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SALES & MARKETING INSIGHTS

ZS Interview: As Other Nations Experiment With Key Account Management, German Pharma Companies Roll Out KAM 2.0

Participant: Joachim Keller

In response to market conditions, pharmaceutical companies have updated their sales models during the past decade, but perhaps nowhere have changes been more pronounced as in Germany, where pharmaceutical companies' customer-facing teams—key account management (KAM) teams in particular—are undergoing a fundamental transformation.

The changes could be profound. Divisions between primary and secondary care are blurring, such as German hospitals acquiring specialty clinics and outpatient facilities (polyclinics). The physician community is making similar changes in terms of merging and expanding—again causing companies to reassess their customer-engagement models.

And German health-care reform (AMNOG) may profoundly affect product pricing. These dynamics are pushing pharmaceutical companies to move to the next level of key account management—KAM 2.0.

Joachim Keller, an Associate Principal for ZS Associates in Frankfurt, discusses how German pharmaceutical sales forces are making the leap to KAM 2.0, and how they are creating truly collaborative teams for engaging their key customers.

About the Expert

Joachim Keller,
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Joachim has helped companies develop, implement and coach key account management across many markets, and has worked on a wide range of commercial strategy topics across Europe, including commercial organization design and marketing excellence.

Why and how are sales structures changing in Germany?

JOACHIM KELLER: There are profound changes underway in German pharmaceuticals marketing, in reaction to change from hospitals and physician groups bringing primary and secondary care together. Hospitals are collaborating with or opening primary-care institutions themselves.

Then there are the emerging, complex network structures that focus on various therapeutic areas. These range from loose “quality circles” to tightly run organizations that exercise a significant degree of control on members.

These changes mean that pharmaceuticals sales forces need to be much more flexible to adapt. The one-rep-one-drug setup is way out of date. Decision-making structures now require a higher level of sales information and a pitch targeted to the needs created by these new groups.

Can you give us an example?

JOACHIM: Integrated-care contracts for chronic pain and palliative-care patients are formed between a service provider, which is usually a hospital, and a set of doctors and health insurers. They describe in a detailed manner the standard of care for relevant patients living within a geography.

The payer contracts for care at every level, but makes only a single payment. The service provider navigates patients between hospitals and retail institutions, across all participating network members. The funds are redistributed internally to providers, and in some situations, it even goes further. The AOK Niedersachsen, for instance, one of the largest statutory health insurers in Germany, is closely involved in the set up of integrated-care offering for schizophrenia patients in pilot regions with physicians, nurse staff, home-care and acute-care institutions.

For hospitals and physicians, such agreements present an opportunity to increase their income or manage patient flows. But for pharma companies, such structures are often complex, have diverse policies, especially in terms of drug listings, and vary significantly. It’s a challenge because the sales team has to understand the account and identify important stakeholders. There are decisions being made at several points in the network.

What has German KAM resembled in the past?

JOACHIM: In the past, key account management was linked mainly to staff in charge of responding to hospital tenders, picking up orders from the hospital pharmacist, but also to reps who worked with hospitals. Companies typically

took a half-hearted approach to developing a KAM program, then conducted a kind of big-bang rollout, renaming the hospital rep the key account manager and doing a one-time training session.

However, things did not really change for these guys: The things that matter, like coaching, hiring, competency models, incentives, responsibilities and key performance indicators, usually remained in place, and so did old behaviors. That led to all sorts of problems, and big rollouts became big failures.

What are pharmaceutical sales forces doing to change their KAM teams?

JOACHIM: Just giving people a new title and textbook training is not good enough. Key account management must be built over an extensive period of time; it must be coached, experienced and apprenticed.

Also, key account management entails a whole set of new requirements for the role. Decisions will be made quicker, closer to the customer, and require a high degree of trust and collaboration.

This makes collaboration part of the new model. Companies will create new roles and combine some of the old ones. Do they still need a first-line manager, as the KAM is coordinating team members visiting hospital wards? How do the selling model and the roles need to change with different customers? As there are a lot of complex, diverse health-care entities in Germany, answering these questions becomes even more important for staying competitive.

With new roles, do sales reps need new skills?

JOACHIM: Absolutely. Pharmaceutical companies are just now addressing the problem of coaching and training with regard to KAM. The most advanced companies are doing this holistically, with a solid competency model at their core that leads into personnel development, hiring and career-paths design.

In building a KAM team, companies typically need to start with the people they have available. Organizations have to evaluate who can do key account management and who can be trained for it. Past evaluation of reps has shown that one-third can move to key account management roles, one-third can't and it's unclear with the remaining one-third. So how do you train those reps? This is what German companies are working on now—choosing those who need to be trained for KAM, and gradually expanding their bandwidth.

On top of these changes in market dynamics, pharma companies in Germany learn to live and deal with AMNOG. This is a newly implemented drug-market reform act currently being enacted, and it injects a significant degree of cost pressure and uncertainty into Germany's formerly rather stable and comfortable pricing and reimbursement landscape.

How will AMNOG affect sales forces and product launches?

JOACHIM: AMNOG is the single biggest health-care reform in many years, and will have a profound effect on pharma marketing. But its consequences are not clear, as relatively few drugs have entered the process so far. As before, with market authorization you can launch a drug at your own price, but the price might change in negotiations between statutory health insurers and manufacturers. All of these changes have made pharmaceutical companies afraid to launch products in Germany, and several major launches have already been delayed.

Will this have long-term ramifications?

JOACHIM: I think Germany's traditional role as new-product launching pad will probably suffer. If you launch a drug with strong data on additional benefits to existing drugs, then it still makes sense to launch here, but if you have a weaker value proposition, it probably makes sense not to launch in Germany. The process has a significant degree of uncertainty.

For sales organizations, this means a greater need for flexibility, which encourages the use of contract sales organizations and other temporary support. At the top, organizational structures will take into account this need for flexibility, sometimes at the conscious expense of reduced effectiveness.

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.



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4-12

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