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SALES & MARKETING INSIGHTS

ZS Interview: Why Pharmaceutical Companies Are Changing Their Sales Force Models in Spain— and Throughout Europe

Participant: Stefano de Santis

The European pharmaceutical industry, with Spain in particular, is enduring a perfect storm: While the industry has focused on making expensive niche products, government debt is forcing cuts in health-care budgets.

New sales structures that embody new sales roles are one way pharmaceutical companies are coping with the changes. These structures often involve key account management (KAM), which entails local account teams working with a network of high-profile customers. Moving far beyond a single sales rep making pitches to doctors or hospitals, KAM requires local account teams to embrace multiple roles.

Stefano de Santis, a ZS Principal who manages the firm's Barcelona office, talked about the evolution of sales forces for pharmaceutical companies doing business in Spain and the rest of Europe.

About the Expert

Stefano de Santis,
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Stefano has worked with clients in the pharmaceutical and other industries on numerous sales and marketing issues, including strategy design, sales force alignment, post-merger integration, portfolio profitability, design and implementation of compensation plans, and improving field force productivity.

Why are EU pharmaceutical companies trying new sales structures?

STEFANO DE SANTIS: The customer landscape has changed. Customers were once large numbers of independent, high-value physicians, but now they are networks of health-care authorities, regional governments, hospitals and private insurers. Once cost was a secondary factor, but now health-care budget pressure is making cost control the first priority of the public sector.

So pharma companies' customer-facing roles are changing as well. A local account team needs to be the contact for these customer networks. The teams have health-economics experts, field medical liaisons and product management. Visits to the client—who may be a government administrator or even an elected official—may include one or more of these experts.

How are pharmaceutical companies able to adapt?

STEFANO: In this customer-directed strategy, customers are segmented according to their needs and roles in the buying process. Roles are mapped to customer segments. The key account manager has a business-manager-type role, establishing communications and running the team.

It can be difficult for companies to adapt. It requires a combination of customer understanding, analytical know-how and operational experience. It is essential that the entire sales network of the organization understands the same value message, and can communicate it credibly.

If this is so difficult to implement, why should companies consider it?

STEFANO: The benefits are enormous. We have seen instances in which better alignment can reduce the cost of sales as much as 30%. Better design of key account manager roles can increase the effectiveness of key account coverage 50%. And if you can implement the model correctly, you can minimize costs and improve effectiveness.

Spain is under intense pressure to reduce health-care costs. How does that affect new sales models?

STEFANO: It has a major effect. Last year, the Spanish government called for a 25% cost reduction in health-care costs, or 1.3 billion euros. Naturally, that has brought a number of major changes, like the increase in generics. In 2010, companies registered more than 1,600 generic brands, and only 315 "innovative" products—the lowest number of new products since 2006.

And in late August, Spain passed a law that requires doctors to prescribe medicines by their generic names and pharmacists to dispense the cheapest version available. That is expected to save another 2.4 billion euros, but will put more pressure on sales organizations to improve their performance.

The challenge is that these changes will increase pressure on margins, which will have to be eased by efficiency gains, while increasing effectiveness at the same time.

Spain has 17 regional autonomies, and the regions and hospitals have responsibility for purchasing pharmaceuticals. For pharmaceutical companies doing business in Spain, it has become urgent to restructure their sales reps into regional, multidimensional teams.

How have pharmaceutical companies in Spain been able to change?

STEFANO: We have developed action plans for new sales models with Spanish companies. We've seen that coordinating and upgrading capabilities is as important as the size of promotional investments. Customer-facing organizations must have dialogue with salespeople, and with appropriate experts, and local regulators and hospital administrators.

How should pharmaceutical companies look at this strategically?

STEFANO: Pharmaceutical companies must sell on the basis of the full value they bring to the account. The "product" becomes more than a box of pills—instead, it is the pharmaceutical company's complete range of services, programs, physical products and financial measures.

A good strategy requires the full means to implement it. Roles in complex customer-facing organizations require multitasking, with a lot of bandwidth for the worker. Not only does a key account manager need the right skills, but must have the ability to balance many ongoing tasks at once. With a key account manager's guidance, the group must be aligned internally.

But it is important to consider implementation in terms of strategy. A pharmaceutical sales organization cannot develop a strategy and a structure, and only then consider how it will work in practice. Implementation planning needs to permeate the process from the beginning.

How should pharmaceutical companies acclimate employees to key account management?

STEFANO: Once the right people are in place, they will need to begin garnering experience in the field as soon as possible. They should be given a chance to discover the best way of handling a much broader variety of sales contexts. Early-experience teams, which are sales teams that can go out and create new conversations, are extremely helpful. But patience is important, because change doesn't happen quickly.

The ultimate goal is to reach a point where the pharmaceutical company and the account work in partnership to deliver value to an account's customers.

Doesn't this place a great burden on the key account manager?

STEFANO: Yes, there is a danger that the key account manager position, if managed incorrectly, can result in a role of Herculean proportions. It is a matter of managing workload and bandwidth.

The key account manager's workload increases with additional accounts, customers, reports and projects. Bandwidth depends on the number of different situations reps must manage. Just because the workload seems "right," it doesn't mean results will improve; the process is much more complex.

What's the first thing that pharma companies should consider doing?

STEFANO: Companies should take the time to experiment, to try new things and learn from failure—like the early-experience team idea. They should also have people who have the most consistent attitude about success.

The companies having success are just more persistent, and are really focusing their efforts on their people—they are making investment in their people, and understand that these things don't change overnight.

About ZS Associates

ZS Associates is one of the largest global firms focused on sales and marketing effectiveness. ZS combines deep expertise with rigorous, fact-based analysis to deliver management, business operations and technology consulting to help companies improve performance and results.

With 20 offices around the world, ZS Associates has worked with more than 700 companies in 70 countries across consumer products, energy, high-tech, insurance, medical products and services, pharmaceuticals and other industries. Founded in 1983, ZS comprises multiple affiliated legal entities. Find more at zsassociates.com.



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