ZS Interview: As Pharmaceutical Companies Streamline, What Is the Future of Forecasting?

Participant: Judith Kulich

As pharmaceutical companies face patent cliffs, explore new geographic and therapeutic markets and improve sales through enhanced product life-cycle strategies, forecasting has never been so important.

These trends aren't happening in a vacuum, however, as pharmaceutical companies cope with cost pressures and streamline operations. And executives often view forecasting as an area to cut or de-emphasize.

But these two goals—better forecasting and saving money—are not mutually exclusive. Companies can actually improve the quality of their forecasting and cut costs at the same time. The key is often the ability to integrate the forecasting function with other areas of marketing while leveraging automation and technology.

Judith Kulich, a ZS Principal based in San Francisco, talked about the importance of forecasting, and tells how companies can cut costs while improving their forecasting capabilities.

About the Expert

Judith Kulich, Principal

ZS Associates, San Francisco

Judith leads ZS' forecasting practice area and specializes in forecasting and portfolio management. Judith has also worked in sales strategy, market research, compensation and geographic deployment at ZS, primarily in the biotechnology and pharmaceutical industries.

Why is strong forecasting critical today?

JUDITH KULICH: Pharmaceutical organizations are looking beyond the traditional top markets to a broader geographical focus. What this means is that they're working in less familiar locales with less data. This requires more coordination, because companies' global operations may not have knowledge of local markets and thus need to work with local affiliates.

Pharma companies are also looking beyond their own pipelines to acquisitions and licensing. This requires business development forecasting—making an assessment of another company's product to determine its value.

Finally, pharmaceutical companies are focusing on less-traditional therapeutic areas and moving from primary into specialty markets. They need good forecasting to ensure they're spending on the right things.

So why are some companies cutting forecasting budgets?

JUDITH: Companies are under increasing cost pressures, and forecasting is one area they're to looking to streamline. It's important to do that effectively while supporting strategy and aligning forecasting with marketing.

The key isn't simply cutting back, but being more cost effective. Whether that means additional systems and technology across the portfolio or outsourcing some of the analytics, it's not about reducing forecasting but streamlining and doing it as efficiently as possible.

When it comes to forecasting, what are executives concerned about?

JUDITH: Their biggest worry is if they're making the right decisions. Making the right decisions entails understanding their markets, getting the numbers right, anticipating alternative scenarios and risks with forecasts, and finally, sharing the right set of numbers throughout the organization.

Having the right information is not simply looking at one forecast decision number, but considering alternative states. What happens if a competitor reaches a certain endpoint in Stage III? What happens if development is delayed? What happens as a result of health-care reform? Ultimately, the primary goal of forecasting should be to support decision making, and executives worry whether forecasts are giving good information to make the right decisions.

What is the biggest mistake that companies make in forecasting?

JUDITH: The biggest danger is looking at a forecast in isolation, or as a purely financial exercise. Forecasting should be a strategic exercise for stakeholders throughout the organization instead of just for a single customer. There may also be the tendency to rely upon a single number in a forecast, as opposed to discovering insights that support decision making.

Another mistake is not having accountability. Who is responsible for the forecast? Is it the forecasting department? Analysts? The brand team? When there's no accountability, it leads to finger pointing. If a forecasting group is responsible for data and analytics but relies upon marketing for knowledge, and if the end results aren't good, there isn't necessarily learning and improvement from that experience. There's not a lot a transparency into where the issue is caused and how companies can correct it.

What do you mean by treating forecasting as a financial exercise?

JUDITH: It's when companies treat forecasting as more of a function of finance than strategy. In some cases, forecasting has been pulled away from the marketing group to avoid bias; the finance group is seen as a protective third party. It's fine to have finance facilitate forecasts, but marketing input is critical. It's quicker to forecast in isolation; an holistic approach requires many more stakeholders who need much more data and readouts from the organization. But the value that's achieved is far worth the investment.

Just how well is forecasting integrated with other elements of marketing?

JUDITH: It varies from organization to organization. At best-in-class forecasting organizations, people from marketing, sales, managed care and clinical attend forecasting meetings. The information generated at these meetings is fed into the forecasts—this allows forecasting to be tightly integrated with other initiatives for those departments.

But sometimes, these things are done in isolation and are not necessarily relevant or consistent. The forecast can be a great base and tool for decision making—say a company is trying to analyze a specific value proposition against a competitor or in the eyes of payers and access. You can generate alternative forecasts and see how they play out. This requires forecasting to be integrated with many elements. If it's not integrated, it can lead to decisions that aren't really tied to the revenue potential of the product.

How can companies improve forecasting efficiency and quality?

JUDITH: There are several things companies can do. For instance, many forecasting teams may be building models from scratch instead of using standardized tools and platforms to ease the process. Automation is also helpful: Instead of spending a lot of time digging up data, with automation you're tying the system to other tools, and it can really ease data population.

In running scenarios and sharing information, technology can reduce burdens on forecasters, which frees them up to spend more time thinking critically.

How can companies make forecasting a competitive advantage?

JUDITH: Think of it as part of the marketing organization. Think strategically, consider decisions being made in the forecasts, and tie those decisions to the strategy behind the product. Integrate forecasting with sales to model the upside and downside associated with alternative contracting and promotional plans. This will set your forecasting approach apart from competitors.

What's one piece of advice you'd like to share about forecasting?

JUDITH: As you're looking for efficiencies, think about streamlining processes and tools, but also realign resources toward strategic thinking and maximizing the insights from forecasting. Beware of stripping forecasting to the bare minimum to cut costs. A poor decision is more costly than spending additional money on forecasting to make the right decision.

About ZS Associates

ZS Associates is a global leader in sales and marketing consulting, outsourcing, technology and software. For almost 30 years, ZS has helped companies across a range of industries get the most out of their sales and marketing organizations. From 20 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost-effectively. ZS comprises multiple affiliated legal entities. Learn more at www.zsassociates.com.

ZS Associates
www.zsassociates.com
inquiry@zsassociates.com
+1 847.492.3602