Delivering on Segmentation’s Promise: Guiding Principles for Pharmaceutical Segmentation

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Long a primary tool for sales and marketing organizations, physician segmentation can increase pharmaceutical companies’ understanding of customers and their needs through structured analysis of motivations and behaviors, as well as marketing preferences.

Leveraged properly, this customer insight increases brand profitability through effective and efficient marketing.

However, despite the history and ubiquity of market segmentation, organizations frequently fail to capture or agree on the key factors influencing customers, and how those factors vary across the market. This paper outlines four guiding principles that will help sales and marketing teams develop and use segmentation to succeed.
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Introduction

Segmentation of health care providers occupies a central spot in sales and marketing strategies for just about every pharmaceutical company, but many organizations fail to segment as effectively as possible.

Segmentation identifies unique sets of customers who possess similarities relevant to a product’s value proposition. These similarities, or dimensions, are based on motivation, behavior, potential and other influences. Segmentation is critical to marketers and helps them develop and implement successful marketing strategies, especially when they have access to limited resources in a down market.

Unfortunately, many segmentation efforts fail to deliver the market insights necessary to formulate sales and marketing strategies, or the organization is unable to maximize the value of segmentation.

Consider the following situations, each of which has resulted in the abandonment of a segmentation initiative:

• The marketing team developed a nine-segment solution. Because of the large number of segments, the team could not develop and support tactics for each segment, resulting in an overly complex solution with too many segments and undifferentiated tactics. The team’s attempt to capture every customer nuance derailed it from devising straightforward differential tactics that the organization could adopt.

• Sales representatives were unable to determine the segment to which each customer belongs; without representatives knowing their customers’ segments, the segmentation was of little value in terms of allocating resources and communicating with customers. As a result, the sales force ignored the whole process.

• The marketing team could not determine how to win over segments experiencing the highest level of competition because the segments lacked a connection to the brand’s value proposition. In this case, quick drug action was a prominent product feature, but the poor segmentation effort failed to differentiate customers based on their interest in quick action (as opposed to overall efficacy).
• The sales team was unable to act differently across segments due to a lack of marketing materials that supported communication with customers in each segment. The marketing team did not dedicate sufficient effort to guide the sales team in its interactions and communications with each segment.

With such examples, no wonder pharmaceutical companies are skeptical about the value of segmentation initiatives and their ability to deliver results—despite their desire to leverage the methodology.

But segmentation can work—and in today’s environment of fiscal constraint, a company needs to segment its markets and prioritize sales and marketing expenditures based on the expected return on investment in each segment.

Through our work, we have found four guiding principles that can help ensure segmentation success, which translates into sales and marketing actions that are genuinely different in each segment. This paper will demonstrate how these guiding principles, when tailored to the unique market challenges the pharmaceutical industry faces, lead to a successful segmentation project and increased brand profitability.

As we describe these guiding principles, keep in mind an important concept in pharmaceutical segmentation: The marketing team and the sales force must collaborate to produce segmentation that works and delivers results. Each group plays a vital role in defining the segments, formulating the appropriate segment tactics and shaping encounters with customers.

Approaching Segmentation: Four Principles for Success

A well-developed segmentation delivers the foundation for a company’s go-to-market strategy and the sales and marketing decisions that follow (see Figure 1).
Principle 1: Build a Solid Foundation

First and foremost, it is essential to generate agreement among stakeholders on the aims of a segmentation effort. We have found that many marketing teams initially do not have a shared understanding of what their organization is trying to accomplish with segmentation. Without clear objectives, it is difficult if not impossible to move the segmentation plan forward.

As part of building a foundation, marketing teams must determine the proper basis to segment their market, based on key customer dimensions. The appropriate mix of dimensions depends largely on the agreed objective of the segmentation.

For instance, using the pharmaceutical product example above, market segmentation dedicated to targeting and resource allocation requires capturing physician prescribing potential. The team must ask itself how much is the customer worth to its brand?

Segmentation applications that include positioning, messaging and communication development require understanding physician attitudes and motivations in treatment decisions. In this case, marketers need to ask what is driving customer behavior? For a single segmentation effort to meet the needs of sales deployment and marketing strategy implementation, marketers must consider potential, behavior and motivation.
Principle 2: Connect to the Brand Strategy

Effective segmentation needs to reflect variation in what elements influence customers to make decisions, and how they relate to brand strategy. It is imperative to understand the customer decision-making process and to establish the leverage points on which the marketers can act.

Each customer segment can respond differently at a leverage point. In a well-developed segmentation, the marketer will find it easy to translate brand strategy into segment tactics in order to achieve the desired outcome for each segment. Customized tactics address the specific motivations and behaviors for each segment.

In capturing variations in customer decision-making through segmentation, the sales and marketing team can develop differential tactics—by segment—that help win over customers.

Principle 3: Use Rigorous Evaluation Criteria

Marketing teams can devise many alternative segmentation solutions, and it is important to choose the best one (that results in action). There are three categories of evaluation criteria used in the selection process: analytic, business and implementation:

- Analytic criteria evaluate solutions based on statistical soundness. Characteristics such as solution stability and reproducibility with different sets of data are all evaluated with analytic criteria.
- Business criteria ensure that the solution is appropriate for the business application at hand: Is it clear how the organization can succeed in each segment over the next two to three years, and can it sell to the segments for a positive return on investment?
- Implementation criteria are used to test the feasibility of embedding the segmentation in the organization to achieve results. These criteria check if the market segmentation is intuitive and simple to explain. They also ensure that segment members can be identified so that sales and marketing campaigns can reach them (see Figure 2).
Principle 4: Focus on Implementation Throughout the Process

Employing the implementation criteria to select a segmentation solution is not enough: The company needs to focus on implementation throughout the segmentation development process, in order to change the behavior of the marketing team and sales force when approaching customers.

Implementation considerations begin with stakeholders’ active participation in the solution development process, and end with tool and process support throughout the organization. This ensures that the segmentation becomes the base for a go-to-market strategy, and that the segmentation effort guides interaction and dialogue with customers in each segment.

By engaging stakeholders in key decisions, it is more likely a solution will be implemented. Stakeholders also provide perspective on a company’s implementation capabilities, as well as the training and communication needs for a successful segmentation deployment.
In addition, proper implementation includes deploying the right sales and marketing materials to the field, as well as sales force automation tools for customer profiling, sales call planning and other marketing-event planning. In the most effective implementations, segment-based messaging is communicated to customers via sales representatives using tablet PCs. Such tools can easily customize and track dialogue with every customer.

**How Segmentation Maximized Product Potential**

A pharmaceutical manufacturer preparing to launch a new product in a specialty therapy area invested in segmentation, with the goal of maximizing the product’s sales despite budget constraints.

The company had to carefully assess where it could succeed and how to deploy its limited resources in the most effective manner to maximize product uptake following launch. The project team defined its objectives at the outset, and agreed to include behavioral and attitudinal data to meet the objectives.

The segmentation’s scope of application included:

- Prioritize market segments based on overall customer size and ability to generate business
- Implement a mix of promotions to efficiently and effectively reach and persuade customers
- Tailor promotional messages to influence customer decision-making effectively in each segment

The marketing and sales team then developed market segments based on a combination of primary research and secondary data. The segments differentiated physicians on several behavioral and motivational dimensions.

For instance, physicians were segmented by current prescribing behavior when treating the disease in question. The company differentiated between physicians who initiate treatment with a potent class of products and those who use these products only after the patient fails to respond to a less-potent choice.
The effort also segmented physicians on their motivations for treatment choices. One aspect of their treatment approach was the degree to which they involved patients in treatment choices. This motivation was important because it influenced how much weight a physician placed on managing side effects when deciding what product to prescribe.

The final result: four distinct segments, with individual characteristics and types of supporting communication that worked best for each. The brand positioning and core message of efficacy were consistent across all segments, while the supporting messages were tailored to the segment (see Figure 3).

<table>
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<tr>
<th>SEGMENT</th>
<th>KEY PHYSICIAN PORTRAIT CHARACTERISTICS</th>
<th>SUPPORTING COMMUNICATION</th>
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| Simplicity Lovers  | • Prefer simple dosages  
• Have limited time to spend with each patient  
• Do not want to deal with difficult side effects                                                      | Simplicity of use; no hassle                   |
| Innovators         | • Will try new products and combinations  
• Seek the most innovative treatment  
• Want to advance disease treatment knowledge                                                           | Efficacy through innovative mechanism of action |
| Aggressive Treaters| • Prefer the most potent treatment option first  
• Aim to control disease as quickly as possible                                                           | Quick onset of action                          |
| Patient-Centric    | • Patient comfort is primary concern  
• Willing to invest time in patient interactions and treatment choice iterations                      | Tolerability of treatment option               |

The segmentation solution played to the brand’s strength. The marketing team identified segments attracted to the brand’s simplicity of dosage and other innovative qualities, ranked segments based on ability to gain market share and allocated resources accordingly.

This type of segmentation allowed the team to devise effective communications tailored to each segment’s needs and motivations. A communication plan emphasizing the product profile in terms of gastrointestinal tolerability was particularly effective for physicians whose patients
had a major say in their treatment. A communication plan emphasizing the simple dosage and efficacy of the drug was much more effective for the simplicity-driven segment.

To implement the plan in the field, the marketing team generated “profiling questions” with the engagement of sales representatives. The answers identified customers by their appropriate segments, and the field sales force was trained on which message sequence or emphasis worked best with each segment. In this manner, the sales and marketing organization was able to segment several thousand doctors and to act on the results, even though fewer than 500 doctors were included in initial market research.

In doing so, the company maintained a consistent brand positioning and core message while the supporting emphasis varied by segment.

Segmentation training helped the representatives ask the right questions, classify physicians appropriately and communicate the right message. The sales representatives found the segments intuitive, and the physician profiles resonated with them. In addition, because the representatives had been engaged in devising the segmentation, it became their solution as well. They were highly committed to using it.

To roll out this approach to engaging the customer, the company tested the segmentation’s impact in a limited number of sales territories. This helped define and test the processes, systems and tools needed to support a full-scale segmentation rollout and implementation for the sales force.

Due to the product’s rapid adoption rate, the launch was considered one of the most successful in the company’s history. Interviews within the organization indicated that the field still used this intuitive segmentation plan more than two years post-launch.
Looking to the Future

Pharmaceutical companies are under tremendous pressure to cut sales and marketing costs. In the future, the pharmaceutical industry will need to maximize returns on limited marketing budgets while cutting through competitive noise. Messages that address consumers’ individual concerns can win over customers, and effective segmentation can improve brand success.

Performed in a manner that includes the four principles outlined above, segmentation will help define customer preferences and the differences in a customer base that cut across a company’s brands. Such insights can effectively guide the development of a customer-centric approach. It may be possible to tailor customer interaction in each segment based on the integration of motivational as well as promotional preferences in order to enhance each customer’s experience and thus cultivate loyalty.

While some are skeptical about segmentation’s value—and the ability to implement a segmentation plan—our experience has shown that by adhering to a few clear guidelines, segmentation can systematically deliver results. It is possible to derive enormous value from segmentation and achieve significant gains in the marketplace. Best of all, these benefits can be achieved without wasting precious sales and marketing resources.

About the Author

Mazen Zahlan is a Principal with ZS Associates in Princeton, N.J., and leads the firm’s global customer segmentation practice. He has focused primarily on the pharmaceutical industry, consulting on diverse issues related to the development and implementation of sales and marketing strategy. He has assisted clients in the United States and globally in several areas, including organizational design, global product launch strategy, customer segmentation, targeting, optimal resource allocation and market research, and has substantial experience developing strategies for marketers, typically using effective integration of primary and secondary data. Mazen holds a B.S. and M.S. in mechanical engineering and an M.B.A. from the University of Michigan.
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