or a campaign per se, but programs that paid attention to how they’ll live in different environments. … You have to plan how it’s going to live outside TV,” Lisa Healy, partner at Medical Media Services, said in an April 2018 MM&M article.
Programmatic ad spending will account for 82.5% of all digital ad buying in 2018

While marketers will increase the share of digital video bought programmatically by 43% in 2018, according to the IAB, healthcare and pharma brands face challenges related to ad targeting and brand safety, making buying via this method a relatively smaller part of brands’ ad buying strategies.
Mobile Healthcare and Pharma Ad Spending
More than two-thirds of healthcare and pharma digital spend will go to mobile

![Chart showing desktop vs. mobile share of US healthcare and pharma digital ad spending, 2018 (% of total)]

Desktop 31.9%  Mobile 68.2%

As in nearly every sector, marketers are following consumers to mobile. We expect ad spending on desktop will continue to slow through at least 2019, while mobile’s share of digital ad spend will continue to increase.

Source: eMarketer, June 2018
Ad spending on mobile will grow 14.6% this year, reaching $1.94 billion

Eight in 10 US physicians use smartphones for professional purposes, according to Kantar Media. And two-thirds check those devices more than 10 times a day, a survey from Merck Manuals found.
Factors influencing mobile ad spending

- **Consumers are looking to access drug and healthcare information via mobile.** In March, the Food and Drug Administration launched Drugs@FDA Express, a mobile app that gives consumers access to its online database of agency-approved prescription and over-the-counter drugs.

- **MyHealthTeams**, a creator of social networks for patients with chronic conditions, reported in January that **65% to 70% of traffic to its 29 online communities is via mobile.**

- **Pharma brands are increasingly embracing social platforms** to engage patients with chronic diseases, using it to provide awareness, education and support. “Because social media is such a huge part of daily life now … we wanted to ensure we were part of the digital social media conversation,” said Alla Clancy, senior marketing manager at Alimera Sciences. **Its campaign for a diabetes-related drug launched on Twitter and Facebook**, two platforms generally accessed via mobile.
This StatPack is part of an eight-series package

About eMarketer’s Industry Ad Spending Series

eMarketer breaks down ad spending for 10 industries annually. Each year, the package not only forecasts digital ad spending, but also examines the market forces that will determine how brands allocate budgets to digital channels.

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