Sales Force Effectiveness in Pharma Is No Placebo
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The pharmaceutical industry has a rich history of investment in sales—not just in the quantity or size of a company’s sales force, but also in the quality, motivation and enablement of reps and managers. That investment is understandable, given the overall level of spending on the sales force. There are still approximately 65,000 pharmaceutical reps in the U.S., representing a $13 billion annual cost to the industry.

To better understand the impact of investments in sales force effectiveness (SFE), ZS Associates recently conducted the Explorer Study, a rigorous, cross-industry analysis of the value that SFE investments can generate. The study analyzed more than 800 data points from a wide range of survey respondents; literature sources including academic journals, white papers, trade publications and other business media; interviews with industry leaders; and internal ZS case studies, searching for data on quantifiable gains in performance following SFE investments. Its central finding is that investments in a single sales force initiative can yield an average increase in revenue of 4 to 8%—and investments in multiple initiatives, through a sales force transformation, see average increases in revenue and profitability of 9 to 10%, with ranges up to 30% in a single year.

Given that it was a cross-industry study, this article focuses on better interpreting the study’s results for the pharmaceutical industry in particular. Other articles in this series discuss the results for other industries such as medtech, address the findings for specific SFE categories, and detail how to make the business case for investments in the sales force.

Unsurprisingly, looking only at pharmaceutical companies, the Explorer Study shows slightly lower average revenue increases for pharmaceutical investments in SFE, in the 1 to 7% range. While that may seem small, the pharmaceutical industry also benefits from a much larger revenue and profit base than most other companies that we looked at, so a small return still represents significant value. Consider a company with annual sales of $1.5 billion that invests $3 million in an SFE program. A boost in revenue of just 1%—which our findings indicate is conservative, even for the pharmaceutical space—translates to an incremental ROI of 200% in the first year (assuming a 60% gross margin). That’s more than the traditional ROI cutoff for hiring an additional sales rep.

Critically, the Explorer Study data also points to target areas in which pharmaceutical companies can boost investment. As reps’ access to physicians becomes more difficult, strategic SFE investments in evolving engagement models such as key account management and the “orchestrator rep”—a single point of contact who can coordinate all sales and marketing outreach, across all channels, for individual physicians to improve the customer experience—are helping pharmaceutical companies improve their models to increase the impact from each customer interaction.
A Rich History of SFE

For the past 30 to 40 years, pharmaceutical companies have made sizable investments in SFE. Even as digital technology becomes an increasingly viable marketing channel, the sales force remains a key driver of organic growth—not to mention a huge cost driver. It’s not surprising that investment levels in SFE are higher for the pharmaceutical industry than for other industries that we included in the Explorer Study (see Figure 1).

**Figure 1: Investment levels in SFE are higher in the pharmaceutical industry than in other industries studied.**

Historically, however, such investments have focused primarily on the size of the sales force. Companies have upsized and downsized, armed with data to measure the precise value of adding one more rep to their force (at least in the U.S. and many other markets). In addition, high regulatory and compliance constraints typically have required a huge budget for SFE—particularly in areas such as training, coaching, and sales tools and enablers—to ensure that companies stayed within the ethical boundaries of promotion.

The Explorer Study data, which breaks SFE investments into four principal categories, shows this clearly (see Figure 2). In one of those four categories—creating a performance-focused sales team—the data demonstrates that pharmaceutical companies spend far more on coaching than other industries do, and their spending surpasses other industries in training, as well, again likely due to the stringent compliance requirements. The findings, in general, reflect the industry’s more mature state of SFE investments compared with other industries.
PERCENT OF COMPANIES INVESTING IN SPECIFIC SFE DRIVERS: ALL INDUSTRIES VS. PHARMA

Figure 2: Pharmaceutical companies spend more on training and coaching, likely because of the industry’s stringent compliance requirements.

The data also shows that the pharmaceutical industry plans to invest less in SFE over the next two years than it has in the past two (as shown in Figure 1), even as the sales environment is getting tougher. Reps’ access to physicians continues to decline. According to the most recent AccessMonitor™ data, more than half of U.S. physicians place moderate to severe access restrictions on pharmaceutical sales reps, which obviously puts additional pressure on finding ways for the pharmaceutical sales force to remain effective and relevant.
Furthermore, the customer landscape is evolving. Consolidation among providers means that individual physicians are less likely to make independent product selection decisions. Instead, those decisions are handled by a combination of different decision-makers with varying levels of importance. These factors are creating a far more complex environment for pharmaceutical sales forces than in the past. In turn, reps require a significantly expanded skill set to manage the increased complexity.

**Lower Returns but Strong Impact**

As noted above, our results show that the pharmaceutical industry is slightly below average for both single-category and transformative SFE initiatives compared with other industries. Single-category investments by pharmaceutical companies yield, on average, 1 to 7% increases in revenue and profitability in a single year, compared with the 4 to 8% averages across all industries.

In some ways, this is not surprising, as the pharmaceutical space contends with industry-specific factors that would lead to lower returns from SFE investments. And even within therapeutic areas, we will see variability depending on these four factors (see Figure 3).

**FOUR FACTORS PREDOMINANTLY DICTATE WHERE A COMPANY IS LIKELY TO FALL IN THE RANGE OF OBSERVED IMPACT OF SFE INITIATIVES**

- **Market Context**: Mature to dynamic
- **Promotional Sensitivity**: Low to high
- **Company Favorability**: Low to high
- **Sales Force Effectiveness**: High to low

**What’s Possible**

- 0-3%
- 4-9%
- 10-30%

**Implementation and Leadership**

**What You Achieve**

*Figure 3: The pharmaceutical industry tends to be on the lower end of these ranges, but the ROI for SFE investments at pharmaceutical companies can be significant.*
**Market context:** If a drug is first in its class, the company will need to shape the market, and the impact of the sales force is high. However, in markets that are mature or crowded—or those in which generics are a significant factor—payers have more influence than individual physicians, which limits the overall impact that the sales force can have.

**Promotional sensitivity:** The sales process in the pharmaceutical space is unique in that the rep never touches a product, signs for a product or delivers a product. Instead, success comes through the transfer of information to create awareness and identify situations in which a particular drug could be of use. The spreading of awareness is still more impactful through personal channels than non-personal channels, but sales force impact also varies according to product life cycles. During the initial years of a product’s life cycle, the impact can be extremely high (70% or more), while in the final years of a product’s life cycle, when it is about to go off-patent, the sales force impact can be below 5%.

**Company favorability:** Sheer size affects a company’s ability to grow, and pharmaceutical companies tend to be large. Further, the product value propositions and differentiation, of course, play a role in the impact that a sales force can have.

**Current level of sales force effectiveness:** The pharmaceutical industry is a more mature industry in terms of SFE compared with other segments that we studied, such as technology or medtech, at both the global and regional level. Many pharmaceutical companies already have made substantive investments in SFE, so they are starting from a higher baseline, meaning that gains are harder to come by. Additionally, SFE often is centralized through a global commercial effectiveness team, and frameworks are distributed to local teams.

However, given the margins that exist in the pharmaceutical space, there’s a clear incentive to maximize the number of patients who can benefit from your product. Companies can recover a large percentage of their sales force investments given their low cost of sales. This is true across the pharmaceutical product life cycle, from new launches to mature products.
The Future Priority: Increasing the Impact of Each Customer Interaction

Historically, the pharmaceutical selling model has been very process-driven and formulaic, rather than personalized. Short windows of interaction with individual physicians and strong regulations have required a focused message that’s pre-approved and standardized—a message that doesn’t allow reps to deviate, adapt or improvise. This legacy has limited the desire of many companies to focus on the overall customer experience (beyond coaching and training on approved messages).

However, as reps’ access to physicians declines, new lower-cost digital channels emerge, and customer preferences change, many pharmaceutical companies now consider the customer interaction to be an opportunity to improve their performance through SFE investments. Rather than “spraying and praying”—sending out digital messages in high volume to every name on their lists, across every possible channel—companies need a smarter approach. Overall, ZS is seeing pharmaceutical companies making significant investments to evolve the role of the sales rep, such as increasing reps’ skill sets to enable key account management, and building more robust account selling processes.

In addition, companies are succeeding by investing in the “orchestrator rep,” that single point of contact for the customer who can factor in physician preferences and also incorporate new information to refine the selling process over time, leading to more granular insights regarding target customers and more personalized interactions.

Early experience indicates that this orchestrator approach can yield positive results. Marketing messages don’t get lost in all of the noise, physicians have a better customer experience, companies lower their marketing costs, and sales increase. However, this is a very different role for sales reps, and it will require new skills, business processes, tools, training and coaching—along with a structured implementation process to ensure that the right behaviors and processes take root. It’s clear where future SFE investments in the pharmaceutical industry may have a big impact.

Our analysis reveals that the possible impacts of SFE investments in the pharmaceutical industry are 1 to 7% gains, which is quite significant, given the industry’s margins and the high revenue and profit base from which many companies are starting. Even a 1% gain from SFE investments still leads to significant value and an attractive ROI. Given all of the recent changes in the pharmaceutical space, companies now need to determine where those dollars allocated to improve the selling process and customer experience can have the most impact. For the majority of pharmaceutical companies, we believe that maximizing the impact of each customer interaction is a winning opportunity.
About the Authors

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