



Rick Kintzel/The Intelligencer

Mike Luby, CEO of TargetRx, holds an old sample case at his office in Horsham. His company surveys doctors and sells the information to drug companies to better focus their sales pitches.

Right on TargetRx

The fast-growing Horsham company developed a patented method to tell how well drug company sales pitches work.

By JOHN WILEN
THE INTELLIGENCER

Pharmaceutical companies spend \$25 billion every year sending sales reps into doctors' offices to pitch their drugs and hand out freebies like MiraLax-branded clocks, Zolofl-branded clipboards and Enbrel-branded calendars.

So, it might seem that it would make sense to study how effective those sales pitches are.

Most companies try to do this by hiring market researchers to study

their sales techniques on a case-by-case basis.

But little of this research is based on statistical data, experts say. Most of it is based on a subjective analysis of how doctors responded to a certain campaign.

TargetRx of Horsham thinks it has a better way. The company, founded by Mike Luby, a former sales and marketing executive at Merck, has taken a purely scientific approach to researching pharmaceutical marketing practices.

"Nobody's ever thought about surveying physician attitudes in a systemic way," says Luby.

TargetRx has built a database of responses by more than 70,000 doctors to more than 200 million survey questions. That data has been correlated to the doctors' actual prescribing behavior.

The result is a patented method TargetRx's team of statisticians and economists believe can be used to accurately predict whether a doctor

will prescribe a certain drug based on that physician's response to only five questions. In tests, the company's analysis has held up as highly accurate, Luby says.

That is a level of specificity that is lacking in any other type of pharmaceutical research, says John Mack, president of VirSci Corp., a Newtown consultancy and trade publisher.

"I think it's pretty unique," Mack said.

Luby says he got the idea for TargetRx while sitting through a "whiz-bang" presentation by a Merck marketing consultant, Luby says. The consultant provided extensive information about the two types of doctor personalities that were likely to prescribe a certain drug. But it wasn't able to help the company tell — in advance — whether a specific doctor fit one of these two molds.

"I was perpetually frustrated by the quality of the information available to us," Luby said. "That was probably

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the first time the light bulb for TargetRx went on.”

It's an idea that appears to be catching on. TargetRx counts as clients most of the top 30 U.S. pharmaceutical companies. It has attracted \$50 million in venture capital, including a \$15 million round headed by Quaker BioVentures of Philadelphia in April.

“What they've done that's incredibly unique is that they've built a very sophisticated database,” said Richard Kollender, a Quaker partner who joined TargetRx's board at the time of that investment.

Luby left Merck in 1999 to found TargetRx, and says the first couple of years were tough.

“When you go back to day one, we didn't have a database,” said Luby.

TargetRx survived by doing

some custom research. But at the same time Luby hired statisticians, economists and psychologists to design the questions TargetRx asks doctors, to interpret the data and to start building the database.

The company surveys doctors online. It pays \$50 to \$75 per survey, depending on specialty. Surveys run from five to 80 minutes in length, but can average 30 minutes.

Luby declined to provide examples of the types of questions TargetRx asks — that's proprietary information he wants to keep private.

It's the accuracy of TargetRx's analysis of those survey responses that's valuable, Mack says.

“Increasing the effectiveness of (sales pitches) can add tens of millions of dollars in sales over a very short period of time,” Mack wrote in a report last year about TargetRx.

And by constantly reassessing its analysis in the face of

new data on doctor prescribing behavior, TargetRx is “constantly sharpening the tools,” Luby said.

The company is up to about 100 employees, and is looking to get to about 125, Luby said. It generates around \$25 million in annual revenues. Luby declined to disclose how rapidly TargetRx is growing.

The company is branching into new lines of analysis, such as studying the effectiveness of pre-launch drug marketing plans. It's also considering expansion into Europe.

Luby doesn't think he'll need more venture capital to grow. He's looking instead at the more traditional growth mechanisms of an established company.

“We're thinking, financially, maybe around an IPO at some point, or the potential acquisition of a company,” Luby said.

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