



## Internship 2 - Graduation Assignment

### Expanding Public Relations Services into the Austrian Pharmaceutical Market

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## Abstract

### Research Issue

The study described in this report was done on behalf of Public Relations Organization International, which is a world-wide alliance of public relations agencies working together to share experience, expertise and cooperate on servicing clients. The study aimed to find out whether it is profitable for a London-based healthcare public relations agency, WCG World, to expand into the Austrian market.

### Methodology

The first part was focused exclusively on desk research. The aim was to do an in-depth market analysis in order to determine potential customer, competitors, et cetera. The second part of the study, the field research, was conducted to measure the attitudes of Austrian managers toward potential healthcare PR services.

The research of manager's attitudes is done by conducting unstructured interviews. A sample group of 30 managers are invited to a healthcare PR workshop, and their reactions to the invitations are analyzed and recorded. The data is later compiled to determine whether the managers are interested in healthcare PR or not.

### Findings

The main clients for healthcare PR in the Austrian market are pharmaceutical companies, patient groups and insurance agencies. There are two healthcare PR agencies focusing exclusively on healthcare. They have specialized expertise and have successfully serviced large organizations in the past. There are additionally 56 agencies that offer healthcare PR as part of their portfolio.

Furthermore, there are at least three major segments targeted by healthcare PR: patients, doctors and pharmacies. Patients usually require information about their condition and potential treatment. Doctors can be exposed to PR attempts via crisis management or general efforts to increase reputation of a company. PR to pharmacies can be done in the area of brand building and information sharing.

Unfortunately, the survey done in this project was too small to be inconclusive. Out of 30 surveyed managers, 24 said they do not know whether they would attend a PR workshop. The other 6 managers said they are definitely not interested in a PR workshop. There was not a single manager who demonstrated a deeper interest in attending a workshop related to PR services.

### **Main Conclusion**

As was deducted by a pro-and-con analysis, the positive factors overshadow the negative ones. In conclusion, it is probably a good move for WCG World to expand into the Austrian market.

### **Main Recommendation**

The research project concluded that WCG World should expand into Austria. The main recommendation is to conduct further research into topics such as required budget, best market entry method, et cetera. Once that is done, expansion can take place.

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Lastly, I would like to acknowledge several people which did not have a direct contribution to the report, but they were important to its creation in an indirect way. These are colleagues, partner company employees, professionals who were willing to share their expertise, or just parents, friends and associates giving useful feedback. I would like to thank them for making their valuable contributions.

Adam Dekany

## Glossary of Terms

Here is a list of specialized terms used in the document, along with their brief explanation:

<b>Generic Pharmaceuticals</b>	Pharmaceuticals whose patent has expired
<b>OTC</b>	Abbreviation of “Over-The-Counter”, these are pharmaceuticals that do not require prescription in order to be sold
<b>Patented Pharmaceuticals</b>	Pharmaceuticals whose patent is still in effect
<b>PR</b>	Abbreviation of “Public Relations”
<b>Red Biotech</b>	Common term for “Medical Biotechnology” usually used in popular media
<b>R&amp;D</b>	Abbreviation of “Research and Development”

## 1. Introduction

The pharmaceutical industry is one of the most strictly regulated industries in the modern world. There are numerous laws and regulations, which aim at ensuring the safety and trustworthiness of the drugs on market.

However, despite all the consumer protection, pharmaceutical companies are somewhat mistrusted by the public.<sup>1</sup> For that reason, there are plenty of opportunities for public relation agencies to offer their services in this area. One such agency is WCG World.



WCG is a London-based public relations firm which focuses on marketing and communications services in the field of healthcare, consumer products and technology industries. The company specializes in branding, traditional marketing, corporate and product public relations, clinical trial recruitment, medical education, market access and direct-to-patient communications campaigns.

Presently, WCG is part of a large international network of businesses, called Public Relations Organization International (PROI). At the moment, PROI consists of 56 companies operating in 39 different countries around the globe.<sup>2</sup> As part of this network, companies share their



**PUBLIC RELATIONS**  
ORGANISATION **INTERNATIONAL**

knowledge and expertise to get ahead of the competitors. Another partner in the organization is an agency named “comm:unications”, situated in Vienna. The focus of the company is on public relations, event marketing and direct marketing.

As part of the goodwill in the PROI network, comm:unications is inclined to help expand the WCG clientele by offering healthcare-related services in the Austrian market. WCG World has significant expertise in this business, and comm:unications has a great network of contacts in Vienna.

**comm:unications**  
AGENTUR FÜR PR, EVENTS & MARKETING

<sup>1</sup> Source: Edelman Trust Barometer

<sup>2</sup> Source: PROI Web site

By mutual co-operation, these two companies should be able to offer services that could generate significant profits for each of the businesses. This research report is based on this notion, offering substantial data and recommendations that can be used to achieve such a goal.

### 1.1 Research Background

In the present situation, WCG World does not have a foothold in Austria, but it is quite successful in the United Kingdom. Comm:unications would like to assist WCG World to expand into the Austrian healthcare industry, in order to obtain joint business contracts from potential customer on which both companies could profit.

The expansion of WCG World into Austria is an idea originating from two PROI partners: Seesame and comm:unications. In the past, Michaela Benedigova, the managing director of Seesame and Sabine Pöhacker, the managing director of comm:unications, tried to develop new business between Slovakia and Austria. In order to do so, however, it would be very helpful to invite a large public relations agency with a lot of expertise in healthcare, in order to share their methods and experience with the local PROI partners.

This year, 2012, Michaela Benedigova proposed to develop a project in the healthcare business. In the past she has had excellent experience with healthcare workshops. They often resulted in great success and new clients for her PR agency. The workshops usually presented topics such as event-marketing, intercultural PR and PR for universities. Consequently, more information on the Austrian market was requested in order to allow the executives to make a better informed decision.



## 1.2 Research Objectives

The objective of the research is to generate income by obtaining new business deals in the healthcare industry, which should be possible with the expansion of WCG World into Austria. The research therefore hopes to provide information which can be used to increase the revenues of Public Relations Organization International. The way to achieve this goal is to find new business opportunities for the company WCG World, with the help of the domestic public relations agency communications. Therefore, the research question is as follows:

***“Is it profitable for WCG World to expand into the Austrian market?”***

The above research question is answered by doing a pro-and-con analysis of the current situation in the market. Therefore, a lot of information is gathered on the nature of the market, the strength of the competition and the potential demand for PR services. In the discussion section, each factor is marked as favourable or unfavourable, and the final recommendations are made based on the conclusion of this analysis.

## 1.3 Significance of Research

The research results are used to give a recommendation to the management of the agencies WCG World and communications. The recommendations serve as a reference for the executive management when deciding about the expansion into Austria.

The topic of the research question is relevant primarily to the area of marketing. The target is to generate more revenue by obtaining new business deals in the healthcare industry, which could be possible with the expansion of WCG into Austria. However, it is first necessary to determine whether such expansion is profitable or not.

## 2. Literature Review

Before a research project on expansion into foreign markets can start, it is first necessary to define the nature of the hosts company's activities. WCG World is active in the healthcare PR, where it provides a variety of services. Public relations is sometimes confused with marketing, so first off one needs to define the difference between the two.

Unlike public relations, marketing is generally being defined as an exchange process between the consumer and the company engaging in marketing (Brassington and Pettitt, 2003). A marketing strategy must send the correct message and select the appropriate medium to sell the marketed product. (Kotler and Armstrong, 2005).

Kotler (2000) explains this definition further as exchanging the consumer's money for the goods and services of the company. Furthermore, he claims that fair communication and exchange of information from buyer to seller is a vital part of a successful marketing effort.

The purpose of marketing is to influence consumer behaviour. Blackwell, Miniard and Angel (2001) defined consumer behaviour as all the actions that people take when obtaining, consuming and disposing of products or services.

To go deeper in the definition, customer behaviour relevant for the company can be broken down to three basic stages (Brassington and Pettitt, 2003). These stages are: The cognitive stage, the affective stage and the behaviour stage. The cognitive stage is defined as the stage in which the consumer becomes aware of the existence of a particular product or service. The affective stage focuses on improving the consumer's attitude towards the mentioned product or service. The final behavioural stage is defined as the moment when the consumer decides to take action and purchase the product.

Public relations, on the other hand, is defined as the practice of information flow management to the public. The purpose is to influence public opinion by exposure to specific topics of interest, which usually without the goal of enticing further purchase or payment (Seitel, 2006).

However, there is a stigma associated with public relations when it comes to journalism. A study conducted by Wright (2005) found that substantial professional prejudice and

discrimination exists towards public relations education. More than half of respondents<sup>3</sup> involved in their study replied that they had a dean, director or department chair that was prejudiced against public relations. The prejudice is more prevalent among print journalists and journalism faculties. This suggests that professionals involved in printed news, such as newspaper and magazine journalists, could be uncooperative regarding any efforts made by public relations agencies.

To enforce the point further, the finding by Len-Riosa, Hinnant and Park (2009) suggests that journalists generally choose against using publicity materials as source. They illustrate how health journalists are most sceptical of materials provided by businesses and federal government agencies. Of all professionals, newspaper and freelance journalists are least willing to use public relations materials.

When it comes to measurement and evaluation of effectiveness regarding public relations activities, there is still a lot of discussion. In the 20<sup>th</sup> century, the two main research methods were opinion polls and basic media analysis. These two were used to plan PR campaigns and to monitor their progress. After the practice of public relations expanded and became common, greater emphasis was given on media analysis. However, the study suggests that evaluation was more discussed than conducted. Today, the academic evaluation of PR practices yields mixed results. (Watson, 2012).

In present education of public relations, the dominant theme is intercultural adjustment. However, Garcia (2010) suggests that this is an outdated approach, because it overlooks the reality of the professional world. They suggest PR education should incorporate business concerns related to study of management and business practices.

When it comes to travel journalism, Hanusch (2012) found during his research project that travel journalists are very wary of PR, and they believe themselves to be immune to its influence. However, some of the subjects in the study found PR activities quite useful. By cluster analysis, Hanusch found three distinct groups of journalists, each with a different attitude toward PR. It seems that some journalists view PR with strong criticism, while there are many journalists whose attitude is more positive.

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<sup>3</sup> Of 342 public relations educators, 56.6% answered that professional discrimination exists towards public relations education.

Despite all these concerns, there is a lot of opportunity for PR in the healthcare business. Since almost a decade, public health organizations have increasingly been pushing multinational drug companies for investments into neglected diseases. The aim was to develop essential medicines in order to ease the suffering of about a billion people worldwide currently living with neglected diseases. Findings by Camposa, Normana and Jadad (2011) suggest that the development of alliances between public and private health organizations required careful discussion on values and shared goals, agreements on mutual interest, power relations, exchange of expertise and resources, stakeholder engagement and assessment of local health capacity. As a consequence, one can infer that public relations can play a vital role in the success of such a private-public alliance, by facilitating communication between the stakeholders.

Apart from business-to-business PR, some methods might be very useful in educating patients. To study the effectiveness of healthcare group education programs, Taala, Raskerb & Wiegman (1997) conducted a literature review regarding rheumatoid arthritis patients. The researchers were interested to what degree do education programs fulfil certain criteria for educational self-management programs. The aim of these programs is to improve the quality of life for patients living with the disease. It was discovered that group education improved the knowledge of the participants, which led to beneficial behavioural effects.

Furthermore, there is some very convincing evidence that PR projects can be of great value to large pharmaceutical businesses. Podnar, Lah & Golob (2009) conducted a research on the relationship between public relations and economic theory. They found that there is a positive reinforcing relationship between strategic management and PR efforts. For this reason, internal communication is gaining importance, as documented by Verčič, Verčič & Krishnamurth (2012) in their research. Surveyed respondents see internal communication as interdisciplinary management function, integrating elements of human resource management, communication and marketing. They consider it a vital part of organizations.

Lee & Yoon (2010) confirmed that public relations can indeed have positive impact on economic outcomes. They measured the amount of international trade and government investments into public relations, and found that PR was positively related to U.S. imports from those countries, U.S. direct investments to those countries and the number of U.S.

tourists visiting those countries. In conclusion, public relations campaigns were able to create a better image of a country, leading to better economic outcomes.

Still, “public relations” has been represented in a negative manner over a period of several decades in the past. Researcher White (2010) theorized that this might adversely impact the perceived credibility of the profession. However, this may not be entirely true, since the researchers conducted a telephone survey and found that public relations is perceived more positively than the media portrayal would suggest. Respondents explained that they view PR as an important activity that serves society by providing information, and they disagreed with the idea that PR is mainly damage control or non-substantive activity.

In addition, researchers Huang & Hagan (2011) conducted two surveys on the topic of public relations in business. The first survey explored the attitude of business managers concerning market-oriented PR. The second survey studied the same topic, but the sample group was composed of PR practitioners. Both groups ascribed credit to PR for increased revenue generation for reasons of increased media publicity and exposure.

The European Communications Monitor (ECM) in 2010 showed that social media and overall digital communication have significantly increased in importance. Both are well-correlated to the anticipated impact of public relations; especially social networks and online videos are considered vital social media tools of today. European PR practitioners estimate that the content of communication became even more important as the use of social media boomed. (Verhoeven, Tench, Zerfass, Moreno & Vercic, 2012)

In conclusion, public relations is different from marketing, mainly in the fact that the goal of public relations is to inform the public about topics of interest, while the goal of marketing is to entice customers to purchase a service or a products. Researchers have argued that public relations is usually presented negatively in professional education and public media, but there is evidence that the majority of business professionals do not have negative attitudes toward public relations. Lastly, public relations might be a vital component in maintaining alliances in the healthcare industry, as communication and cooperation between involved parties is so vital.

### 3. Methodology

The following chapter deals with the methodology of research in this project.

#### 3.1 Research Sub-Questions

From the main question, several sub-questions can be derived which should aid in determining an answer:

- *How strong is the competition in the Austrian healthcare PR market?*
- *Who are the main clients for healthcare PR?*
- *Who is the target audience of healthcare PR?*
- *What is the attitude of potential clients to healthcare PR services?*
- *How can WCG World expand into Austria?*
- *To what extent can WCG World's expansion into Austria generate new business deals in the healthcare industry?*
- *How can the generation of business deals generate income for WCG World's expansion in Austria?*

In the discussion section, each of these sub-questions is answered. The results will then be then used to determine the final answer to the main research question.

#### 3.2 Research Design

During this project, both desk and field research were conducted. This section explains in detail what methods of collecting data were chosen, and their expected effectiveness.

Most of the data presented in the report come from desk research. This was done by surveying reliable sources on the Austrian pharmaceutical industry, mainly supplier and patient associations. Very fortunately, there exists an Association for the Austrian Pharmaceutical industry, which gathers nearly all pharmaceutical suppliers under one umbrella. This association is called Pharmig, and publishes a very comprehensive annual report with very accurate data about the industry. This report was chosen as the primary object of desk research, because of high information content, reliability and accuracy.

The desk research was used almost exclusively on marketing analysis, which encompasses potential client lists, potential partner lists and the market environment. Furthermore, desk

research was vital in constructing the model of the Austrian healthcare system, by collecting, compiling and analyzing all stakeholders in the healthcare business.

Field research mainly involved interviews with company managers that determined their attitudes toward PR. It is done by telephone calls to pharmaceutical companies. During the call, a semi-structured interview is conducted with the manager. His reactions are then compiled and coded into quantitative data in order to determine his interest in PR services. A more in-depth description of this procedure is offered in the following sub-sections.

### 3.3 Sampling

For the survey, pharmaceutical companies were chosen because they are one of the most likely future clients for a business offering services in PR healthcare, such as WCG World. There are approximately 116 pharmaceutical suppliers operating in Austria.

In the ideal situation, one would conduct 116 structured interviews or send out and receive 116 questionnaires. Unfortunately, that is not possible due to the time constraints and occasional lack of interest of these managers. Therefore, the final sample size is 30 managers, representing 30 companies (this only represents 25.86% of the population).

### 3.4 Data Collection

In order to estimate manager's attitudes toward healthcare PR services, a specific method was chosen to indirectly measure their interest in healthcare PR. A workshop about healthcare PR was devised in order to see how invited managers would react to the proposal.

For the workshop, two very prominent PR speakers were invited and a sample program was drawn up. Afterwards, managers were called and asked whether they would be interested in attending the workshop. The assumption is that if there is a significant interest among pharmaceutical business managers in healthcare PR, they will respond positively to the workshop invitation. If their attitude is negative, they should reject the invitation outright, without asking for detailed information.

### 3.5 Data Analysis

During the phone calls, managers were invited to the workshop with a standardized phone call. A lot of effort was made to repeat the exact same invitation during each phone call. After the call, the manager's answer was marked either positive, negative or undecided.

If they showed significant interest, by saying "We would like to attend." or "We were looking for such a workshop.", their answer was considered positive. The answer was undecided if they answer approximately similar to "Send me the invitation on the office e-mail, I will look at it later." The answer was considered negative if they outright rejected the invitation and did not ask for additional information.

Each of the 30 phone calls were analyzed and categorized according to these three options. If a manager was not reached or his secretary rejected to forward him directly, the sample was dropped and another phone call to a different company was made instead.

### 3.6 Limitations

The most common and most natural limitations to research are time and financial resources. This is also true in case of this project. Most important is the fact that the research project lasted only 6 months, and only approximately 5 hours were dedicated every week to obtaining data. Only one person was working on the project, whose majority of time was spent on conducting day-to-day activities at the researching company. This adds up to a very small amount of time left which was left available for the project. In order to do a more extensive research, more hours need to be scheduled for the project.

Lastly, a good critical researcher must consider that the field research was not very reliable, since managers are often busy and unresponsive to phone calls. A larger sample and a better method of research are required in this case. Therefore, this field research should be considered a weak indication of the current situation, and more research is required to conclude the findings.

#### **4. Findings**

In this chapter, factual findings of the research are presented. This section is further divided into multiple parts. The first part offers a general marketing analysis of the Austrian healthcare industry. It starts off with the structure of the market, and then continues into basic market analysis regarding consumers and suppliers.

Following are lists of the pharmaceutical, insurance and PR organizations, along with patient associations. These are vitally important to the marketing analysis, because they are the core of the Austrian healthcare market. It is almost certain that WCG will have to deal with most of these listed businesses, if not all of them.

Regarding information collection, most of the data provided in this section was gathered and compiled by Pharmig. Pharmig is the Association for the Austrian Pharmaceutical Industry, founded in 1954 and encompassing 119 member companies (April 2011), which supply close to 100% of the pharmaceuticals sold in Austria. Annually, Pharmig publishes a Facts & Figures Report with collected data on the whole Austrian pharmaceutical industry. Provided data originates in the most recent Fact & Figures Report of 2011.

#### 4.1 Structure of the Austrian Healthcare System

The following Figure 1 explains the basic structure of the Austrian healthcare system:

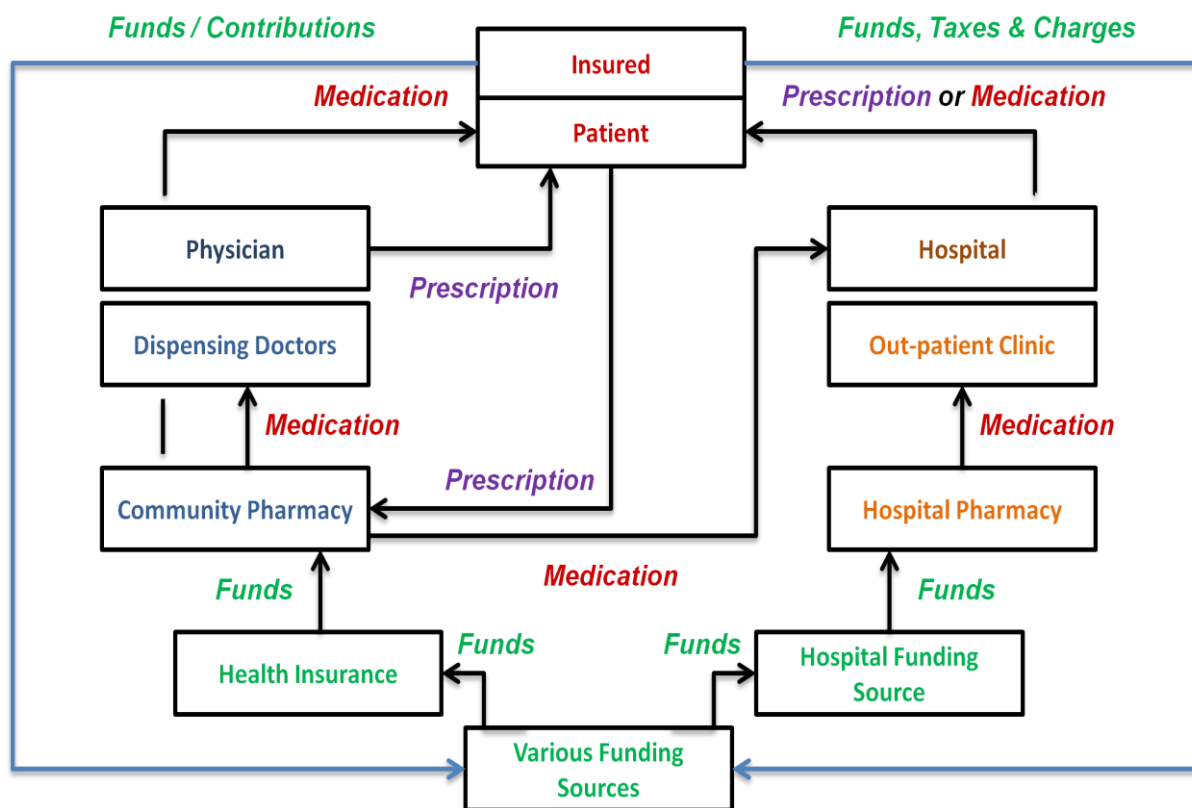


Figure 1 – Structure of the Austrian Healthcare System

As can be seen from Figure 1, patient's medication is paid almost exclusively by insurance agencies, which is purchased by the patients. The final consumer of healthcare products and services, the patient, has almost no say in what products he is able to buy, because the treatment procedure is prescribed by the doctor. Purchasing prescription pharmaceuticals without the doctor's consent is illegal. Therefore, the purchasing decisions are made by the doctors, not the patients.

In conclusion, the target of PR campaigns are not the individual consumers, like in other industries. Rather, healthcare PR is always targeted at some organization, such as patient groups, government policy makers or insurance companies.

#### 4.1.1 Austrian Social Security System

Figure 2 further describes the division of the Austrian social security. As one can observe, there are several kinds of insurance a person can purchase. For the purposes of this study, only health insurance is interesting.

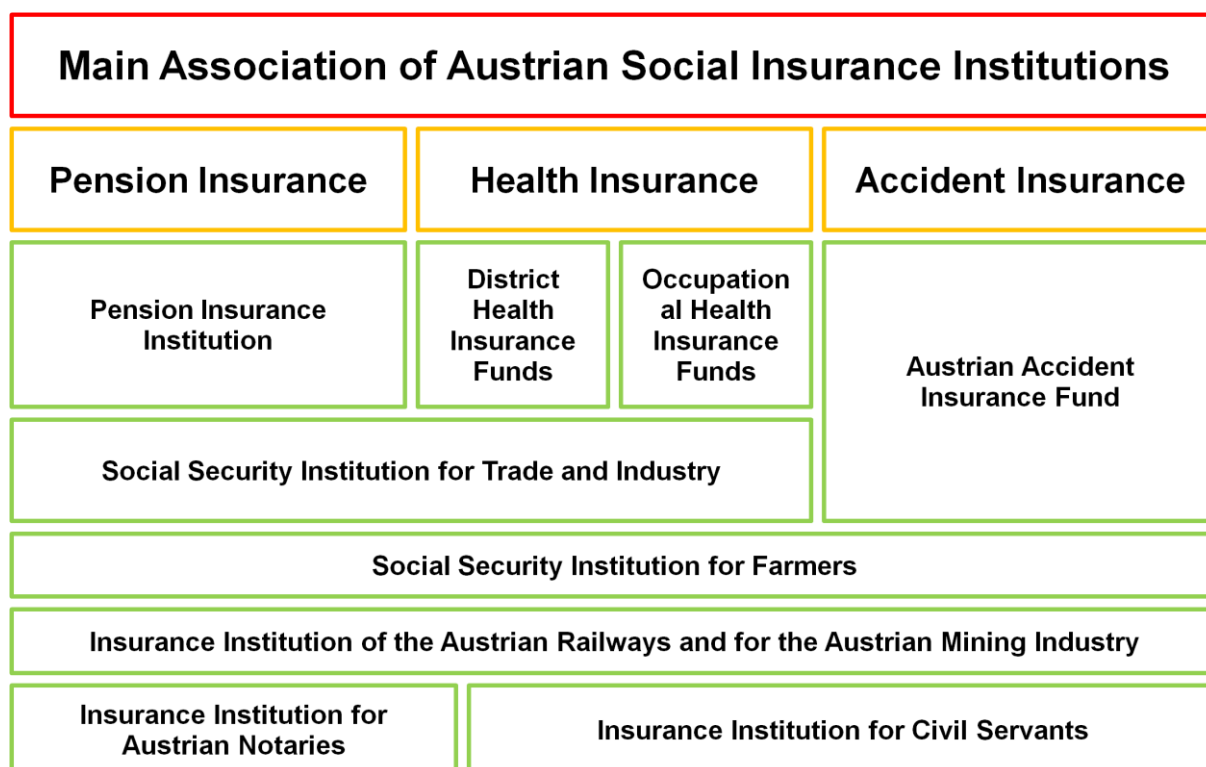


Figure 2 – Austrian Social Security System

There are in total 22 social insurance institutions covering healthcare insurance in Austria. The healthcare spending amounted to 30.31 billion EUR in 2009, corresponding to approximately 11% share of GDP. When broken down to public and private spending, approximately 77.7% of the costs were paid by public funds. This means that only some 33.3% were actually paid by patients. This usually covers purchases of generic non-prescription pharmaceuticals, such as common cold tablets.

The following Table 1 is an extensive list of Austrian insurance companies. It is necessary to caution that not all of these organizations need to offer healthcare insurance. Therefore, to have a more accurate list of health insurers, the portfolio of each company needs to be assessed.

There are in total 72 major insurance agencies in Austria. There are also numerous smaller insurers, but they are generally not involved in healthcare, which makes them irrelevant for this study.

**Table 1 – List of Austrian Insurance Agencies**

ACE European Group Limited - Office Austria	Helvetia Swiss Insurance Company Ltd
GA INTERNATIONAL S.A.	Helvetia Insurance Ltd
Allianz Elementar Lebensversicherungs-Aktiengesellschaft	HYPO-INSURANCE AKTIENGESSELLSCHFT
APK-Versicherung Aktiengesellschaft	Carinthian provincial mutual insurance
ARAG Österreich Allgemeine Rechtsschutzversicherungs-Aktiengesellschaft	Mercury insurance corporation
ATLANTICLUX Lebensversicherung S.A.	Muki mutual insurance company
Atradius Credit Insurance NV	Lower Austrian Insurance Ltd
Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	NUREMBERG stock insurance company Austria
AXA Versicherung AG	UPPER AUSTRIAN insurance corporation
Bank Austria Creditanstalt Versicherung AG	OeKB Versicherung AG
Basler Versicherungs-Aktiengesellschaft Office Austria	Partner Reinsurance Europe Limited. Dublin, Zurich Branch
BAWAG P.S.K.Versicherung AG	Porsche Insurance Company Ltd.
CALL DIRECT Versicherung AG	Prism Credit Insurance Company
AIG Europe SA	PrismaLife AG
Clerical Medical Austria	QBE Insurance (Europe) Limited
Coface Austria AG	R + V Allgemeine Versicherung AG
Collegialität mutual insurance	Raiffeisen Versicherung AG
Continentale Lebensversicherung AG	SCOR Global Life SE
THE Austrian General Legal Expenses Insurance Company Ltd.	SCOR Switzerland AG
Dialogue Life Insurance Ltd.	SK insurance corporation
DANUBE Versicherung AG Vienna Insurance Group	Skandia Leben AG Life Insurance Company Ltd.
Three banks Insurance Company Ltd.	Sparkassen Versicherung AG Vienna Insurance Group
ERGO Austria International AG	Standard Life Insurance
ERGO Life Insurance Direct Ltd	Swiss Life Products (Luxembourg) SA
Victoria Volksbanken Versicherung Aktiengesellschaft	Swiss Re Europe SA
European travel insurance corporation	TYROLEAN INSURANCE VaG
FINANCE LIFE Life Insurance Ltd.	UNIQA Versicherung AG persons
Garant Insurance Company Ltd.	Vorarlberg insurance VaG
GARANTA AUSTRIA Insurance Company	Luxembourg SA life assurance provision
General Reinsurance AG	Wiener Städtische Versicherung AG Vienna Insurance Group
Generali Versicherung AG	WWK Lebensversicherung a. G.
GOTHAER Life Insurance Ltd.	Wüstenrot Insurance Company
Grawe asset management	XL Insurance Company Limited
Grazer insurance corporation	Zurich Insurance Company Ltd.
Versicherung AG HDI	Austrian officials insurance mutual insurance company
HDI-Gerling Life Insurance	Austrian Hail Insurance mutual insurance company

## 4.2 Patient Groups

Patient groups are an important part of the healthcare policy decision-making process. In essence, it is a union of patients determined improve the patients' position by informing and coaching other patients, and by gaining some bargaining power in order to improve the patient's treatment.

As a general trend, old members of the population require pharmaceuticals in order to improve their condition. Figure 3 demonstrates the consumption on drugs according to age. The X axis represents the age group of patients; the Y axis represents the percentage consumption of drug packages. From the data, one can determine that the need for pharmaceuticals rises disproportionately after the age of 60.

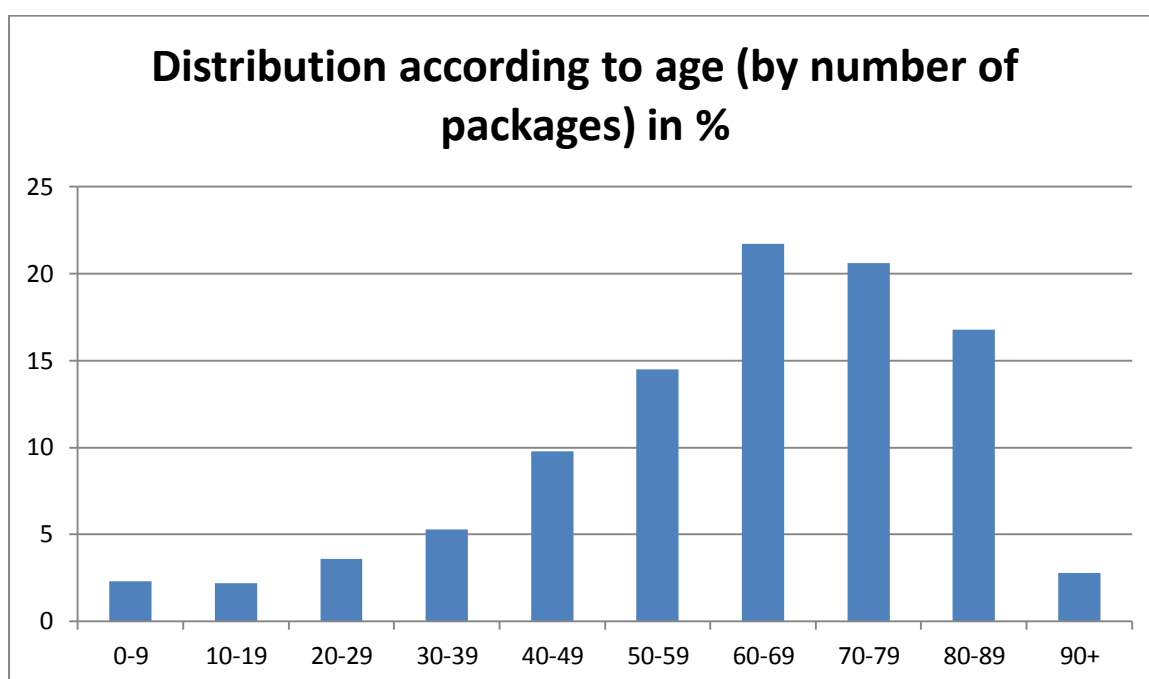


Figure 3 – Consumption of Pharmaceuticals According to Age

This information implicates that the members and customers of a patient organization will should usually be older people. For that reason, a lot of public relation efforts will be focused on the elderly. This conclusion is important, because PR agencies can be hired to provide valuable information about a disease to the members of the patient organization. Therefore, it is vital that PR agencies take their audience into consideration.

As mentioned before in healthcare insurance, patients are not the only target of public relation efforts. Patients are solely reliant on their physicians to prescribe pharmaceuticals,

and therefore nearly all marketing efforts are focused on doctors. When going deeper in the analysis, one can determine there are 43,742 physicians qualified to prescribe pharmaceuticals in Austria. This is the customer base to which pharmaceutical companies with patented drugs need to appeal to. Regarding generic pharmaceuticals, there are 5,160 pharmacies registered in Austria. Generic drug producers need to appeal to these pharmacies in order to sell their products.

From this analysis, one can conclude that either doctors, pharmacies or patients should be targeted by a PR project. The audience is largely dependent on the message of the PR project, and the intentions of the hiring client.

Furthermore, one can analyze the expenditures of the government to determine where the most money is spent. Based on this information, the PR efforts can be better targeted to a specific audience. The following Figure 4 shows the distribution of the overall healthcare spending in 2009. The numbers are in millions of EUR.

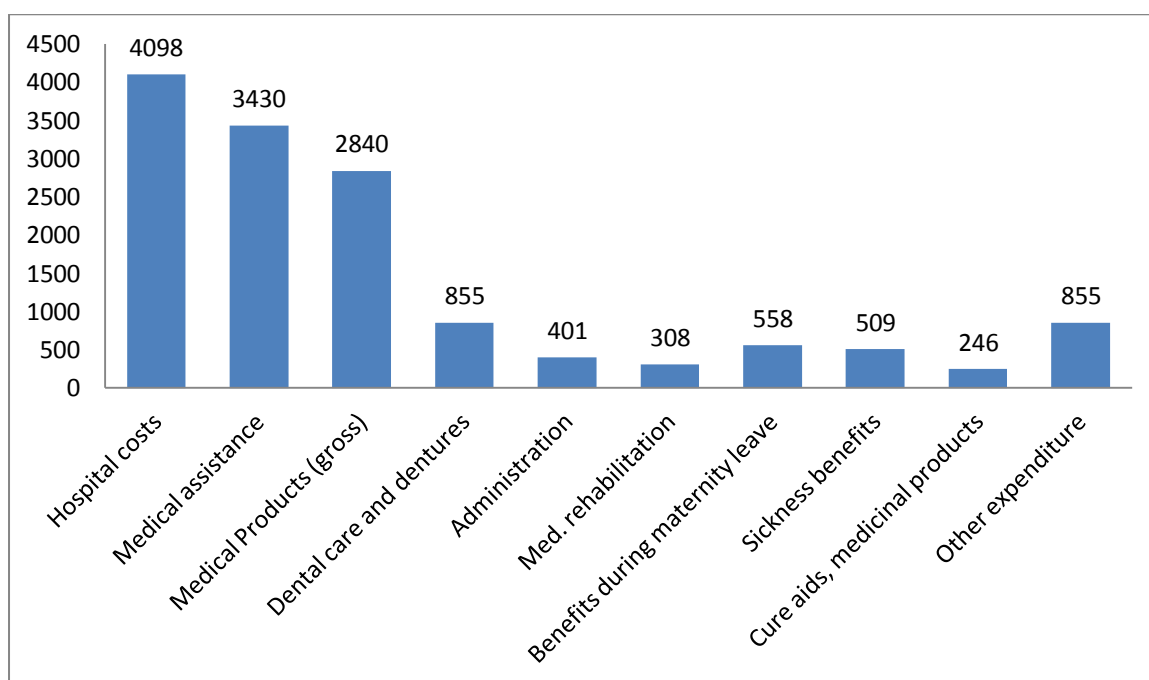


Figure 4 – Expenditures Share of Health Insurance Institutions 2009

As can be seen from the chart, most costs occur at hospitals. Second largest spending segment is medical assistance. The third largest segment is medical products including pharmaceuticals. The rest of the spending is negligible in comparison to these three points.

### 4.3 Pharmaceutical Companies

The next section indicates another major part of the healthcare industry – pharmaceutical suppliers. These companies offer a lucrative customer for a PR agency, since large pharmaceutical manufacturers can use their extensive budget to purchase PR services. Secondly, the reputation of pharmaceutical businesses seems to be poor, so it stands to reason that they would benefit greatly from positive public relations.

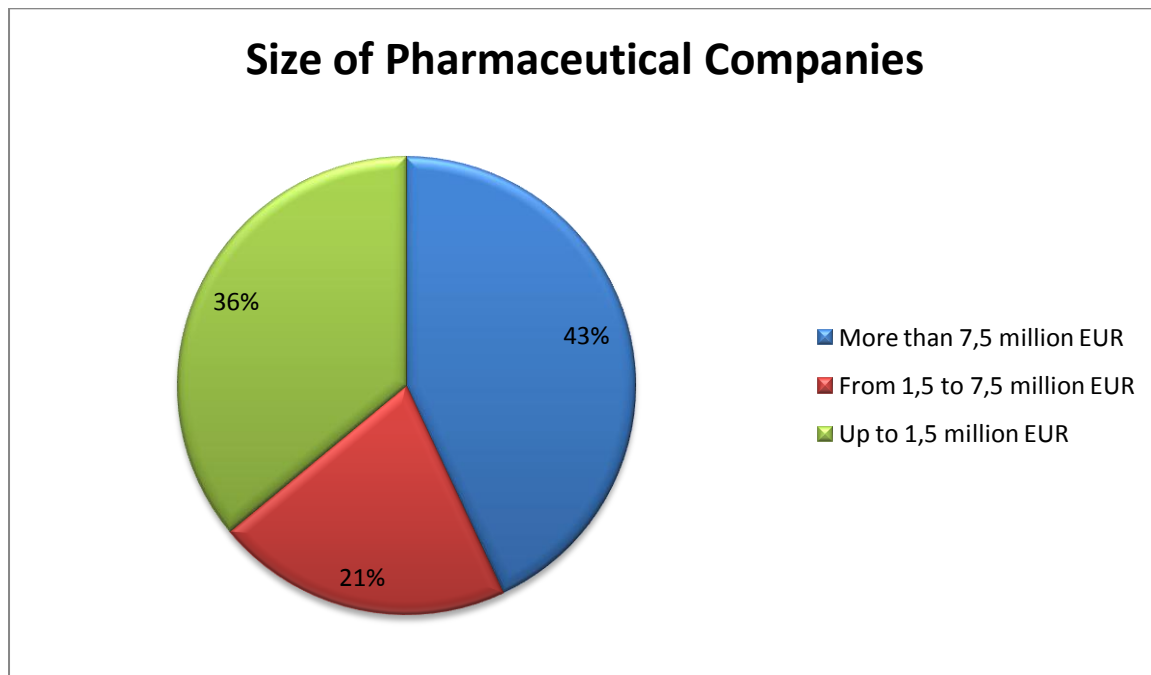
Following is the full list of pharmaceutical companies operating in Austria under Pharmig, taken 12<sup>th</sup> April 2012. In total, there are 116 registered pharmaceutical companies operating in Austria.

**Table 2 – List of Austrian Pharma Companies**

A. Menarini Pharma GmbH	Cyathus Group	Intendis Austria Handels GmbH	Pfizer Corporation Austria
A. Twardy Ges.m.b.H.	Daiichi Sankyo Austria GmbH	Intercell AG	Pharma Logistik Austria GmbH
Abbott Gesellschaft m.b.H.	Dermapharm GmbH	Ipsen Pharma GmbH	Pharm-Allergan GmbH
Actelion Pharmaceuticals Austria GmbH	Dr. A. & L. Schmidgall chem.-pharm. Fabrik	Jacoby Pharmazeutika Aktiengesellschaft	Pharmaselect Handels GmbH
Adler Pharma Produktion und Vertrieb GmbH	Dr. Peither GmbH & Co.	Janssen-Cilag Pharma GmbH	Phonix Laboratorium GmbH
Agnetar PharmaConsulting	Dr. Robert Heinz & Partner	Johnson & Johnson GmbH	ratiopharm Arzneimittel
ALK-Abello Allergie-Service	EBEWE Pharma Ges.m.b.H.	KED Pharmaceuticals AG	Reckitt Benckiser GmbH
Allergopharma VertriebsgesmbH	Ecolab Gesellschaft mbH	KRKA	Research Center
Almirall GmbH	Eisai GmbH	Kwizda Pharma GmbH	Riemser Arzneimittel AG
Amgen GmbH	Eli Lilly GesmbH	Leo Pharma GmbH	Richard Bittner AG
APOMEDICA Pharmazeutische Produkte GmbH	Emonta Pharma GmbH	Louis Widmer GesmbH	Richter Pharma AG
Astellas Pharma Ges.m.b.H.	ERWO Pharma GmbH	Lundbeck Austria GmbH	Roche Austria GmbH
Astra Zeneca Österreich GmbH	EVER Neuro Pharma GmbH	Madaus Gesellschaft m.b.H.	Sandoz Ges.m.b.H.
Austroplant Arzneimittel Ges.m.b.H.	F. TRENKA chemisch-pharmazeutische Fabrik	Medice Arzneimittel GmbH	sanofi-aventis GmbH
Baxter AG	Fering Arzneimittel Ges.m.b.H.	Merck Gesellschaft m.b.H.	Sanochemia Pharmazeutika AG
Baxter Healthcare GmbH	Fresenius Kabi Austria GmbH	Merck Sharp & Dohme	Sanova Pharma GmbH
Bayer Austria Ges.m.b.H.	GE Healthcare Handels GmbH	Merz Pharma Austria GmbH	Servier Austria GmbH
Bencard Allergie GmbH	Gebro Pharma GmbH	MIP Pharma Austria GmbH	Schulke & Mayr Ges.m.b.H.
Biogen Idec Austria GmbH	Genzyme Austria GmbH	Montavit Pharmazeutische	Sigmapharm Arzneimittel
Biotest Austria GesmbH	Germania Pharmazeutika	Mundipharma GesmbH	SIGNATIS Pharma GmbH
Boehringer Ingelheim RCV GmbH & Co KG	Gilead Sciences GesmbH	Norgine GmbH	Spagyra GmbH & Co KG
Bristol-Myers Squibb GesmbH	GlaxoSmithKline Austria	Novartis Consumer Health-Gebro GmbH	Takeda Pharma GesmbH
C. Brady KG	gm pharma gmbh	Novartis Pharma GmbH	Terrapharm Phar. Prod.-und
Celgene	Guerbet Ges.m.b.H.	Novipharma Ges.m.b.H.	TRB Chemedica Austria AG
Cephalon GmbH	Haemo Pharma Consult GmbH	Novo Nordisk Pharma GmbH	UCB Pharma Gesellschaft
Covidien Austria GmbH	Hermes Pharma GesmbH	Nycomed Pharma GmbH	Vana GesmbH
Croma-Pharma GmbH	Chemomedica Medizintechnik und Arzneimittel	Octapharma Handelsges.m.b.H.	Vifor Pharma Österreich GmbH
CSC Pharmaceutical Handels-CSL Behring GmbH	Chiesi Pharmaceuticals GmbH	Orion Pharma (Austria) GmbH	Webosan Arzneimittelvertriebs
	InfectoPharm Arzneimittel	Orphan Europe (Germany)	Weleda GesmbH & Co KG

#### 4.3.1 Size of Austrian Pharmaceutical Companies

Figure 5 provides an overview of the size of Austrian pharmaceutical companies. This information is vitally important, because small businesses usually do not care much about PR, unless some extraordinary circumstance occurs. Therefore, the potential customers are likely to be businesses with above 7.5 million EUR in sales. Luckily, as can be seen from the chart, 43% of Austrian drug suppliers are well over 7.5 million EUR in sales.



*Figure 5 – Size of Austrian Pharmaceutical Companies*

This data indicates that approximately 50 (43% out of 116 companies) suppliers are large enough to significantly benefit from and afford PR services. The other 66 businesses are still potential clients, but it is likely they will not want to invest into PR because of their small size. The assumption is that a small business has fewer benefits from PR, because it is less publically known and therefore public opinion has less impact on its activities. However, even these businesses can eagerly purchase PR services in some extraordinary event, such as crisis management. Therefore, they should not be discarded.

#### 4.3.2 Division of Over-The-Counter Pharmaceuticals

Over-The-Counter (OTC) pharmaceuticals are drugs that can be purchased without the doctor's prescription. These are usually substances that do not usually endanger the patient when taken in larger-than-recommended quantities. Such drugs include cold tablets or food supplements.

OTC products are a large part of the healthcare business because of their popularity among customers. In 2009, the OTC market totalled approximately 525.7 million EUR. Of that amount, 6.9% was generated by prescribed OTC medicinal products, 58.4% was generated by patients on self-medication with registered OTC pharmaceuticals, and the last 34.7% was generated by sales of non-registered OTC products. Chart X is calculated based on the pharmacy sales price, and the market share is based upon total sales in 2009.

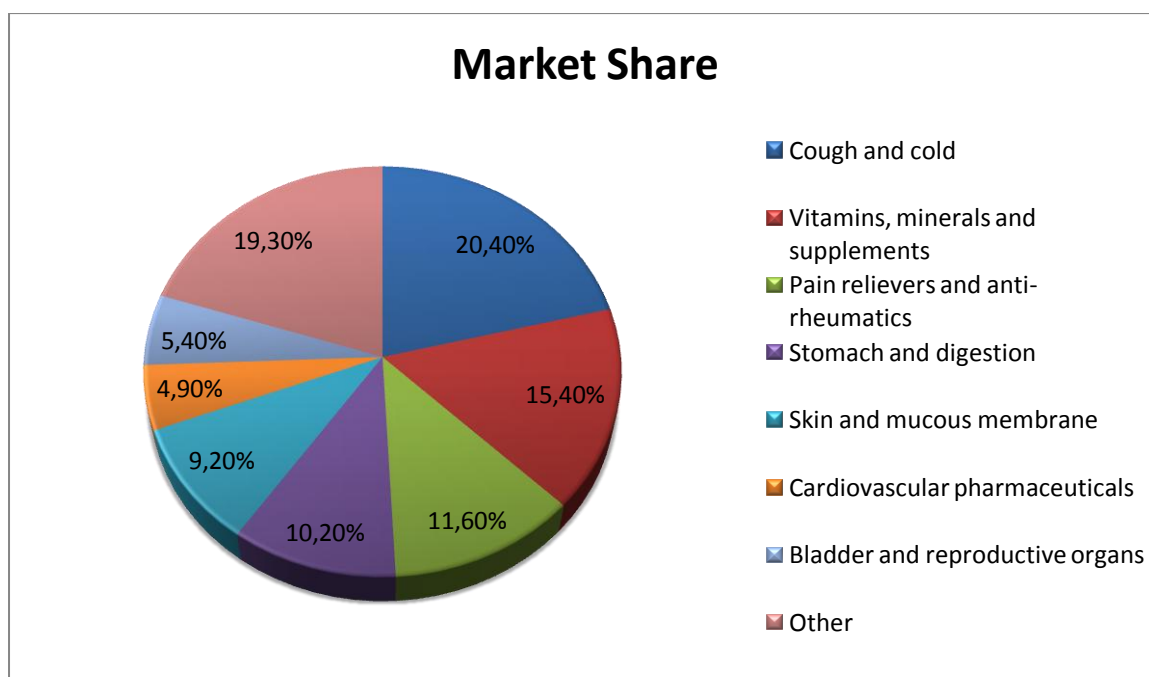


Figure 6 – Market Share of OTC Pharmaceuticals, 2009

#### 4.3.3 Interest in Healthcare PR

In the interest of quantifying the market's attitude towards PR, a small telephone survey was conducted. The purpose of the telephone calls was to find out whether managers of pharmaceutical companies would be interested in attending a PR workshop. A sample program for the workshop was done, which can be found in Appendix 1 of the report. Afterwards, managers were asked over phone whether they would like to attend this sample program.

Out of 30 called pharmaceutical companies, 6 explicitly mentioned they were not interested at all in healthcare PR. The rest (24) mentioned that they might be able to attend, but were unwilling to commit. No business mentioned explicitly that they are interested and would like to attend. The results are compiled in Figure 7.

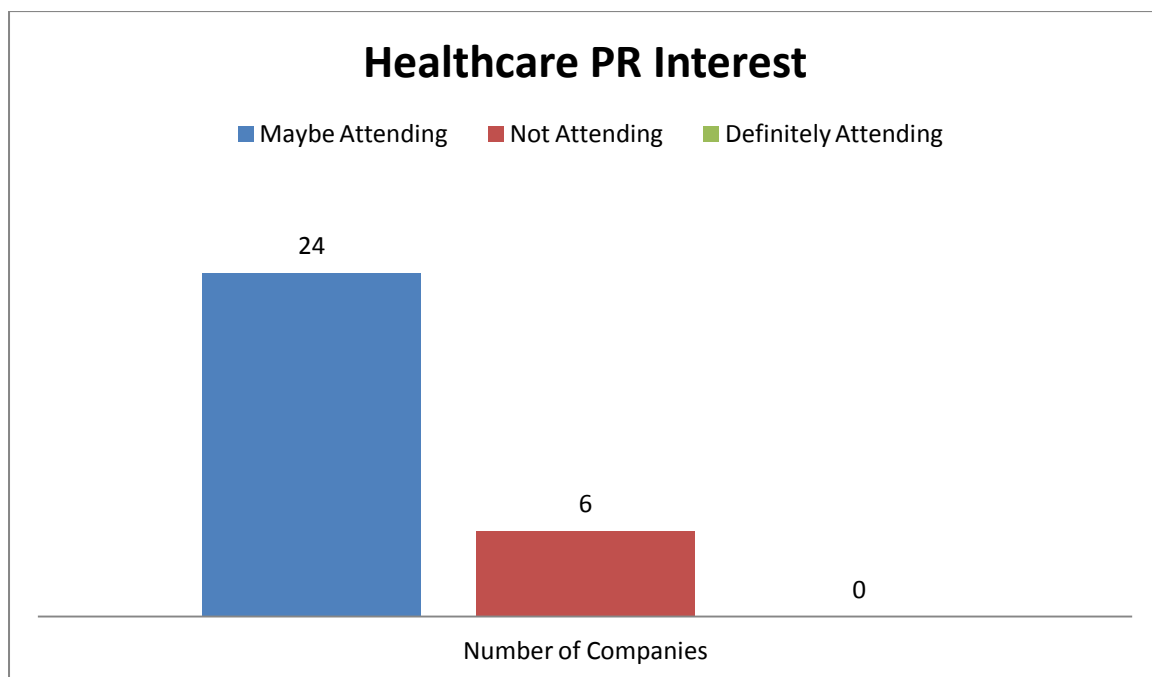


Figure 7 – Interest in Healthcare PR Workshop

#### 4.4 PR Agencies - Competition

The following sub-section deals with competitive analysis. This information is vitally important for choosing whether to expand into the Austrian market, because a great deal of competition can undermine the corporate profits and make the expansion unwise. For the same reason, the nature of the competing companies is analyzed to determine whether they are a direct threat to WCG World, or whether their service portfolio is slightly different.

Two major healthcare PR agencies operate in the Austrian market: Public Health and eXakt PR. Both businesses are rather small, totalling some 11 people. This signals that there might be other PR companies unidentified by this research project. However, these two businesses are serving or have served many major healthcare businesses, such as Abbott Laboratories, Pfizer and Baxter. In the following section, both organizations have been listed with some basic information.

##### 4.4.1 Public Health

Following is a data sheet (Table 3) about Public Health:

**Table 3 – Public Health Basic Data**

<b>Number of Employees:</b>	5
<b>Website:</b>	<a href="http://www.publichealth.at/">http://www.publichealth.at/</a>
<b>List of Clients</b>	<b>Clients' Websites</b>
Abbott GesmbH	<a href="http://www.abbott.com">www.abbott.com</a>
Almirall	<a href="http://www.almirall.de">www.almirall.de</a>
AstraZeneca Österreich	<a href="http://www.astrazeneca.at">www.astrazeneca.at</a>
Baxter AG	<a href="http://www.baxter.com">www.baxter.com</a>
Biocrates Life Sciences AG	<a href="http://www.biocrates.com">www.biocrates.com</a>
Einherz – Gemeinschaft für Medizin mit Liebe	<a href="http://www.einherz.at">www.einherz.at</a>
Ismed - Universitätslehrgang Interdisziplinäre Schmerzmedizin	<a href="http://www.meduniwien.ac.at/ismed/">www.meduniwien.ac.at/ismed/</a>
Kwizda Holding GmbHs	<a href="http://www.kwizda.at">www.kwizda.at</a>
Section.a	<a href="http://www.sectiona.at">www.sectiona.at</a>
Merck Sharp & Dohme Gesellschaft m.b.H.	<a href="http://www.msd.at">www.msd.at</a>
Nycomed	<a href="http://www.nycomed.at">www.nycomed.at</a>
ÖGGSM Österreichische Gesellschaft für geschlechtsspezifische Medizin	<a href="http://www.gendermedizin.at">www.gendermedizin.at</a>
ÖGP Österreichische Gesellschaft für Pathologie	<a href="http://www.pathology.at">www.pathology.at</a>
Österreichische Diabetes Gesellschaft	<a href="http://www.oedg.at">www.oedg.at</a>
Pfizer Corp. Austria GmbH	<a href="http://www.pfizer.at">www.pfizer.at</a>
Phonak AG	<a href="http://www.phonak.com">www.phonak.com</a>
Plattform Patientensicherheit	<a href="http://www.plattformpatientensicherheit.at">www.plattformpatientensicherheit.at</a>
PMCA (Pharma Marketing Club Austria)	<a href="http://www.pmca.at">www.pmca.at</a>
Pro:woman Ambulatorium	<a href="http://www.prowoman.at">www.prowoman.at</a>
Puressentiel	<a href="http://www.puressentiel.at">www.puressentiel.at</a>

#### 4.4.2 eXakt PR

Following is a data sheet (Table 4) about the company eXakt PR:

**Table 4 – eXakt PR Basic Data**

<b>Company Name:</b>	eXakt PR
<b>Number of Employees:</b>	6
<b>Website:</b>	<a href="http://www.exakt-pr.at/#Unternehmen">http://www.exakt-pr.at/#Unternehmen</a>
<b>Website with list of projects:</b>	<a href="http://www.exakt-pr.at/#Projekte">http://www.exakt-pr.at/#Projekte</a>
<b>Significant Projects</b>	<b>Client</b>
GSO – Gesellschaft der Schularztinnen und Schularzte Österreichs	Wrigley / Orbit
Schularzte Österreichs	OGK für Gesundheit
Pfizer / Viagra	Osterreichische Initiative gegen Gebärmutterhalskrebs
Gesellschaft der Ärzte / OGK – Symposium	

From the portfolio of these businesses, their expertise can be determined. For example, eXakt PR is mainly focused on large, one-time projects,

These two businesses, Public Health and eXakt PR focus exclusively on healthcare, which most probably means they have the greatest expertise in the field. However, there are still numerous PR agencies operating in the Austrian market, which offer healthcare PR services as part of their portfolio.

Besides, from the list of clients it is clear that a large majority of customers for PR services are NGOs and government departments. Only about half of clients are organizations focused exclusively on profits.

#### 4.4.3 List of PR Competitors

Following Table 5 reads out the full list of Austrian PR agencies involved in healthcare:

**Table 5 – Full List of Austrian Healthcare PR Agencies**

Andrews Group Pty Ltd	Horizon Communication Group
Anne Wild & Associates Pty Ltd	Hughes PR
Font Public Relations	Ignite PR & Marketing
Beyond The Square Communication	Insight Communications
Bowes Communications	Jo Scard Agency
Brand New Solutions	Keep Left Public Relations
Burson-Marsteller	Llewellyn Communications
Businesswriters & Design	Magnum PR Pty Ltd
Buzz Corporate Communications	Mendleson Communication
Cape Public Relations	Mills Wilson
Communicado Marketing Communications	Moore Public Relations
communicate et al	Niche Consultants
Corporate Communications (TAS) Pty Ltd	InsideOut Public Relations
Cox Inall Communications	Palin Communications
CP Communications	Porter Novelli
Cross Communications	PPR
Dennis Rutzou Public Relations	Public City
Devahasdin Communications	Publicis Life Brands
Dreamtime Public Relations	Quay Communications Pty Ltd
Edelman Public Relations Survey	Saunders and Co Public Relations
Espresso Communications	Sefiani Communications Group
Evello Marketing Pty Ltd	The Ideas Suite
Fenton Communications Melbourne	The Mint Partners
Foresight Communications	The Trish Nicol Agency
FULLER	Udertow Media
Gray Media Services	viva! Communications
GRS Communications	Weber Shandwick Worldwide
Hardman Communications	Westbrook Financial Communications

As can be seen from the list, there are many fairly large PR agencies offering their services in the Austrian market. For example, Burson-Marsteller and Weber Shandwick belong to the largest PR conglomerates of the world. However, neither of these companies specializes in healthcare, like WCG World does. Therefore, they would be at a great disadvantage when it comes to quality of services and industry expertise.

## 5. Discussion

The following section discusses the main research question and sub-questions.

Consequently, it tries to answer them according to the findings discovered throughout the research project. The main research question is left for last, with its conclusion being made from sub-question conclusions.

The main clients for healthcare PR in the Austrian market are pharmaceutical companies, patient groups and insurance agencies. As shown by Figure 5, approximately 43% of the 116 pharmaceutical companies have above 7.5 million EUR in annual sales, which indicate they would have a budget to spend on public relations. OTC pharmaceutical suppliers should be interested in hiring PR agencies in order to promote their business to pharmacies and the general public. Patient groups usually hire PR companies to provide healthcare information to their members. There are 22 insurance agencies operating in Austria covering all healthcare provided in the country. They could be interested in hiring PR for promotion of their business.

When it comes to competition, there are two healthcare PR agencies focusing exclusively on healthcare. They have specialized expertise and have successfully serviced large organizations in the past. There are additionally 56 agencies that offer healthcare PR as part of their portfolio. However, no one company has major dominance in this market.

There are at least three major segments targeted by healthcare PR: patients, doctors and pharmacies. Each of them requires a different approach and a different source of information depending on the intended message.

Firstly, patients tend to be elderly. Most of the healthcare spending is done via hospitals and personalized healthcare, so these institutions are the most likely targets of PR attempts. Patients usually require information about their condition and potential treatment.

Doctors are usually targeted by marketing professionals in order to influence them to prescribe a specific brand of pharmaceuticals. Therefore, drug companies tend to keep very good relations with doctors to increase sales. Doctors can be exposed to PR attempts via crisis management or general efforts to increase reputation of a company.

Pharmacies are usually interesting for OTC drug suppliers. Therefore, most of the communication between suppliers and pharmacies tend to be through the marketing department. Still, some space is left for PR in the area of brand building and providing information.

In order to determine the attitudes of manager about healthcare PR, a telephone survey was conducted, where the managers were invited into a sample workshop relating to PR services. Unfortunately, the survey was too small to be inconclusive. Out of 30 surveyed managers, 24 said they do not know whether they would attend a PR workshop. The other 6 managers said they are definitely not interested in a PR workshop. There was not a single manager who demonstrated a deeper interest in attending a workshop related to PR services.

The main method used to determine the manager's attitude towards PR is to offer them a sample service which they could purchase. The logic behind this method is that assuming that the managers have positive perceptions about PR; they will be interested in purchasing such services. On the other hand, if the managers thought such services to be useless, they would reject the service outright. Using this method, one can determine the overall interest of managers in PR services. A positive attitude would indicate that the PR company expanding into Austria would find plenty of business opportunities, and therefore plenty of sales. A low interest would indicate poor business prospects. Still, the sample size of the survey was too small in order to consider it reliable evidence. Therefore, this question is left open for further research.

In order to answer the main research question, a pro-and-con analysis is done to determine the positive and negative points of expanding into Austria.

**Points in favour of expansion:**

- Relatively low competition specialized exclusively in healthcare PR
- Significant government healthcare spending of Austrian government
- Several large pharmaceutical suppliers operating in Austria
- Several large insurance agencies operating in Austria
- Significant demand in the OTC drug market
- Several smaller patient groups possibly interested in information sharing

**Points against expansion:**

- Scepticism of healthcare journalists to believe data provided by PR agencies, which would considerably discredit the efforts of healthcare PR
- No domestic pharmaceutical industry in the Austrian market
- Undetermined attitude of Austrian managers toward PR practices

As can be seen from the pro-and-con analysis, the positive factors overshadow the negative ones. In conclusion, it is probably a good move for WCG World to expand into the Austrian market. However, one must consider that this is preliminary research, and more data needs to be collected on what the expected profitability is, and what market entry method would yield the best results.

In theory, there are at least three ways WCG World can conduct the expansion. These would be rapid expansion, careful expansion and expansion with assistance.

WCG World could use a significant portion of its capital in order to create a large marketing campaign and enter the market with force. It could be a good strategy since it could rapidly gain large market share. However, if the managers in Austria are sceptical about PR, the expanding company could fail to generate enough interest in PR services and lose the invested capital.

The second option for expansion is to do it very slowly and acquire expertise in the market first, before starting a major marketing campaign. There are exactly 58 public relation companies in Austria offering some services in the healthcare. It would be rather easy to acquire one small agency in order to gain an entry point to the market, and then increase investments once expansion proves profitable.

The third and possibly the best method for expansion is to gain a foothold in Austria with the cooperation of a local partner. The sampled business, WCG world is in an international alliance of PR businesses, called Public Relations Organization International. The local partner communications would be able to provide the expanding company with networks, data and expertise regarding the Austrian market, so WCG would be able to create a subsidiary with experience provided by the local alliance partner.

Lastly, the added value of WCG in the Austrian market would be additional experience and expertise in healthcare. As mentioned before, purely healthcare PR is rather rare in the Austrian market, and WCG World is a business focusing exclusively on this aspect. Consequently, healthcare PR campaigns in Austria would be more efficient and more productive, since there will be a provider with specialized expertise.

## 6. Recommendations

The conclusion from this research project is that it is a good idea for WCG World to expand into Austria. Despite all the discussed methods of expansion, the most important recommendation would be to conduct more research on the topic. The following are suggestions on further research, in order to confirm present findings and obtain more information on the methods of expansion:

Firstly, the research of managers' attitudes towards PR was inconclusive and would be very useful in order to determine expansion viability. A careful researcher must consider that the sample of 30 managers is too small to make a reliable conclusion. Furthermore, the option of "maybe attending" the workshop is very misleading, since it can be interpreted either way. It can be considered an indication of disinterest, as a failure to commit, or an indication of interest, as an indication of interest with the insurance that the manager can back out if outside events prevent his attendance. Therefore, this piece of data should be regarded with scepticism. Since this result is not very reliable and prone to different interpretations, it will be omitted when making recommendations. Therefore, it is recommended that this study be done again, with a larger sample group and a better method of research.

Secondly, the ways of expansion needs to be studied in more depth, in order to determine which one is the most viable. For this, not only the market needs to be studied, but also the PROI network and the expanding company itself. Therefore, it is recommended that each of the three methods is analyzed and elaborated upon in more detail.

Lastly, budget needs to be drawn up. The expected revenue and costs need to be calculated for each expansion options. For this reason, it is proposed that WCG World itself creates a team of analysis which will plan the expansion into the Austrian market in great detail.

Once all these steps are taken, expansion into the Austrian market can take place. It is recommended that pharmaceutical companies be targeted as the initial clients because of their size and a history of using the PR services of competitors. Once a basic portfolio of services is established, WCG World can continue to target insurance agencies and patient groups as a second group of clients.

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## 7 Appendix

### 8.1 Appendix 1 – Sample Program for Attitude Survey

#### Public Relations Workshop

#### Best PR Practices in the Pharma Business

- Date:** May 2012 (to be announced)
- Day 1:** Full-day Workshop in Vienna, Austria
- Day 2:** Full-day Workshop in Bratislava, Slovakia

#### Invited Speakers:

##### **Speaker 1 - Nigel Breakwell**

Mr. Breakwell is the managing director of WCG World, an extremely successful PR company which operates in the British and American markets. Under Nigel's leadership, WCG gained approximately 32 awards for PR projects between the years 2007 and 2011.

Nigel Breakwell, is going to share his best PR practices, which WCG World uses regularly to deliver award-winning services to its clients. Mr. Nigel's expertise includes:

- |   |                                 |
|---|---------------------------------|
| 1. Advocacy relations                         | 6. Grassroots Outreach          |
| 2. Clinical Trial Positioning and Recruitment | 7. Investor Relations           |
| 3. Corporate Communications                   | 8. Media Relations and Training |
| 4. Crisis Communications                      | 9. Product Communications       |
| 5. Direct-to-Patient Education and Marketing  | 10. Regulatory Communications   |

**Speaker 2 - Chris Ward**

Mr. Ward is presently the Deputy Vice-President of the International Alliance Development at PhRMA. Chris Ward has a very lengthy involvement in health policy issues. Between 1985 and 1990, he served as a lawmaker for the Canadian government. He was parliamentary secretary to the Minister of Health between 1985 and 1986 and he became the Minister of Education in 1987.

Prior to joining PhRMA, Chris was President of Ward Health Strategies, a health policy consultancy practice; Ward Health Strategies' clients include governments, pharmaceutical and health service companies and non-profit organizations in Canada and the United States.

Mr. Ward's specialties include:

- |                          |                          |
|--------------------------|--------------------------|
| 1. Alliance development  | 3. Policy Communications |
| 2. Stakeholder Relations | 4. Social Media          |

**Speaker 3 – Representative of Austrian Pharma Industry****Speaker 4 – Representative of Slovak Pharma Industry**

Program Schedule

Day 1 - Vienna			
Time	Duration	Event	Speaker
10:00 10:15	0:15	Welcome	Sabine Pöhacker
10:15 10:45	0:30	Update of Legislation and Market Environment in Austria	Austrian Speaker
10:45 11:15	0:30	Effective PR in the Healthcare Business	Chris Ward
11:15 11:30	0:15	Coffee Break	-
11:30 12:20	0:40	Case Studies	Nigel Breakwell
12:10 12:20	0:10	Small Break	-
12:20 13:00	0:40	WCG World Best PR Techniques	Nigel Breakwell
13:00 14:00	1:00	Lunch Break	-
14:00 15:00	1:00	Workshop PR Techniques	Nigel Breakwell
15:00 16:00	1:00	Workshop Policy Communication	Chris Ward
16:00 16:10	0:10	Small Break	-
16:10 16:40	0:30	Speaker-Chosen Topic	Austrian Speaker
16:40 17:00	0:20	End	Sabine Pöhacker

Day 2 - Bratislava			
Time	Duration	Event	Speaker
10:00 10:15	0:15	Welcome	Michaela Benedigova
10:15 10:45	0:30	Update of Legislation and Market Environment in Slovakia	Slovak Speaker
10:45 11:15	0:30	Effective PR in the Healthcare Business	Chris Ward
11:15 11:30	0:15	Coffee Break	-
11:30 12:20	0:40	Case Studies	Nigel Breakwell
12:10 12:20	0:10	Small Break	-
12:20 13:00	0:40	WCG World Best PR Techniques	Nigel Breakwell
13:00 14:00	1:00	Lunch Break	-
14:00 15:00	1:00	Workshop PR Techniques	Nigel Breakwell
15:00 16:00	1:00	Workshop Policy Communication	Chris Ward
16:00 16:10	0:10	Small Break	-
16:10 16:40	0:30	Speaker-Chosen Topic	Slovak Speaker
16:40 17:00	0:20	End	Michaela Benedigova