

••• health care research

# Working toward a healthy prognosis

Reshaping primary marketing research for the evolving health care landscape

| By Amy Marta

## snapshot

Amy Marta outlines how marketing research could transform in the coming years in response to the ever-changing health care industry.

The United States health care industry is complex and evolving, the result of consolidation, conflicting stakeholder interests and reforms in health care and regulatory policy. It's no secret, either. If one thing is constant in the pharmaceutical and biosciences industry, it's that nothing stays the same for long.

What isn't nearly as well-understood, however, is how these factors will transform a key driver of competitive advantage in the industry: primary market research. As the health care decision-making system becomes even more complex, market researchers who serve pharmaceutical clients must evolve as well.

The biggest challenge for marketing researchers will be to understand and explain the transition of traditional health care stakeholders into more advanced, strategic "organized customers." Customers increasingly exert significant institutional influence over the selection, use and perceived value of medical products and services. Organized customers make strategic decisions regarding trade-offs that reflect the organization's perspectives, priorities and interests. Despite common objectives, these customers comprise a diverse group of organizations that include providers such as integrated health networks, payers, pathway groups, pharmacy benefit managers and distributors.

Together, these forces represent a disruptive change. The mind-set that health care's organized customers are monolithic and homogenous (and thus relatively easy to understand and influence) is quite false. While decision-making remains largely the domain of physicians, these physicians are increasingly influenced by new stakeholders, including cost-conscious administrators, department heads, payers and review committees.

As a result, primary marketing researchers must rethink their traditional methodologies, develop new skills and prepare to co-create with customers to produce actionable insights. In health care, the days of the lone research-



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er sitting behind the glass – talking to respondents through third parties and conducting blinded studies – may be about to change.

Let's start with a quick look at the environmental changes that drive these transformations.

### New realities

In pharmaceuticals and biotech, new realities have taken hold over the last decade as market and governmental forces motivate industry consolidation to cut costs, manage risk and strengthen negotiation power to secure the most attractive reimbursement rates.

Traditionally, health care analysts viewed the industry as three separate entities: doctors, consumers and payers. But in today's web of influencers, they must be thought of in a much more connected fashion.

From these changes, three trends emerge to influence how to conduct market research:

**1. Physicians are losing autonomy in decision-making.** Prescribing physicians have traditionally been the primary decision makers for health care system, with supporting stakeholders such as nurses, patients, payers and pharmacists only occasionally considered. Those were happy days for successful pharmaceutical sales reps who prioritized the most lucrative doctors, scheduled regular office visits and distributed marketing collateral and tchotchkes to influence their buying.

Today, in most cases, physicians remain the stars of the show but with diluted autonomy as they increasingly affiliate with health care organizations that must meet corporate objectives, such as to maximize efficiencies and deliver value. Inside these organizations, the physician may be required to consult – and sometimes yield to – powerful stakeholders, including administrators, pharmacy directors or department heads.

Outside of the institutions, payers have effectively placed controls and

interventions, such as pathways that further affect the autonomy of physician prescribing behavior.

### 2. The rise of the organized customer.

Organized customers cover a wide range of health care entities. These include integrated delivery networks (IDNs) or coordinated groups of hospitals, doctors, insurers and other health care providers who offer a continuum of care under a professional managerial business structure. IDNs are the most common type of organized customer and growing in number. Banner Health (Phoenix), Henry Ford Health Systems (Detroit), Kaiser Permanente (Oakland, Calif.) and Intermountain Health (Salt Lake City) are all IDNs. Another form of organized customer are accountable care organizations, which are motivated by the Affordable Care Act (and financial incentives) to provide coordinated care to certain populations, including Medicare patients and the chronically ill. Organized customers also include integrated payer-provider networks, clinically integrated networks and distributors, including group purchasing organizations, to name a few.

Because of their size and control, organized customers are becoming increasingly influential relative to physicians. One of our clients told us about a major payer in the chronic-disease realm that removed Advair from its formulary for cost reasons, even though the drug had 70 percent market share. The power to influence critical decisions, such as which medications a doctor can prescribe, is real, and it's one reason that, in a 2015 study by The Physicians Foundation, 69 percent of the 20,000 U.S. physicians surveyed expressed concerns about clinical autonomy and the ability to make the best decisions for their patients.

**3. Every organized customer is unique.** For example, the same organized customer in Atlanta will operate very differently than the one in Seattle due to the local payer influence and the local employer demands. Making matters even more complicated, every organized customer differs in terms of where power and influence reside. When you understand one organized customer, you can't assume that you understand others. A pharmacy director might be a significant decision influencer in one system, while a clinical director or even an administrative committee might be a heavy hitter in another.

This concentration and complexity make organized customers difficult entities to comprehend.

The range of possible stakeholders inside them widens the number of potential decision-making processes that market researchers must understand. Some organized customer decision-making is more controlling and centralized, while others focus on financials and the budget.

At the end of the day, what really matters to pharmaceutical manufacturers is what drives decisions and prioritization within those customers. With that knowledge provided by marketing research, a manufacturer can package its story and messages to resonate with stakeholders and decision makers in that organized customer group.

### Pressure to change

These new health care realities will create pressure on primary researchers to change their methods. In many ways, the traditional approach won't be up for the job.

The heterogeneity of organized customers and their local markets, for example, makes conducting primary research incrementally more difficult than merely talking to individual practicing physicians and drawing insights to apply to all doctors or systems. The breadth of roles, organizations and locations represented by organized customers often leads to overly generalized observations about the industry that aren't as useful. Meanwhile, the heterogeneity causes more specific observations to be easily refutable by local market counter examples.

Market researchers must adapt to this new ecosystem and veer away from some traditional practices. In fact, we believe that primary research in health care must change in fundamental ways.

Here are some ideas on how the research environment might transform over the coming years.

**Marketing, the marketing research function's customer, will go local.** Said differently, pharmaceutical companies will move away from single national campaigns and more toward campaigns customized to local markets. It's much like TV advertising for national campaigns and separate local-market campaigns. These differ in the subtlety of their messages as well as how they buy TV time to reach the target market (that is, how they differ in the value story and the target audience). Fundamentally this will have an impact on research professionals and require them to develop

greater intimacy with specific markets and organized customers.

### **To better understand organized customers, different types of secondary data sources must be integrated and analyzed to develop key insights.**

These data types include usage volume, affiliations, customer profile data, payer/plan information and organizational structure data. Tying these together, insights professionals can peer into organizations to better understand how they make decisions as well as the prescribing behaviors and number of in-network specialists in the network – information that will give manufacturers' sales reps critical insights before they even walk through the door. Are reps visiting an account that uses and loves the product or is this account putting up barriers? Does this account have effective prescribing controls in place? Secondary data sources will help answer those questions.

**Quantitative research will no longer be as dominant a methodology.** This will be one major result of the rise of the organized customer and the decline in importance of the solo physician as an independent decision maker.

Since every organized customer functions uniquely, research will more often need to take place within an individual organized customer rather than across all organized customers. In traditional studies, researchers would talk to physicians to understand their motivations, attitudes and behaviors. Need to talk to 150 cardiologists? No problem. You'd survey 150 cardiologists. But today, with decision-making more concentrated, the universe to study shrinks considerably. If your business question depends on researching pharmacy directors who are key to formulary decisions, there might be only one or two inside each organized customer being studied – nowhere near as many physicians.

This means that attainable sample sizes will be smaller and, therefore, the idea of doing a lot of quantitative research will become less realistic. There will need to be more qualitative work to generate directional quantitative information. Primary marketing researchers will have to structure qualitative in a way that allows them to generate quantitative data that they have confidence in.

For example, we often use a conjoint

analysis to quantify and understand choice among physicians. In an organized customer setting, using conjoint analyses won't be as effective because they don't model group decision-making. It's more likely that we'll need to generate conjoint-like outputs from focus groups and individual structured conversations and employ more qualitative/quantitative techniques. While this method will never be as robust, we'll have to adapt to the working conditions and limitations as presented.

Another way of looking at this is the fact that there will just be less access to respondents. If there are a small number of institutions and a small number of stakeholders who matter within these institutions, at some point there won't be enough capacity for these individuals to do marketing research. There will need to be value beyond the honoraria to make participating in research worthwhile – or insanely high honoraria.

### **With fewer primary sources to draw upon, marketing researchers will need to replicate the health care system in a research setting using cross-functional respondent groups.**

If a researcher tries to learn how a variety of stakeholders make a decision – say, whether a product should be put on formulary – that process may have to be simulated. Like a mock jury, the researcher will assemble a pharmacy director, a medical director, a senior practicing physician and a member of the finance team to work through the decision given the range of variables considered by the organized customer's process. The researcher would engage them in discussion months before a panel considers the decision and hope to guide the identification of a strategy and tactics to influence that outcome.

**Co-creation will be more commonplace.** This is a decidedly different approach than in the past, which essentially involved rounds of blinded research, developing a solution in isolation, then retesting it with another large group of respondents. Increasingly, companies may need to co-create with their customers in group workshops and across a series of one-on-one meetings. Participants will help create answers by working together to form a consensus. Marketing research is commonly designed to help marketers develop programs to be used with

customers. Since all organized customers are unique, engaging them directly to develop relatable programs is expected to be more common. Researchers, and potentially designers, will facilitate conversations with customers and work together to shape solutions.

### Answer three vital questions

In the end, a combination of analytics, customer insights and direct engagement with organized customers will provide the most comprehensive insights and answer three vital questions:

1. Which organized customers matter most and should be prioritized? (Which are the largest? Which are most successful at controlling prescribing?)
2. What are their behaviors and processes? (How do they operate?)
3. What matters most to them? (Get inside their business philosophy and learn how they make trade-offs and prioritize.)

These new health care market dynamics are likely not that big of a stretch to envision given the environment, but are immediate realities. What about a few years down the road? Will the traditional primary marketing research model still have a place? Will it survive? We have some hypotheses about how and why research will start to evolve.

### A new kind of research

Looking to the not-too-distant future, we see the emergence of a new kind of marketing research, one with a break from time-tested approaches. Some traditional practitioners may not agree with what we have to say about this but we think the debate is worthwhile.

Both our ideas center around using field intelligence to better understand the customer – a necessity as traditional primary research becomes less feasible. Field-based research is not something pharmaceutical companies consistently do today – although, interestingly, all manufacturers have representatives in the field talking to customers. However, the primary job of these reps is to sell; they are not rewarded to collect and share customer data, learnings and observations with headquarters.

To really understand the organized customer, the model of how we capture customer information must evolve. We need more on-the-ground involvement

from field reps to collect information that's relevant for insight purposes. There must be different tools in place and new administrative or organizational structures to support this approach. Capabilities must be built to support this type of shift. Different industries have evolved this to some levels but the pharmaceutical industry has not.

Ultimately, leveraging sales reps may not be the optimal model for everyone; they are responsible for sales, after all. If the power of the organized customer continues to evolve, we see marketing research personnel, themselves, moving into the field and becoming part of a team whose mission is solely to understand the local customer. It's not about selling. They will collect insight and information and translate for those who determine high-level strategy for the brand and customer.

### More innovative

Given existing conditions and future trends in health care, primary market researchers must develop new capabilities and be more innovative in their approaches. Customer insights must rethink how to support “where to play” and “how to win” questions to help clients understand the interplay between corporate strategy and individual motivations.

Here are three of the required capabilities:

**1. Primary/secondary research integration.** This is about exhausting all secondary data and sources in the public domain to fully understand and appreciate the organized customer. Essentially, a dossier for each customer should be built that profiles them from every dimension. Existing secondary sources will only go so far before there will need to be an aspect of primary interaction to clarify aspects of decision-making and influence that can't be extracted from data sources. In some respects, you can think of this as a private investigator to understand anything and everything about a target.

**2. Ability to co-create directly with customers.** This requires a shift in mind-set for researchers, away from the lone actor doing research in a blinded, outside-in fashion to someone leading a collaboration driven toward consensus in direct conjunction with customers. Manufacturers must develop stronger

relationships with their customers to recognize value in working together directly and openly, essentially eliminating the need for traditional research. Traditional methods and techniques will still be leveraged, especially in the interest of minimizing bias. However, no longer will there be a veil of secrecy on these interactions.

**3. New modes of information capture, such as field-based capture of stakeholder motivations and influences.** With field reps and account managers on the hook to more systematically collect information on organized customers, this will be a different approach for most organizations. Field reps are not typically seen as a key source of customer insight and it will require tools, training and processes to accomplish successfully. The most sophisticated companies may deploy a dedicated, field-based customer insights team to cover organized customers and immerse themselves in understanding the decision making and influence networks within each organization.

### Somewhat unpopular

This view may be somewhat unpopular with some veteran primary research practitioners but if you look at a typical market research plan, I bet that 75 percent is allocated toward physician-centric spending, with the rest earmarked for consumers and payers. The idea of organized customers and the influence that they have in a geographic area is not a common way that most research functions think about structuring what they do but the trends outlined here will eventually influence what they do and how they do it.

It's becoming clearer that market research isn't just evolving; it's being disrupted. If we don't recognize the impact of these forces, we are at risk of misguiding our stakeholders.

The winners that will drive research forward will be organizations that are willing to evolve and adapt to the new environment, embrace alternative techniques and reorganize their operations to take advantage – rather than be a victim – of the new dynamics that are driving health care. **1**

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