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FENTORA – Promotional Response Study

Impact Assessment Discussion

July 29, 2010

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Agenda

- Project Overview and Executive Summary
 - Methodology to Quantify Responsiveness
 - Historical Responsiveness Results
 - Next Steps

Cephalon would like to optimize the 2011 marketing mix decisions for FENTORA

Situation

- FENTORA was launched in 2006 and is indicated for the management of Break through Pain (BTP)
 - FENTORA is first and only tablet that utilizes OraVescent reaction to provide onset of analgesia in as early as 15 minutes
 - FENTORA competes in ROO (Rapid Onset) market which is part of the broad SAO market
- The 2010 strategic plan outlines three strategic imperatives that must be accomplished in order to achieve the FENTORA vision:
 - Differentiate with a compelling value proposition
 - Reduce barriers to FENTORA treatment
 - Flawlessly execute the SECURE Access program
- Based on the strategy outlined above, the organization has estimated FENTORA to bring in \$178.4 M¹ in 2010
 - To support this forecast, the 2010 Marketing budget is estimated to be around \$20M² (with A&P, CSPs and Vouchers accounting for \$10.5M)

Key Project Objectives

- Evaluate the impact of key promotional channels on the brand's performance
- Prioritize each tactic based on its return on investment
- Derive an optimal marketing mix for 2011 based on the ROI of each tactic

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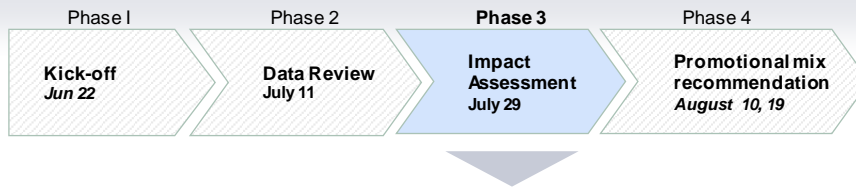
1. 2010 updated forecast for Shipped/Demand \$ (Forecast.xls) received from Pam Ardell on July 21, 2010
2. 2010 Fentora Brand Plan

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- 3 -

FENTORA ROI Review Discussion 07292010

Today's Impact Assessment meeting will focus on reviewing the historical impact analysis for the selected marketing tactics



Impact Assessment Objectives

- Review total costs and total revenue impact of each marketing tactic
- Tactic ROI and Marginal ROI are key outputs of this project step
- Understand the impact of the different tactics relative to each other as well as the impact of a tactic within different customer segments

Objectives of the next phase (Promotional mix recommendation)

- Make adjustments for the future conditions (forecast, tactic responsiveness, new tactics, etc.)
- Establish the potential scenarios that need to be analyzed
- Optimize the marketing mix spend across the various tactics

FENTORA is highly sensitive to promotion due to a concentrated market, expensive therapy, and limited promotions in the past. Return on investment is positive across the different tactics considered

Promotional tactics explain 28% (\$48.4 MM) of Fentora sales for 2009

- Rep-driven detailing activities (Messaging, Vouchers & Debit Cards) have jointly impacted 25% of sales
- Speaker programs (CSPs) have impacted 1.6% of sales
- The remaining 71.5% of sales were carryover in 2009, which is a carryover of physician loyalty and past promotion activity

ROI of all key physician level promotional tactics are positive

- Historical messaging has been limited ; Based on ROI analysis, this tactic could be increased to 95K PDEs annually
- The ROI on vouchers is significantly positive and there is an opportunity to redistribute vouchers across the physician segments
- Speaker programs are profitable for top decile physicians rather than low decile physicians
- There are also differences by physician segment, where the top quintile physicians are substantially more valuable than lower quintile physicians

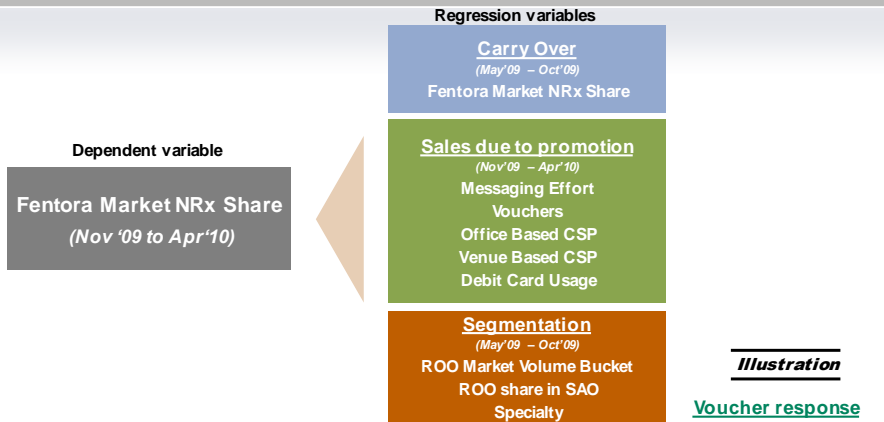
ROI of broadcast tactics

- Benchmarks were used to calculate the return on journal investment and based on this analysis, journals generated \$2.8 MM (1.6% of total sales)
- Despite high ROI, journal spend is likely to be capped based on realistic constraints

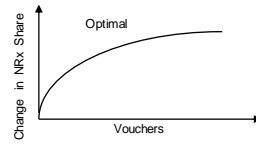
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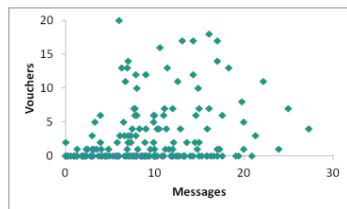
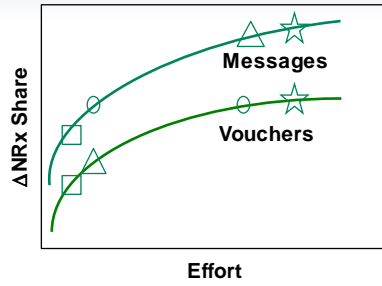
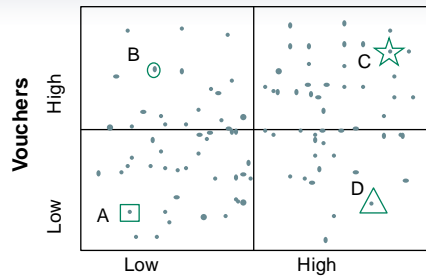
The regression methodology simultaneously evaluates the effect of details, vouchers, debit cards, and speaker events



- Fentora details, vouchers and debit cards were modeled using an increasing response function with diminishing returns (logarithmic)
- Impact of each Fentora speaker program (CSP) were modeled individually as a linear function given it is a reach (and not a frequency) tactic
- Zip-level debit card data was divided among MDs based on their recent 12-month Fentora NRx



Regression helps understand the responsiveness of each tactic in isolation while keeping the rest of the tactics unchanged



Scatter plot for high decile physicians

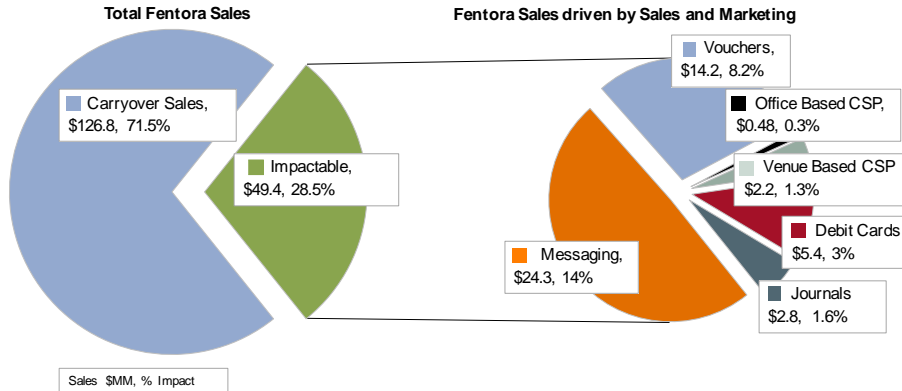
Illustration

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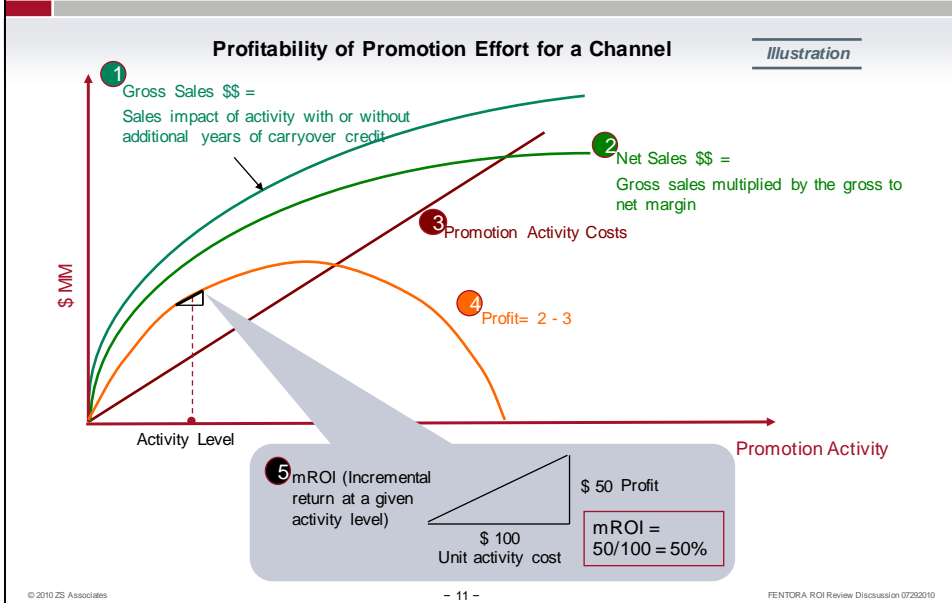
All of the physician-level marketing tactics jointly explain 28.5% (\$49.4 MM) of 2009 Fentora Sales (\$173.5 MM)

Fentora Sales at Historical Promotional Effort (Jan 2009 – Dec 2009)



Rep driven detailing activities (Messaging, Vouchers & Debit Cards) account for 25.3% of 2009 Sales

The profitability of the marketing programs has been defined as marginal Return on Investment (mROI), incremental profit at a given activity level



Promotion effort can be increased for the different FENTORA promotional tactics w without affecting profitability

Tactic	Short-Term Marginal ROI* (Profit returned on the last \$ invested)	Sales Impact (\$MM)	Cost (\$MM)	Total ROI
Detailing	347%	\$43.9	\$4.9	602%
Messaging	315%	\$24.3	\$3.4	462%
Vouchers	702%	\$14.2	\$0.9	1,139%
Debit Cards	Physician level data unavailable	\$5.4	\$0.6	593%
Venue Based Speaker Program	80%	\$2.2	\$0.9	80%
Office Based Speaker Program	-46%	\$0.5	\$0.7	-46%
Totals		\$46.6	\$7.1	

- ROI for most tactics is high due to the highly concentrated nature of the market
 - Price per NRx – \$2300 is significantly high compared to the cost of a tactic (ex. Cost of PDE = \$121)
- FENTORA has received low promotional effort in the past and has been primarily promoted as P2s and hence the Detailing ROI is very high

Notes:

1. mROI is the incremental profit at a given activity level | An mROI of 0% represents the breakeven point
2. Total ROI = (Impactable Sales/Cost)-1 | Revenues for Messaging also includes 2 Years of Carryover sales

All of the physician-targeted programs have high marginal return on investment in the higher quintiles (5 & 4)

FENTORA Quintile	Detailing	Messaging	Vouchers	Office Based (CSP)	Venue Based (CSP)	
5 (117 MDs)	612%	502% (87%, 10.4)	1,025% (53%, 12.2)	736% (3%, 1.3)	1,424% (8%, 1.0)	53 NRx/MD
4 (306 MDs)	418%	319% (82%, 8.6)	794% (28%, 7.1)	182% (3%, 1.1)	438% (11%, 1.2)	18 NRx/MD
3 (635 MDs)	246%	166% (67%, 6.8)	550% (19%, 4.8)	23% (2%, 1.0)	139% (8%, 1.1)	7 NRx/MD
2 (1,523 MDs)	196%	183% (43%, 4.8)	243% (6%, 3.8)	-55% (2%, 1.0)	-14% (2%, 1.1)	3 NRx/MD
1 (5,870 MDs)	120%	133% (16%, 3.7)	71% (2%, 3.1)	-87% (1%, 1.1)	-74% (1%, 1.1)	0.6 NRx/MD

Key = ■ mROI > 150% ■ mROI 0% to <150% ■ mROI <0%

mROI
(Reach, Frequency)*

Notes:

1. Reach is based on MDs receiving tactic effort in the most recent 6 month (Nov'09 - Apr'10)
2. Detailing mROI excludes mROI at quintile level for debit cards, which cannot be estimated based on zip-level data
3. Frequency = Total Activity / Reached MDs

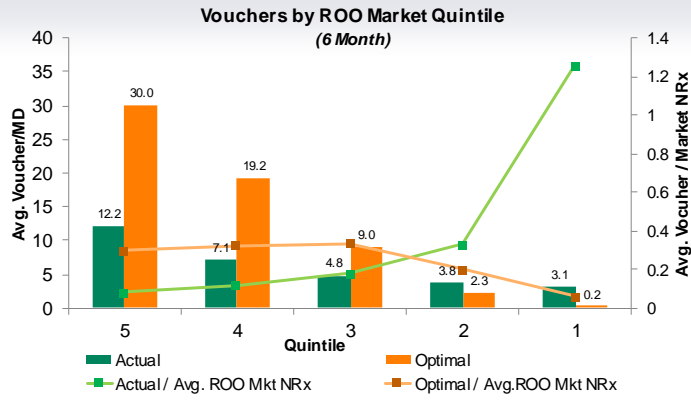
There is an opportunity to increase investment in messaging given the high impact and low cost relative to therapy

Current Messaging Coverage (12 Months)					Optimal Messaging Coverage (12 Months)					
S2 ROO Decile	# MDs	Current Reach	Current PDE Frequency (Reached MDs)	Total PDEs	Reach	Optimal PDE Frequency (50% mROI)	Total PDEs	Reach	Optimal PDE Frequency (0% mROI)	Total PDEs
10	37	86%	26	844	98%	40	1,450	98%	40	1,450
9	80	88%	18	1,287	98%	40	3,136	98%	40	3,136
8	126	85%	18	1,945	98%	40	4,939	98%	40	4,939
7	180	80%	16	2,363	98%	40	7,056	98%	40	7,056
6	273	72%	14	2,796	98%	32	8,660	98%	40	10,702
5	362	64%	13	3,021	98%	21	7,470	98%	33	11,560
4	552	52%	10	2,936	75%	21	8,717	75%	33	13,490
3	971	38%	9	3,387	75%	21	15,335	75%	33	23,730
2	1,271	26%	9	2,922	70%	21	18,734	70%	33	28,991
1	4,599	13%	7	4,019	70%	6	19,478	70%	10	32,437
Nation	8,451	28%	11	25,520	74%	15	94,976	74%	22	137,491
Top 8 (D3+)	2,581	56%	13	18,578	84%	26	56,764	84%	35	76,063
Top 6 (D5+)	1,058	74%	16	12,256	98%	32	32,712	98%	37	38,843

1. Deciles are based on 6 month ROO Market Decile (May'09 – Oct'09)
2. Current coverage refers to 12 Months activity based on scaling of 6 month activity(Nov'09 – Apr'10)

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Vouchers are the most responsive to promotion and an optimal solution would reallocate vouchers to the higher quintiles

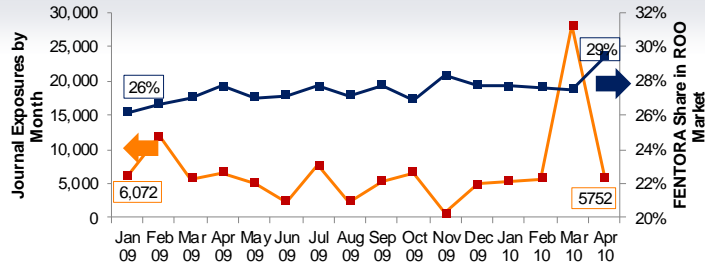


6 month activity

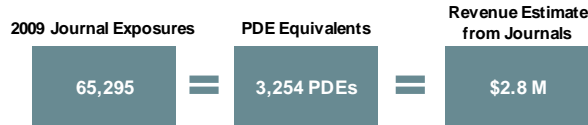
- Vouchers can be doubled (to ~6.6K over 6 months) and yet provide a very healthy marginal return on investment

Note:
6-month Voucher data based on Nov '09 to Apr '10 (based on reached MDs)
Cost / Voucher = \$148

Impact of Journals was calculated based on benchmarking studies and the estimated ROI is 429 %



- Given the sparse nature of Journal data, regression / time series models did not provide any statistically significant results
- In 2009 the FENTORA journal spend approximated to 420k
- ZS Benchmarks indicate that a Journal Exposure is worth 5% of a PDE i.e. 20 Journal exposures equals 1 PDE



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Next steps

1. Future Adjustments will be made to the historical response measurements

- Responsiveness will be adjusted for future forecast
- Are there new er tactics that need to be included in the mix?
- Are there effectiveness changes that are expected for current tactics?

2. Which spend scenarios should we consider?

- Optimal investment for a given tactic
- Are there different overall budget scenarios to consider?
- Are there realistic upper or lower bounds on vouchers, debit cards or sales force details to apply?

Appendix

Tactic	2009 Budget Spend	2009 Tactic Units	Cost / Unit
Messaging	\$3.4	28,360	\$121
Vouchers	\$0.9	6,167	\$148
Debit Cards	\$0.3 ¹	1,654	\$235
Venue Based Speaker Program	\$1.2	893	\$1,347
Office Based Speaker Program	\$0.8	720	\$1,221

- Messaging cost is based on bended sales force activity of PCS
- Voucher spend obtained from Marketing budget and unit data is based on actual 2009 physician-level data provided
- Debit cards spend obtained from Marketing budget based on Q3/Q4 '09 data and unit data is based on 6 months actual zip-level data (Jul'09 – Dec'09)
- Speaker program cost/unit represents the cost / mapped MD as reviewed in the data review meeting

Note:

1- Based on Q3 and Q4 data for 2009

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- 19 -

FENTORA ROI Review Discussion 07292010