



ZS ASSOCIATES

SALES & MARKETING INSIGHTS

ZS Interview: How Pharmaceutical Companies Can Get More Value Out of the Value Proposition

Participant: Aaron Mitchell

In no industry is the value proposition as complex as in pharmaceuticals. Companies must target health-care providers, payers and patients with compelling value propositions that explain in clear, concise terms what a pharmaceutical product has to offer and why it's superior to competitors.

Finding the "right" value proposition, which can vary according to segment, begins long before a marketing team has data on clinical trials. And a winning value proposition doesn't stop at launch. Over the course of a product's life cycle, its value proposition must evolve as it matures and faces new competition, while staying true to the product's core positioning.

Aaron Mitchell, a ZS Principal, spoke about the importance of the value proposition to the pharmaceutical industry, the particular challenges marketers face in implementing them and why pharmaceutical companies need to think about updating their value proposition as their brands mature.

About the Expert

Aaron Mitchell,
Principal

ZS Associates,
Los Angeles

Aaron has worked with numerous life sciences companies to improve the development of commercial strategies for global brands throughout their life cycle. He has focused particularly on pipeline strategy and helping companies make commercially driven product development decisions.



What's the urgency for pharmaceutical companies to develop strong value propositions?

AARON MITCHELL: There's a number of trends that are making it incredibly important to have a strong value proposition. The number of new molecular entities has stagnated, so the industry relies upon a smaller subset of in-line brands, and companies have to be successful with the brands they are launching.

Another key trend is that pharma companies are pursuing more nuanced indications, with a smaller subset of patient types—they have to have a strong value proposition to appeal to those patients, providers and their payers.

The audience is also more skeptical than ever—they have been marketed to very heavily, and become hardened to claims that don't resonate or aren't well supported. You need a strong value proposition that is relevant to your customers, and that's based on strong data and a strong rationale to really break through.

How are value propositions different than five or 10 years ago?

AARON: Then it was all about the clinical value. Today, you have to define value in a broader way. You need to improve the physicians' ability to practice, and have it make economic sense for payers. The value prop needs to articulate how the product will address the needs of each stakeholder.

The other thing is that physicians won't believe a value proposition that does not have strong evidence behind it. If you try to articulate a promise that isn't well supported by clinical data and experience, you'll struggle to succeed.

What's most difficult about developing a value proposition?

AARON: The biggest issue is generating the clinical and health-economic data to support a strong value prop. Companies may struggle to develop an asset with a strong, unique value proposition if they don't have the evidence to support it.

The core element of your value proposition has to be something competitors don't have, which often means riskier clinical trials. That may mean moving down a nonvalidated pathway that incurs additional risk—companies tend to take a low-risk development approach, but that won't give them the evidence for a differentiated value proposition.

How can marketers create a stronger value proposition?

AARON: In the past, marketers were stuck with the data that was handed to them. A good marketing organization deals with the data they are given to generate a compelling promise to customers. However, great marketing organizations work with R&D during the earlier phases of product development,

and design a product profile that supports a strong, differentiated value prop while the product is in development.

How important is changing the value proposition as a product matures?

AARON: It's essential to evolve your value proposition over the life cycle of your drug. You may initially focus on segments where the value proposition is strongest, but you need to be able to migrate to different segments.

In addition, you also need to anticipate how customer needs will change. The challenge is anticipating how the value proposition will need to change and evolve when product development decisions are made years before launch.

How can companies do this?

AARON: It's difficult to develop evidence during Phase III clinical trials that will work throughout the entire life cycle of the drug. How can you anticipate changes in customers' needs and market dynamics years before launch? That's why it's important to continue investing in the brand to ensure you have the data required to support the product throughout its life cycle. You need to keep looking at investigative studies and making sure you're supporting and strengthening the value proposition after launch.

How can pharma marketing reach this level of sophistication?

AARON: They need a holistic framework in which the value proposition is a key element. For instance, the OPEN framework, which we recommend, consists of opportunity, promise, evidence and navigation—the centerpiece is promise. What are you offering that enables the brand to pursue its goals?

To do that, you have to understand what evidence you need over time to support the value prop. That requires marketing plays a critical role in guiding product development to ensure that the evidence part of OPEN is commercially viable.

How do implementation issues figure into this?

AARON: Implementation is a huge problem, in all honesty. Sales forces don't have an opportunity to talk with customers for extended periods; you just don't have many opportunities to make an entire pitch on your value prop.

Doctors are just too busy, and there are issues with access. You have to be able to communicate the value prop in an imperfect environment, through multiple channels with messages and data too complicated to be digested in small, bite-sized promotional chunks.

So if your value proposition is well linked to the other areas of marketing but can't be implemented in the market, it's not going to work.

What should marketers be addressing about implementation?

AARON: If I have a new therapy, how do I deliver that value proposition through my available marketing and sales channels? Can I promote the value proposition, given legal and regulatory constraints? Will customers understand our value prop in bite-sized chunks across multiple channels? You also have to ask how to tweak the value prop for different segments at different points of adoption, and then you must know how to evolve as the market changes.

What's some advice you have for pharmaceutical marketers?

AARON: There's a couple of a key things. Trite and as obvious as it sounds, you need to focus your value proposition on specific customer opportunities and on delivering value to customers. You have to understand customer needs and goals, and you have to structure a value proposition that will deliver.

The other thing is that the reality of market conditions is the biggest enemy of the perfect value prop. In many cases, implementation is of greater importance than perfection. The value proposition needs to extend well beyond the brand plan, but must be implementable in the market by the sales and marketing channels that are available. The value proposition can look great on paper, but it doesn't matter if it can't be used—it won't influence customers to change their behavior. And that's the real test of any value proposition.

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

© 2011 ZS Associates, Inc.

11-11

All Rights Reserved

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