

Do Biopharma Companies Really Spend More on Marketing Than R&D?

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As the drug pricing debate on Capitol Hill continues, the debate over how biopharma companies spend also continues.

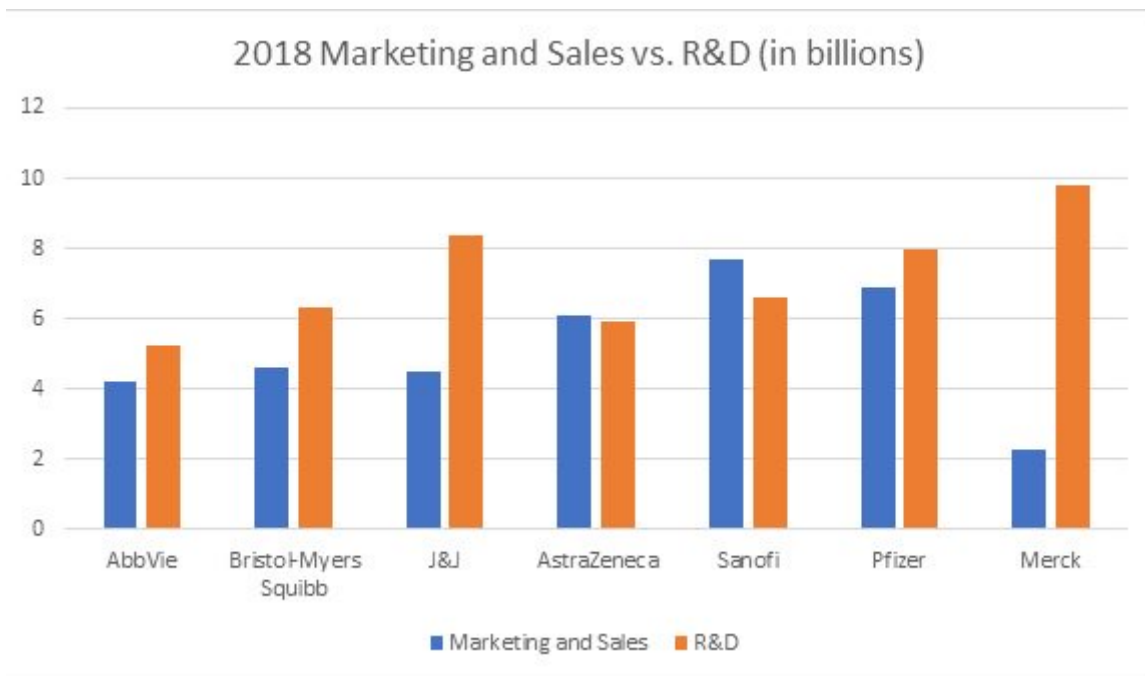
From 2014 through 2016, various publications—from the [Washington Post](#) to [Vox](#) to [MedCity News](#)—published an eye-opening chart showing that nine of the top 10 large pharmaceutical companies (all but Roche) spent more on marketing than research and development (R&D).



The source of the chart is a 2014 [BBC article](#), which relied on GlobalData, to show that some companies, like Johnson & Johnson, spent more than twice as much on sales and marketing as R&D. Earlier studies, however, such as this one from [2008 in PLoS Medicine](#), show the industry-wide numbers are closer together, with \$29.6 billion spent on R&D in 2004 as compared to \$27.7 billion for all promotional activities.

More recently, CEOs from seven top pharmaceutical companies [testified in front of](#) the Senate Finance Committee, commenting on high list prices, out-of-pocket costs and transparency. All seven also responded to numerous written questions after the hearing, including one from Sen. Sherrod Brown (D-OH) on how much their companies spent in 2018 on R&D versus marketing and sales.

All but AstraZeneca and Sanofi said they spent more on R&D than marketing. And Merck and J&J spent considerably more on R&D than marketing (see graph below).



So how did this transformation occur over just a couple of years? And was it even a transformation? At least part of the reason for the discrepancies between the 2018 figures and those from earlier years seems to be how companies and researchers define marketing and R&D. As drug discovery chemist Derek Lowe [has explained](#), there is a lot that goes into both figures and financial statements do not usually explain the entire situation.

PhRMA spokeswoman Holly Campbell also told *Focus* that biopharmaceutical marketing expenditures "are overstated. Claims about the amount of spending on marketing often incorrectly categorize all selling, general, and administrative expenses (marketing and non-marketing costs) in estimates of 'marketing costs,' producing an overstatement of marketing costs. The SG&A expenses can include many items such as salaries, pension costs, facility costs, travel expenses, office furniture and supply costs, fees paid for legal work, audit costs, repairs of equipment, postage and printing costs, etc."

Similarly, John Lamattina, former president of Pfizer global R&D, explained to *Focus* that industry critics include the cost of providing free drug samples as marketing. "As a result, when calculated this way, the marketing number is higher than the R&D investment. When you remove the expense of providing free drugs, the R&D number is higher than marketing," he said.

The self-reported 2018 numbers between companies also may not be apples to apples comparisons, as AbbVie said its marketing numbers include "global sales, marketing, and promotion," while Pfizer's include "direct sales and marketing" and B-MS's include "marketing, selling and administrative expenses."

And although the CEO's numbers may not be reflective of the industry as a whole (GlobalData in 2017 [found](#) that the top 10 drugmakers spent a total of \$47.5 billion on sales and marketing while an Evaluate [report](#) found that the top 10 in 2017 spent \$66.8 billion on R&D), the marketing versus R&D debate will likely continue as researchers and the companies find new ways to slice and dice the numbers.

