



ZS ASSOCIATES

SALES & MARKETING INSIGHTS

ZS Interview: Segmentation That Divides Markets, Not Marketing Teams

Participant: Mazen Zahlan

Market segmentation is as old as product marketing itself, but has never been more important for the pharmaceutical industry. With strained marketing budgets and thinning pipelines, it's critical for pharmaceutical brands to differentiate themselves and direct resources to the right market segments.

Yet not all pharmaceutical executives are convinced that segmentation is worth the investment, or that it works as well as advertised. Some executives—perhaps clouded by bad experiences in the past—may not fully embrace their company's segmentation efforts.

Mazen Zahlan, a Principal with ZS Associates, spoke about why segmentation in the pharmaceutical industry has become more crucial than ever, how alternative media channels are altering segmentation and how pharmaceutical companies that put segmentation in the context of a larger, holistic marketing effort can generate competitive advantages over rivals.

About the Expert

Mazen Zahlan,
Principal

ZS Associates,
Princeton, N.J.

Mazen leads ZS's global customer segmentation practice, and has focused on the pharmaceutical industry, consulting on diverse issues related to sales and marketing strategy development and implementation.



What makes effective segmentation urgent now?

MAZEN ZAHLAN: There are several reasons. The first one is tight resources, and the fact they're getting tighter. Regardless of the brand you're working on, whether it's a launch or mature brand, the fact the organization has limited resources will affect you. So you'll have to be smart in how you use your resources, which segmentation enables you to do.

Then there's the convergence of product performance: There's simply less differentiation between some competing products these days. If all the products are getting better, it becomes essential to show how your product is different or how it appeals to different segments of the customer base.

But the key reason that segmentation is so important is that we have the ability to implement extremely sophisticated segment-level marketing strategies. This results in smarter ways to control the message; if you have that ability, you need to understand your segments and control the messages to those segments.

How do pharmaceutical executives view segmentation in the context of current market conditions?

MAZEN: The reception is mixed. There is some skepticism driven by prior experiences. No doubt, people have dealt with failed segmentation for different reasons—lack of relevance to brand strategy or excessive complexity. It's not a straightforward matter to get the right focus and balance.

At the same time, there are different levels of awareness of how media channels are proliferating. The number and type of promotional channels available has a profound effect on marketing, and segmentation can be a powerful tool, because it allows you to figure out the right sequence of promotions, in terms of medium and content. Marketers have to take this added complexity into account.

Just how does the proliferation of media channels affect segmentation?

MAZEN: Customers have different media-channel preferences, whether the customer is a physician or a patient. There are differences in what attracts different customers. Some use social media; some of them may go to specific educational forums. Digital marketing and social media open up so many opportunities that you need to create segments that capture those opportunities.

Pharmaceutical marketing teams need to understand the nuances in these channels, and segmentation captures those differences in customer preferences. It really comes down to the fact that you must capture and understand customer insight. If you can do that, you're able to drive your marketing and sales strategy—not just the content of the messages, but how you're trying to deliver those messages.

How does the sales force fit into segmentation strategies?

MAZEN: When you approach the market with customer segment awareness, it makes your sales approach more customer focused: You have better sales representative interactions, greater interest from customers, and that interest will help representatives overcome access barriers. Improving sales training is important in this regard—better training will translate to better customer interest, because representatives can understand and embrace different customer segments faster.

What is the biggest mistake that companies make with segmentation?

MAZEN: The biggest mistake is to approach segmentation without thinking about the brand or portfolio strategy, and without thinking about downstream implementation.

We've seen several clients and brand teams approach segmentation in a mechanical way: They follow a process, then generate a "solution." It's like a sausage machine—they put the data in one side, turn the crank and out comes a solution.

Teams approaching segmentation in this way think, "We'll just follow steps one, two and three" without considering appropriate trade-offs and without involving the other parts of the organization involved downstream. It becomes easy to lose sight of the nuance and subtle differences that segmentation is supposed to address.

How exactly does segmentation fit with the brand strategy, as well as other elements of marketing, like the patient journey?

MAZEN: The patient journey helps us understand *where* and *how* we can become involved in the patient's treatment.

In turn, segmentation is critical to brand strategy because different customers approach the patient journey in different ways. And depending upon how they approach the patient, companies need to come up with a compelling value proposition for the customer.

The patient journey tells us where to get involved; segmentation tells us how the customer will act at that point. That information helps you come up with your value proposition for each customer segment.

Do marketers approach these elements holistically?

MAZEN: Some do, but others just skip the segmentation step—they may come up with the patient journey and value prop, and then assume everyone behaves in the same way, potentially resulting in an inferior value prop.

Why do they skip segmentation? One thing we hear some people say is "I want to launch with one message, and I don't want to confuse my people." Historically, that leads to missed opportunities.

In the past, there wasn't the pressure to get marketing right with limited resources. You could throw money at brand marketing, and something would work—you could come up with three different tactics and see which one worked. But you don't have that luxury anymore.

Another approach we hear marketers say is "I know everything I need to know about the patient journey," and they *start* with segmentation. That usually leads to trouble. For example, after diagnosis all doctors may end up using a similar kind of treatment, but there are all sorts of different actions they may take in the interim. One doctor may wait and observe how the condition progresses, while another may start prescribing immediately. You want to approach these two doctors differently; each needs a different communications plan.

Above all else, what should brand teams keep in mind about segmentation?

MAZEN: Keep it simple—develop the simplest solution possible that will align your organization around your approach to market. It sounds easy, but it's not. Based on experience, there's a strong correlation between simplicity and success.

To take it a step further, I would say involve more of your organization, rather than less, when you're approaching segmentation. Your segmentation effort needs to touch the entire organization, not just marketing.

About ZS Associates

ZS Associates is one of the largest global firms focused on sales and marketing effectiveness. ZS combines deep expertise with rigorous, fact-based analysis to deliver management, business operations and technology consulting to help companies improve performance and results.

With 19 offices around the world, ZS Associates has worked with more than 700 companies in 70 countries across consumer products, energy, high-tech, insurance, medical products and services, pharmaceuticals and other industries. Founded in 1983, ZS comprises multiple affiliated legal entities. Find more at zsassociates.com.



ZS Associates

www.zsassociates.com

inquiry@zsassociates.com

+1 847.492.3602

© 2011 ZS Associates, Inc.

7-11

All Rights Reserved

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