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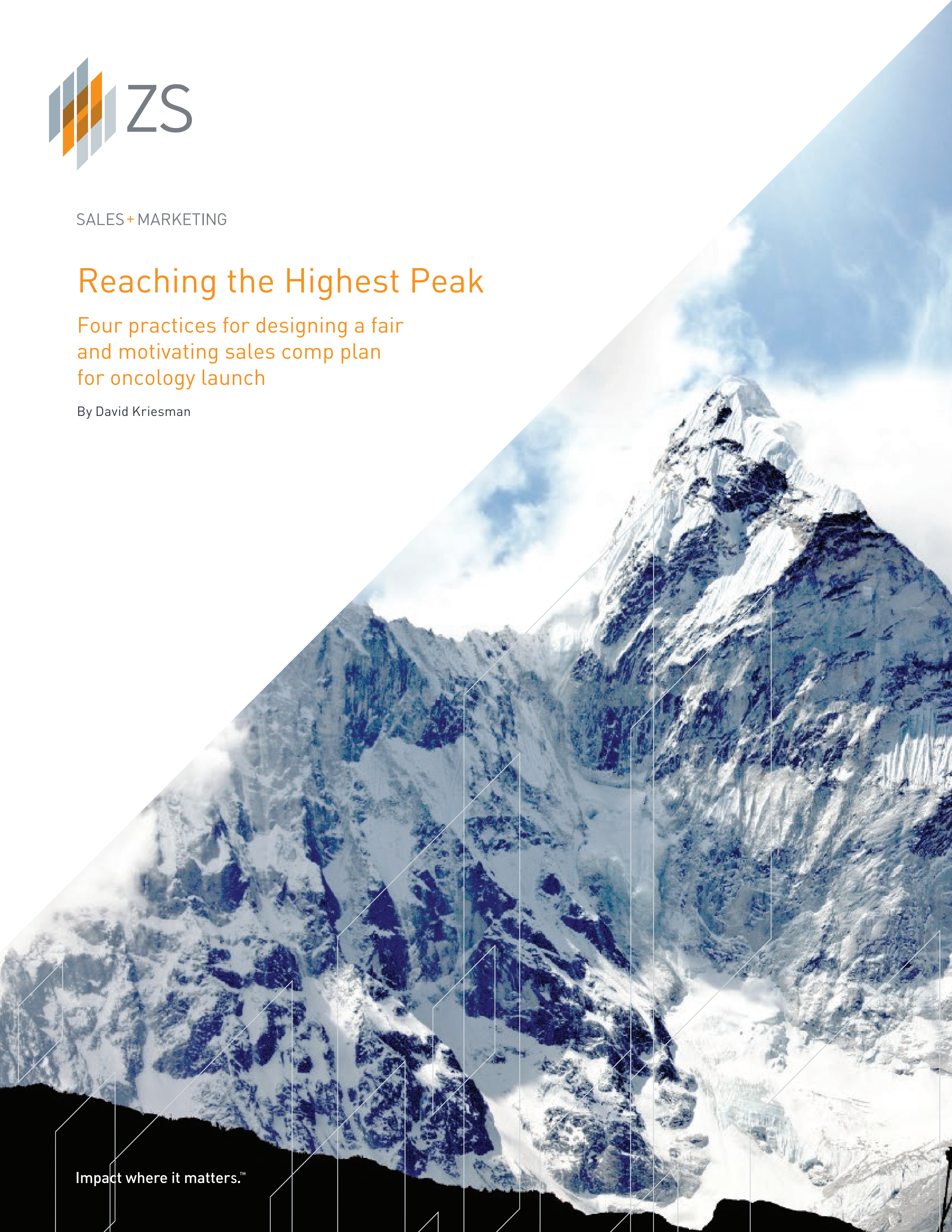
Reaching the Highest Peak

Four practices for designing a fair and motivating sales comp plan for oncology launch

By David Kriesman



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Launching a new cancer drug is a time of great excitement and anticipation for a manufacturer. Teams across the organization have worked together during years of development to bring a potentially life-saving treatment to market. Now it's up to the field force to pull it through in a way that maximizes the benefit to patients and yields a high ROI for the company.

The rapid pace of growth in oncology is unprecedented. In 2016 alone, it's expected that more than 50 cancer therapies or new indications will be approved by the U.S. Federal Drug Administration, which means that companies will be scrambling to refine or create 50-plus new compensation plans in anticipation of these launches.

To ensure the success of a new product launch, a compensation plan is a critical tool, but the stakes are even higher in oncology, where new products need to get out of the gates as quickly as possible. Sales of new oncology therapies spike and quickly reach a plateau, in many cases as soon as 12 to 18 months after launch, compared with 36 to 48 months for other drugs. Multiple competitors in nearly every major tumor category are racing for approval of new indications in an increasingly crowded market. Despite these pressures, when developing the sales compensation plan, the same guiding principles still apply. Companies should create a plan that's both fair and motivating, not to mention easy to communicate and aligned with brand strategy.

At the same time, the launch scenario and heightened visibility also present companies with a unique opportunity: more freedom than usual to get creative and introduce innovative elements into their comp plans in order to maximize launch. The key is to get an early start on designing the plan, beginning at least three months ahead of launch, so that you can gain support for the new approach and generate excitement within the organization leading up to the rollout.

Designing the Comp Plan for Launch: Best Practices

Many factors go into the design of a new comp plan, but the following four areas are particularly important to consider during the evaluation stage.

Assessing market potential: ***What information should you use to predict sales performance across territories, districts and regions?***

In an ideal situation, robust data is available and is used to both motivate the sales force and set fair targets to determine their rewards. In oncology, however, this often isn't the case. Sales data may be unavailable, incomplete or fragmented across sources. As a result, companies must make trade-offs between fairness and motivating individual performance when choosing the appropriate data source.

+ **Market data** is the preferred option to use at launch, assuming that there's a well-defined market within the indicated population. When available, market data is a clear indicator of opportunity and also is easy to communicate.

However, specific lines of therapy or competitors with multiple indications (not within your target patient population) may reduce or limit the usability of this information.

Market data also might be expensive to purchase and maintain on a regular basis, so companies should evaluate whether the quality and completeness of this information warrants the price tag.

+ **Incidence data** acts as a proxy for sales opportunity and can be used in the absence of market data. It is most predictive for smaller populations and rarer tumor types (for example, mesothelioma). In broader cancer types, it may be more difficult to predict potential within specific sub-populations using incidence data alone (such as with ALK+ NSCLC patients).

  Incidence data typically is available through secondary data sources but often requires additional data sets (such as U.S. Census population data) to break it down into smaller geographies. Additionally, incidence data typically is less recent than market data that you might purchase.

+ **Equal distribution** of goals among territories also is an option. Although easy to communicate and perceived to be fair ("We all share the burden at launch."), this approach is highly likely to be unfair to reps in certain territories. This approach may work especially well for small teams with very large geographies where the opportunity is closer to evenly split anyway. Companies that consider equal distribution often combine it with other methodologies.

+ **Product sales data** is not available prior to launch but should be included in any baselines or goals as soon as possible. Past performance remains one of the best indicators of future opportunity. Typically, product sales data is not robust enough until at least six months after launch.

  We have advised some clients to "phase" product sales into the equation in order to adjust for early buying patterns but not completely abandon the notion of market potential established in the launch plan.

No matter which data set you may be considering, it's essential to have a detailed understanding of the caveats that accompany it so that leadership can weigh the pros and cons, and ultimately make an informed decision.

Determining the right level of information: *At which geographic level should sales comp be measured?*

Individual metrics are ideal but can be challenging to implement in oncology, especially for smaller teams and indications. Rolling up metrics to the district or region level may help offset some of the data challenges, while the metrics still can be aimed at driving impact and fostering team spirit within the field force. When evaluating the right level of granularity for your plan, take into account the quality of your data as well as the role of teamwork in the sale.

+ **District or region-level metrics** normalize for volatility and uncertainty at the territory level, especially when sales capture is incomplete or when expected volume in an individual territory is low. (A minimum of 10 scripts is a good rule of thumb.) Use of these metrics promotes teamwork and helps minimize crediting issues due to treatment flow patterns across borders.
+ **Territory-level metrics** are most motivating to field representatives but may not initially be feasible at launch. Although sales history may still be volatile, enough data usually exists six to 12 months post-launch (if not sooner) to warrant the use of a territory metric in the plan. Ultimately, the decision depends on each company's compensation philosophy and appetite for risk versus motivation in the launch plan. A relative rank design can be used to help reduce the risk of volatility of payouts associated with a territory-level component.

Several of our clients have successfully included both metrics in the plan in order to strike the right balance between fairness and individual accountability.

Building a "total" compensation plan for launch: *What other elements should you include in the plan to increase engagement and reward performance?*

A successful launch plan often includes other ways to incentivize the field force that goes beyond sales performance. Companies often consider mixing in these elements for a few reasons: 1.) to reward individual performance when it's difficult to do so in the base plan; 2.) to motivate additional objectives or behaviors; 3.) to stir further excitement at launch; and, 4.) to help increase engagement (more ways for reps to get "in the money").

+ **Contests** are most effective when designed to complement, not compete with, the base comp plan. Contests can be a motivating tool to help drive individual achievement, particularly amongst top performers.

Some oncology companies use contests as a way to incentivize reps on important metrics that are not quite "incentive-compensation-grade," but reinforce brand strategy. One of our oncology clients rolled out a market-share-based contest at launch to motivate stealing share from a competitor.

+ **"Management by objective" models** can be challenging to design but often are a key component in oncology launch plans given data limitations and the additional responsibilities often expected from field representatives. In ZS Associates' 2015 Incentives Practice Research study, 30% of oncology sales teams surveyed included MBOs in their plans (compared with only 10% for traditional retail teams). On average, the MBO component had a 40% weight in the plan.

  Following a few best practices can increase buy-in and help make MBOs more effective and engaging, when you need them. Ensure an adequate focus, with MBOs representing at least 20% of your sales comp plan; tie the objectives to measurable outcomes; and provide specific guidance to managers on how to rate their employees. MBOs should focus on specific behaviors. For launch in oncology, common objectives include unbranded or non-sales activities, strategic account planning, the effective use of tools, marketing programs, teamwork and coordination across field roles.

Refining the plan over time: ***When should you consider making changes to your launch plan?***

There is no more exciting (and often stressful) time than when you're in the home stretch finalizing the design of the compensation plan. Some of our clients, though, lose that feeling quickly. It feels like they're reinventing the wheel when everyone sits back down to discuss changes to the plan just a few months later.

An effective launch plan is comprehensive. It goes beyond designing for launch and lays out how to manage and evolve the plan over the first 12 to 18 months—a road map for when you'll make changes and the criteria that you'll consider when making them. This road map should focus on the key areas, determining when and how to adjust the measure for potential, level and other compensation elements.

The chart on page 5 illustrates these key considerations at six-month intervals. The right cadence for review and ongoing evaluation will depend on each company's specific plan period and product dynamics.

DEVELOPING A ROAD MAP

	6-12 Months	12-18 Months	18+ Months
Potential	Begin to mix product sales into the equation	Introduce sales or increase weight	Rely more confidently on history
Level	Consider shift to territory level or add a territory component	Shift to territory-level metric; consider goals	Shift to territory goals (assuming adequate volume and forecast)
Total IC	End launch contests	Reduce weight on MBO	Reward growth in addition to volume
Ongoing Plan Evaluation	Test correlation of early launch metrics	Evaluate fairness and pay-for-performance relationship in the plan	Conduct plan "health check"

There's no silver-bullet compensation plan for an oncology launch, yet it's within your reach to create a successful plan that acknowledges the key challenges, and overcomes them. Higher levels of uncertainty can be managed effectively if you understand the limitations of your data, roll up metrics to the optimal level, and include the right mix of other compensation elements, such as contests and MBOs, to produce a well-rounded and motivating plan. By agreeing on the timing and criteria for refining the plan, you can make the right course corrections along the way. Companies that master these practices will be rewarded with a highly motivated field force that appreciates the plan and is fairly compensated for its efforts.

About the Authors

David Kriesman is a manager in ZS's Philadelphia office. He is a member of the firm's healthcare sales compensation team, with a particular focus on specialty therapeutics and oncology. Since joining ZS in 2003, he has helped clients in the pharmaceutical industry refine their sales strategy and pull it through with effective operations, with a focus on key areas such as field force design, customer targeting, sales force effectiveness, alignment and incentive compensation.

About ZS

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