



ZS ASSOCIATES

SALES & MARKETING INSIGHTS

ZS Interview: As Media Channels Expand and Budgets Contract, Pharmaceutical Companies Try to Find the Right Marketing Mix

Participant: John Bienko

While pharmaceutical company sales forces usually garner most marketing resources, the number of promotional channels available to pharmaceutical marketers is extremely diverse—and in the era of digital media, the number of those channels is increasing.

That strains marketers to find the right mix of promotions, especially as companies cut back on marketing budgets. Finding the correct balance not only requires a complex marketing plan and accurate measurement of marketing effectiveness, but also consideration of local conditions, all the way to the physician level.

For some marketers, these challenges seem insurmountable. They may struggle to simply measure the effectiveness of a tried-and-true promotional tactic, not to mention an entirely new one. However, not only is it possible to measure tactics at the local level and target resources to meet marketing goals, but as budgets shrink, patent cliffs loom and pipelines dwindle, these aspects of marketing have become mandatory.

John Bienko, a ZS Principal based in Evanston, Ill., talked about the importance of pharmaceutical companies optimizing their marketing mix, how companies can make the best choices for allocating marketing resources and the importance of localization as promotional possibilities proliferate.

About the Expert

John Bienko,
Principal

ZS Associates
Evanston, Ill.

John has consulted with more than 50 organizations on a variety of sales and marketing issues, including marketing mix and marketing strategy, sales and marketing resource allocation, and market research. John has also led and facilitated organizations as they merged their sales and marketing operations.



Why is it particularly important to get marketing mix right?

JOHN BIENKO: There's significant pressure to spend as wisely as possible. And the trends that are forcing marketers to reevaluate expenditures—things like loss of exclusivity on major brands, weak pipelines, pressure from payers, patients playing a larger role in their own treatments—are going to continue.

Brands are being asked to perform at higher levels than in the past. Companies need to target their marketing spend, so it's not so much a shotgun approach as opposed to using a rifle.

Don't marketers in all industries optimize marketing expenditures?

JOHN: That's certainly the goal, but in pharma the process of measuring and optimizing hasn't been as rigorous as it could be. Decision making is still pretty fuzzy for many elements of the budget, especially compared with spending on the sales force, in which you know the doctors you're reaching, the frequency you're reaching them and their prescribing. But for other marketing levers, there's often a lot of best guesses and wishful thinking.

That doesn't need to be the case. Take samples, for instance. For years, the industry spread them evenly across territories and let the sales force determine how to allocate them. But companies can now measure physician response to samples, using data all companies have, and once they know that, they can determine the best way to deploy those samples.

What's changed about marketing itself that affects marketing mix?

JOHN: There's still a lot of attention given to sales reps, and while they're a very important element of marketing, we're clearly seeing their impact diminishing over time due to decreased physician access and reduced head counts. This is driving marketers to look for alternatives.

Industry self-regulation has also placed limits on what can be said and done. Then there's the advent of new channels, like digital tactics.

Digital holds a lot of potential, but companies can quickly become too enamored with it. You need to evaluate digital tactics objectively relative to other promotions, and realize what digital tactics can and can't do. Clearly, an email is going to have significantly less impact than a sales rep meeting a doctor, but perhaps that might be the best alternative for a doctor who limits access. Companies need to look comprehensively at the entire set of promotional tactics and go to market with a multichannel approach driven by physician preferences.

What are executives most worried about?

JOHN: They're not confident that they've got the total investment in sales and marketing right. With increased pressure on pricing and margins, this has become a bigger issue in recent years. But without good tools to address it, the answers are often unsatisfying.

Also, as executives operate under constrained budgets, they're wondering how they should spend across the portfolio. Sometimes, they need to challenge traditional ways of thinking. For instance, if it's a big brand that's bringing in big money, you should be putting a lot of money against it, right? Well, perhaps not—it might be near the end of its lifecycle.

We're also seeing lots of questions about new media, and some media that's not so new. DTC requires significant investment, and people are wondering if they're getting a significant return.

What do you mean by “unsatisfying answers” in regard to spending?

JOHN: Many companies think they're measuring their promotions' effectiveness, but many evaluations are loose, and use macro, national models. If you conduct a promotion and see a trend break, there might be a relation between the two, but there might be other factors involved. On the other hand, sometimes you don't see a macro trend break, but the promotion is still effective, working on some doctors or some segments but not others.

This points to why localization and targeting of spending has become so important. Marketers often focus on national spending, but local spending decisions are where the real action happens. Do you invite Dr. Smith to the dinner meeting? Offer her samples? Does she respond to digital media?

Why don't more pharma companies approach marketing mix locally?

JOHN: As I mentioned earlier, part of it has to do with evaluating programs nationally versus locally. Another part is having the processes and systems to execute locally. Some organizations try to execute locally from headquarters, effectively going around their sales reps. But the companies that are successful often put the sales reps in the center of the delivery, and allow them to determine which promotions will and won't work for each doctor.

How hard is it to use data to make marketing mix decisions?

JOHN: Efforts vary considerably, but one thing forcing them to get better is the Sunshine Act, which mandates pharmaceutical companies report where their marketing expenditures go, right down to the individual doctor.

Generally, companies are getting better at using data to develop a 360-degree view that incorporates all of a company's interactions with a customer. With such comprehensive data, you can see how promotions really work. You can analyze the benefit of detailing by itself, but there's interaction between all the promotions.

The timeliness of the data and the insights you develop are also key. Companies that can analyze information faster can react in a shorter period of time, and that's an advantage.

What advice would you like to offer marketers?

JOHN: When it comes to marketing mix, marketers may feel like there are too many roadblocks to fully evaluate promotions, but they've all been dealt with in one way or another. A key is to start small and expand over time to incorporate more tactics.

Detailing, sampling and dinner meetings represent a large portion of most brand plans, and have tried-and-true methods for evaluating and optimizing them. Later, you can layer on DTC, co-pay cards, digital media, and implement measurement and evaluation systems. That will pave the way for a sophisticated system to determine the relative impact of promotions.

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

© 2012 ZS Associates, Inc.

3-12

All Rights Reserved

All trademarks within this document are either the property of ZS Associates or their licensors.