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MEDICAL PRODUCTS PRACTICE

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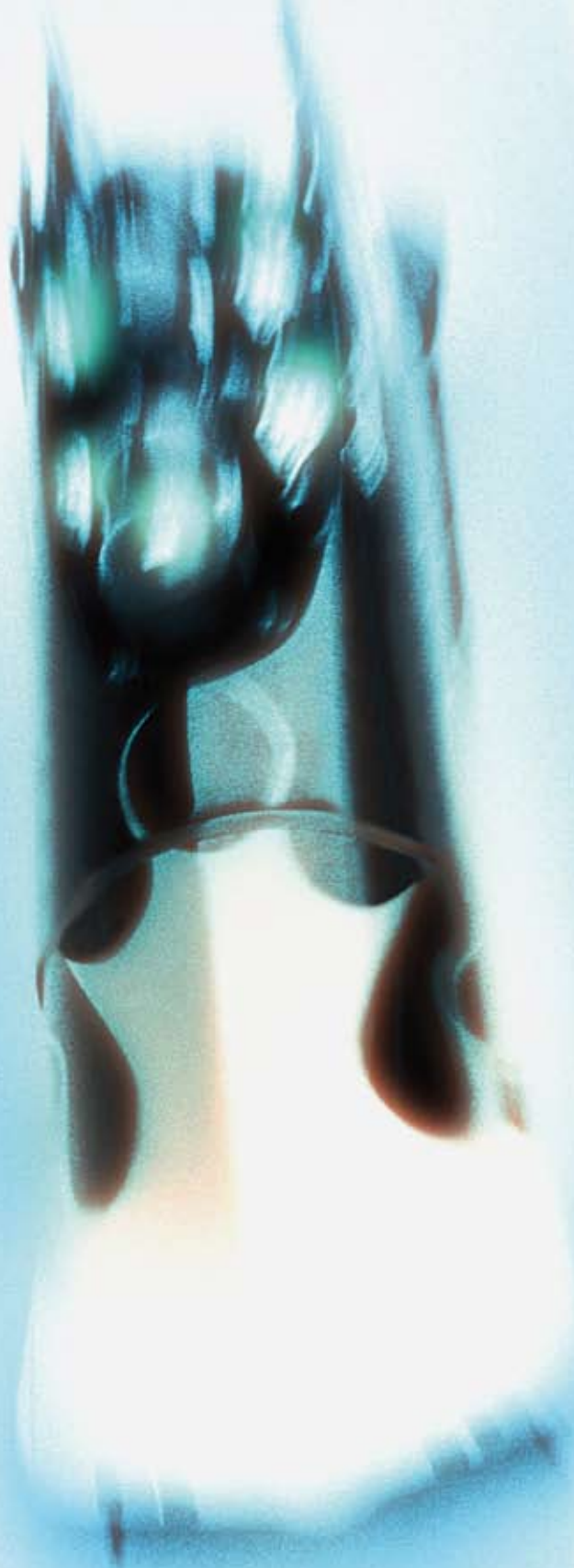


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achieving MARKETING excellence

DAVE ELZINGA
JESSICA HOPFIELD

INTRODUCTION

The challenge of getting marketing right is growing. Everyday pharmaceutical companies and medical product manufactures are being asked to do more with less. Higher sales in less time due to shortening periods of exclusivity. Better margins despite less pricing flexibility and a proliferating number of stakeholders and channels to cover. More market share with less clinical product differentiation and less access to physicians.

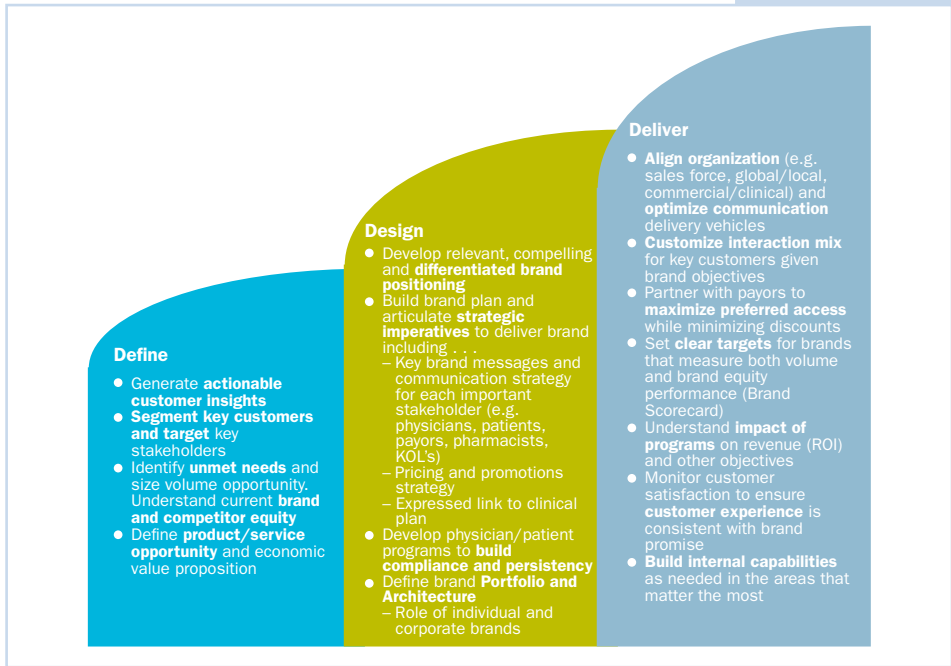
Adding to these difficulties are the organizational issues that encumber companies. It used to be the biggest coordination point was between marketing and sales. Today, the marketing and sales interface is still critical, but so is the relationship between marketing and managed care and marketing and clinical, just to name a few. In addition to these cross-functional interactions, the relationships among global, regional and local marketing groups can also impede performance if not carefully orchestrated and managed.

Not surprisingly, companies are increasingly focused on identifying and building the marketing capabilities they need to compete effectively in this new, tougher environment.

Defining Marketing Excellence

Based on our experience across industries, we've identified three core components of marketing excellence in pharmaceuticals: 1) defining the market; 2) designing the brand proposition and marketing plan; and 3) delivering the plan in the marketplace. *(Exhibit 1)*

Within each of these components there are a number of skills and capabilities necessary to deliver excellence. No one excels at all of them. The goal is to identify which capabilities have the greatest impact on your business and where you have the greatest gaps versus best practice. Typically, companies focus on building or improving the 2-3 skills they need to win in the market.



Accessing and Prioritizing Capabilities

Which set of skills depends in part on your current performance. So how do you know how your current marketing function functions? To answer this question, we combined McKinsey’s in-depth knowledge of the pharmaceutical industry with the firm’s experience working with world-class marketers to create the Insights to Action Marketing Survey (ITAMS). This survey was designed to help pharma companies better understand what marketing excellence looks like and to enable them to identify both their areas of strength and opportunities for improvement. To date, more than 900 pharmaceutical marketing professionals across seven companies worldwide have completed ITAMS.

Overall the industry does not think it is doing so well. On average, across all capabilities, only 49% of companies rated themselves as good or very good (top 2 box scores). The variability across capabilities is even more troubling. While performance on skills such as managing key opinion leaders (KOLs) and developing field plans and targeting physicians rate relatively high at 62% and 58% respectively, other foundational capabilities like generating customer insights and developing and retaining marketing talent fair much worse with top 2 box scores under 40%. It is interesting to keep in mind that similar McKinsey surveys conducted in other industries routinely generate top 2 box scores in the 75-85% range. In ITAMS, only “linking claim development to brand strategy” had a top 2 box score above 75%.

We think there is a significant opportunity to shift pharmaceutical marketing capabilities to the right, closer to best practice. Organizations that succeed at this transformation will be well positioned to meet the increasing marketplace challenges. The articles in this compendium describe some of the initiatives leading pharmaceutical players are taking to bolster their marketing performance.



Opportunity Areas

Defining the Market

Defining the market is arguably the most important component of marketing excellence given the insights generated at this stage inform and shape the rest of the marketing activities. It is also the area into which ITAMS participants felt they were the weakest. Defining the market encompasses such critical activities as generating insights into unmet needs and product opportunities, segmenting the market and prioritizing customers, and assessing brand and competitor equities.

Within this bundle of capabilities, generating fact-based insights clearly offers the greatest opportunity for improvement. Only 36% of companies thought they were doing a good or very good job developing insights on physicians. That number plunges to 22% and 18% when thinking about patients and payors respectively. Throughout the world, payors and patients are playing a more active role making these insights increasingly valuable.

The article entitled “Customer Insight: Crucial to Growth in Competitive Markets” explores how leading pharmacos are rethinking their approach to customer insights. By adopting a customer-centric philosophy, setting clear priorities among customer groups, ensuring they have talented marketers and market researchers working in partnership and using the best available tools and techniques, companies are able to generate the insights necessary to fuel real growth.



Designing the Brand Proposition

Despite a dearth of underlying insights, designing the brand proposition was an area where pharmacos believed they performed relatively well. Designing the brand focuses on the steps required to create a differentiated brand positioning and translate that positioning into a complete brand plan including messaging, key opinion leader (KOL) strategy, links to clinical (phase IV programs) and physician/patient programs.

Developing brand plans, defining brand/portfolio objectives, and understanding drivers of performance all scored in the 50-60% range. (While low for other industries 50-60% is high for the ITAMS sample.) Only two skills fell under the 50% top 2 box score threshold: understanding brand attributes (47%) and establishing global vs. local positioning (45%).

Not everyone in the organization agreed that designing the brand proposition was an area of strength. Comparing the sales function responses to those of participants in the marketing group revealed clear discrepancies particularly on the topics of understanding the drivers of performance and developing the brand plan with marketing assessing the skills 10-15% points higher than sales.

“Building a Differentiated Brand Positioning” discusses how companies can build global and local positioning strategies based on the brand attributes that drive performance.

Delivering the Brand

Delivering the brand is where the rubber hits the road. Aligning the organization to deliver the plan, putting in place targets and metrics to track performance, developing the necessary skills and talent all come into play in the deliver phase. On balance, ITAMS participants rated themselves favorably on many of the deliver capabilities with a few notable exceptions.

Confidence ran particularly high around such activities as ensuring the consistency of messages across interactions (71%) and developing cross-functional KOL plans (70%). At the other end of the spectrum, very few participants felt they did a good job running experiments to understand return on investment, testing concepts, or understanding customers use of media (37% , 35%, 25% top 2 box scores respectively). The results highlight a general lack of experimentation and learning both in the marketing processes and culture.

In “Optimizing Spend: Changing the ROI Game”, the authors share an innovative approach to assessing return on marketing investments that factors in the impact of quality, a dimension often overlooked in traditional models. The article also illustrates the role pilot programs can play in isolating event impact.

One of the other “deliver” areas where pharmaceutical companies felt there was opportunity for improvement was around attracting and retaining top marketing talent. Only one-third of respondents felt their organization did a good to very good job attracting talent, establishing a pipeline of talent or bringing in marketing talent from outside. Both the lack of a well defined career path (27%) and a dearth of inspirational role models within the marketing function (32%) complicate this quest for talent.

The article “Building Marketing Excellence Capabilities” describes a transformational approach that has delivered significant gains in marketing performance. While the primary objective of these efforts has been to enhance internal skills, expanding capabilities has also had a positive impact on job satisfaction and sense of career progression.

CONCLUSION

While this compendium does not attempt to cover all of the capabilities associated with marketing excellence, it does highlight a few that we think are particularly important and provides tangible examples of how companies are addressing some of the industry’s most pressing issues. We hope that you find it to be informative and a useful resource on your journey towards marketing excellence.

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customer

INSIGHT

crucial to growth in competitive markets

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INTRODUCTION

Superior customer insight is a key success factor for pharmaceutical companies, to identify and leverage growth opportunities and to defend against market share erosion as access to markets becomes more restricted and competitive intensity increases.

Excellence in customer insight requires companies to adopt a customer-centric philosophy, set clear priorities among customer groups, and ensure they have talented marketers and market researchers working in partnership and using the best available tools and techniques for generating insights.

WHAT DO WE MEAN BY CUSTOMER INSIGHT?

Customer insight is the discovery of something fundamental about a customer's needs, which marketing strategies and tactics can address to create customer value and competitive advantage. An insight should:

- Be anchored in a broad and deep understanding of the market – the disease, customers, competitors, and the broader healthcare environment
- Go beyond facts to explain the “why” behind the “who and what” of customer behavior
- Bring a new understanding to bear on issues and challenge existing beliefs to reveal new ideas/territories to exploit, linking insights to the economics of the organization
- Be forward looking, built on connecting multiple, innovative sources of information
- Be relevant and lead to action; otherwise, it is not insight, just information.

GETTING IT RIGHT CREATES GROWTH

Moving beyond common beliefs about customers can be a powerful source of profitable growth. In the highly competitive Consumer Packaged Goods (CPG) arena, the importance of insights in keeping pace with competitors and creating competitive differentiation has been heard and accepted. High-performing CPG¹ companies believe insights to be fundamental to their success. In a recent survey, 100 percent of CPG high performers agreed with the statement, “Insights are the foundation of the culture, working approach, and go-to-market strategy of the organization”.² In interviews we conducted with 40 Chief Marketing Officers (CMOs) around the globe, capturing and leveraging actionable customer insights was the second most frequently cited challenge for successful marketing, behind driving higher marketing return on investment.

IN THE PHARMACEUTICAL CONTEXT, INSIGHT MAY BE EVEN MORE IMPORTANT

We believe that in the pharmaceutical environment the need for customer insight is an even more pressing issue. The market context is inherently more complex than CPG, requiring insight into the multiple perspectives of multiple customers, including primary and specialist physicians, key opinion leaders, legislators, payors, pharmacists, patients and in some contexts, caregivers.

From this already complex starting point, physicians' control over the brand choice is being reduced. At one end of the value chain, payors and providers are increasingly exerting influence over the treatment choices and therapies available to physicians. At the other end, “activist patients” are emerging in many markets, exerting influence on the treatment they receive. For example, in a study we conducted with consumers in Germany, U.K., and Italy in 2001, 26 percent claimed to request a specific treatment, compared with 21 percent five years before, an increase of 24 percent.³



In the U.S., investigations into the impact of direct to consumer (DTC) advertising have demonstrated the impact of increased patient awareness and direct brand requests on prescribing behavior. Kravitz et al demonstrated the influence of patient requests on physician behavior in the antidepressant market.⁴ Ninety percent of patients who had made a specific brand request were likely to be offered further treatment or a script, compared to only 56 percent of those making no request. In Europe, where pharmaceutical DTC does not currently exist, increasing patient power is also evident. For example, in the U.K. the growing calls for Herceptin for breast cancer patients has been largely led by patients and the media. Thus, the patient – while not always the primary decision maker – is not a trivial part of brand decision.

In parallel with this erosion of the physician's traditional sphere of decision making, the tools available to pharmaceutical companies to influence that decision are being constrained. For example, sales reps are still the dominant tool used by pharmaceutical companies, and they now operate under far tighter controls than ever before. As the sales and marketing teams' freedom to maneuver decreases, their efficacy must increase, something that can only be achieved by underpinning activity with superior insights.

Pharmaceutical companies are becoming aware of the need to build their customer insight capabilities. For example, Sanofi Aventis has publicly stated its belief in the importance of understanding customers as a key driver of its marketing efforts in the future:

“(Lack of customer understanding is) a threat to our revenues and to our health. We need to understand customer value and do it better than our competition”

– Corinne Le Goof, VP CNS Marketing, Sanofi Aventis⁵

Some pharmaceutical companies are already developing capabilities to understand this complex set of stakeholders and influencers, and successfully leveraging it to business advantage. Cialis was launched in Europe in February 2003, behind Viagra (August 1998) and slightly ahead of Levitra (August 2003). It gained FDA approval in November of 2003. Cialis had a slower onset of action than its competitors (45 minutes versus about 30 minutes), but also had a longer half life, which physicians viewed as a disadvantage because the medication stayed in patients' systems longer. In the course of their research to discover how best to position Cialis, Lilly discovered a key insight – erectile dysfunction is not just about male performance, it is about couples and their intimacy.² Couples want the freedom to choose when they get intimate; they do not want to be forced into a time slot. Cialis translated this insight into the big idea of “spontaneity” and freedom to choose the right time, which is now deeply embedded in the brand strategy and positioning.

With this positioning, Lilly accomplished two important goals: 1) it effectively differentiated Cialis from Viagra and Levitra, both of which had been positioned as solutions to male performance problems, and 2) it turned the perceived disadvantage of a longer half life into a benefit that both patients and physicians value.

As a result of this positioning, Cialis became the best-performing erectile dysfunction brand in 2003 and 2004, with 25 to 35 percent market share, and the top position in new prescriptions³. The positioning continues to be used in advertising and media today; contrasting with the approach Viagra and Levitra continue to take – much more focused on the male and his sexual performance.

WHAT DOES IT TAKE TO ACHIEVE EXCELLENCE IN CUSTOMER INSIGHT?

To generate and capture the value of superior customer insight, an organization must:

- Have the right *philosophy* about the importance of insight and customers
- Be focused on the right *priority* customers
- Have the right *people* to generate and leverage superior insight
- Have the right *processes* in place to generate and leverage insights.

Philosophy

A corporate philosophy that is truly customer-centric is critical. Nothing shows senior management commitment to this philosophy more effectively than public statements of the importance of in-depth customer understanding for business decision making and planning.

“I encourage marketers to invest a great deal of time observing consumers. A few years ago, we spent four hours a month with consumers. It’s at least triple that now.”

– J. Stengel, CMO Procter & Gamble⁶

Public statements are essential, but rarely sufficient to generate change. Hardwiring the need for insights into the organization's decision making DNA creates pull from decision makers for insight. Increasingly, manufacturers are following the lead of best-in-class packaged goods players and mandating the need for customer insights in key business decisions.

“All development activities within the group are now based on research into how consumers think, feel, and behave when they use our products, as well as which problems they experience.”⁷

– Hans Stråberg, President and CEO of the Electrolux Group

A minority of organizations have taken a structural approach to embedding a customer-centric philosophy. For example, Procter & Gamble (P&G) installs specialists from its Consumer and Shopper Insights department on its brand teams. More commonly, companies employ a mixture of conducting formal training on insights for broader marketing teams and mandating insights for key marketing processes, such as the annual planning cycle or new product development program, which establishes the right corporate mindset. Embedding the customer-centric philosophy can be as simple as having senior managers consistently ask, “What is the insight (rather than the belief) on which this recommendation is based?” and agreeing only to recommendations based on insights.

Priorities

Setting customer priorities is critical to ensuring that marketing and sales activities are efficient and effective. Because of the complexity of the pharmaceutical environment, it is important to make clear and explicit decisions about how resources of both time and money will be allocated across physicians, KOLs, legislators, payors, pharmacists, patients, and caregivers. For most prescription drugs, the primary customers will be the physicians – they ultimately make the choice of which therapy to use, so it is critical to understand their needs and correctly position the brand to meet those needs. However, in some therapy areas it may be important to understand the needs of the patients and how they are manifested to the physician. For example, in a recent client study we found that a key barrier to the adoption of a new type of therapy was the deep emotional attachment patients had to their existing therapy, a bond that would need to be addressed if their behavior was to be modified in any meaningful way.

The importance of other stakeholder groups, and therefore the deployment of resources against them, will depend on the therapeutic area and the life stage of the drug. Setting and frequently reviewing customer priorities is a key step in the planning process, as the type of insight needed varies considerably across customer groups. Even within a customer group like physicians, priorities must be set. Historically pharmaceutical companies, as other industries in the early stages of their development, tried to do business with all physicians; targeting only a subset of the physician base was perceived as giving up too much volume. However, it is now well established that physicians, like customers in other markets, are not created equal:

- Physicians differ in what they need from therapies and what motivates them to prescribe
- A brand cannot meet the needs of all physicians, and trying to do so results in “plain vanilla” brand propositions that do not do a good job of meeting anyone’s needs.

It is thus important for companies to focus their marketing and sales efforts on highest priority customer segments, building higher brand loyalty through better addressing their needs. Segmentation creates a clear, customer-centric view of the marketplace that enables these core customers and their needs to be identified.



People

Investing in the right people for generating insights is challenging but essential. Success in this context is often defined as a “T-shaped” skill set: a deep area of specialization coupled with broad business skills to create connections across the business. Specifically, a company needs people with the traditional researcher’s core competence of data analysis, underpinned by a natural curiosity or problem-solving mentality, and interpretation skills for taking business imperatives into account. Typically this requires capability in three areas:

- Developing a picture of the customer’s world based on hard and soft data streams – for example sales data, qualitative insight on the consideration process, and sales force feedback on customer comments
- Balancing that in-depth view of the customer and the big picture of the business challenges, to create actionability
- Communicating the insights effectively, in a motivating, even inspiring way – taking data from disparate sources and weaving narratives to convey insights and ultimately influence decision outcomes.⁸

Even if you have the right research talent in place, it is critical that the marketers and market researchers work closely together. In too many organizations, insight generation is off-loaded to the market researchers, who generate insights in virtual isolation. It is not surprising, then, that the results often fall short of what is actually needed to drive business decisions. Success requires a true partnership to ensure that the research clearly addresses the key business questions and that the insights are leveraged appropriately by marketers into ongoing activities.

Processes

Leveraging innovative techniques, using the best market research tools and analyses to understand customer behavior in the right context, is key to creating competitive advantage. The pharmaceutical industry remains heavily reliant on traditional research techniques and has been slow to follow the example of other industries in employing innovative techniques to generate deep insights. For example, pharmaceutical companies have lagged far behind CPG companies in adopting needs-based segmentation. Indeed, many pharmaceutical brands are still using behavioral segments (decile-based) to guide all their marketing and sales activities. CPG companies are now relying less on traditional qualitative research methodologies such as focus groups and more on ethnographic-based approaches to understand latent needs in more detail. While there is some evidence that pharmaceutical companies are also finding a role for these newer approaches with patients and physicians, this is by no means systematic or widespread.

Finally, mandating the need for insights in some key decisions creates demand for insights within an organization, and as such is an effective agent of change. In CPG companies, insights are frequently part of the innovation stage gate process and brand planning process. This forcing mechanism has had the net effect that once people have had to reach out for insights they have appreciated the increased clarity they have provided for decision making.

WHAT DOES EXCELLENCE LOOK LIKE?

Novartis' Lamisil, an oral treatment for nail fungus infections, launched in 1997 with a cosmetic focus. Sales stagnated after one year in the market. Novartis, which had invested heavily in building its internal technical research capabilities, engaged in extensive research with patients and physicians to identify their priority customers and the needs of that group. As Novartis has widely disclosed, they identified four insights that helped to explain the stagnation in sales and provided a platform for re-launch:

- Physicians did not feel cosmetic problems justified six months of systemic medication
- Fungal nail infections were not considered a "disease" by physicians or patients
- There was a high degree of under-treatment due to under-diagnosis, in turn linked to patients' poor recognition of symptoms and consequences
- People with fungal nail infections did not make special physician appointments.

Based on these insights, Novartis developed a disease-awareness campaign to create strong patient pull with dramatic new imagery and messaging. The product was re-launched in March 2003 with a medical focus, using the "Digger the Dermophyte" campaign, repositioning the brand as a treatment for people suffering from a serious fungal infection. Messaging emphasized the need for systemic medication by explaining that topical solutions cannot penetrate to the source of infection deep in the nail bed. Novartis maintained strong presence in physician and pharmacist channels to communicate a consistent image from patient's self-diagnosis to actual prescription. Total sales of the product in the U.S. increased by 23 percent in 2004.⁹



CONCLUSION

In today's market, superior customer insights play a crucial role in providing direction for business development. Customer insight teams therefore have a tremendous opportunity to shape the future of their companies. Real success needs to be supported by the right philosophy, clearly defined priorities, and the right people using the best processes.

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¹ "High performers" are defined as having achieved growth above category norms

² 2006 McKinsey CPG Marketing Survey of CMOs, division GMs/most senior marketer, brand managers, and heads of innovation/R&D

³ 1,500 telephone interviews evenly distributed in Germany, U.K., and Italy conducted in March 2001; McKinsey analysis

⁴ Kravitz, R. L., Epstein R. M., Feldman, N. D., Franz, C. E., Azari, R., Wilkes, M. S., Hinton, L., Franks, P., "Influence of Patients' Requests for Direct-to-Consumer Advertised Antidepressants," *Journal of the American Medical Association*, April 27, 2005

⁵ *Medical Marketing and Media*, December 2006

⁶ P&G 2001 Annual Report

⁷ Report by the President and CEO, Electrolux 2004 Annual Report

⁸ The development of these skills is currently being addressed by the ESOMAR Developing Talent Initiative

⁹ Figures from Evaluatepharma.com, company reports



building a differentiated **brand** POSITIONING

DAVE ELZINGA
LIZ RODGERS

INTRODUCTION

As product categories become more crowded and marketing budgets come under greater scrutiny, many marketers are rethinking their approach to brand positioning. The traditional focus on functional benefits is no longer sufficient. Creating a compelling, relevant, and differentiated brand positioning can often mean the difference between blockbuster and blasé market performance.

Take the proton pump inhibitor category as an example. In a category with arguably little product differentiation, Nexium and Protonix have grown share while others like AcipHex and Prevacid remain flat. Nexium targeted physicians and patients with an emotional message focused on healing; Protonix targeted payors with attractive contracts and rebates. With Nexium and Protonix clearly staking out territory in the premium and value ends of the market respectively, AcipHex¹ and Prevacid were left to battle over a disappearing middle.

The question is, then, how does a company build a Nexium rather than an AcipHex? In our experience, building a powerful, differentiated brand positioning requires marketers to answer three core questions:

- How do you **define the market** in a way that helps you identify who you are targeting (i.e., which physicians) and what their frame of reference is (i.e., for which patients do they feel your product is most appropriate and what other products are competing for that space)?
- How should you **design the brand proposition** so that it clearly communicates to physicians your point of difference relative to others? How do you ensure that the point of difference you are talking about is both relevant and compelling to your target?
- How do you align the organization to **deliver the brand positioning** you desire to your target segments?

¹ www.aciphex.com

Our definition of positioning incorporates deep insight into customer needs, a clearly defined target, an understanding of the appropriate frame of reference, and a distinct point of differentiation. These elements are reflected in a succinct description that captures the benefits the brand delivers (including both functional and emotional components), the supporting “facts” that provide a reason for customers to believe that the brand is capable of delivering the benefit and the identity of the brand that supports the desired emotional connection with the customer.

DEFINING THE MARKET

Segmentation is at the core of defining the market. We believe that needs-based segmentation is the most insightful approach for building powerful brands. Demographic and behavioral (e.g., prescriptions written) segmentations do an excellent job of telling you who is doing what, but they don’t explain why. A needs-based approach also explains more of the variance in brand perceptions and behaviors than traditional demographic cuts (*Exhibit 1*) leading to more distinct segments. Understanding the reasons behind the behaviors is critical to motivating brand loyalty over time.

Within needs-based segmentation, there are several ways we can look at the market: by customer (physician or patient) attitudes, by situation or patient types, or by a combination of both attitudes and situations (*Exhibit 2*). An attitudinal approach groups physicians by their beliefs and values about themselves as prescribers, their patients, and the specific therapeutic area. How knowledgeable they are about a therapeutic area, how cost-conscious they are, how involved they are with their patient’s care, etc., all factor into an attitudinal segmentation and can often explain the brand and treatment choices physicians make. Ultimately, the objective is to figure out whom you are building the brand for and what patient types are most appropriate for your product in the eyes of physicians.

exhibit 1

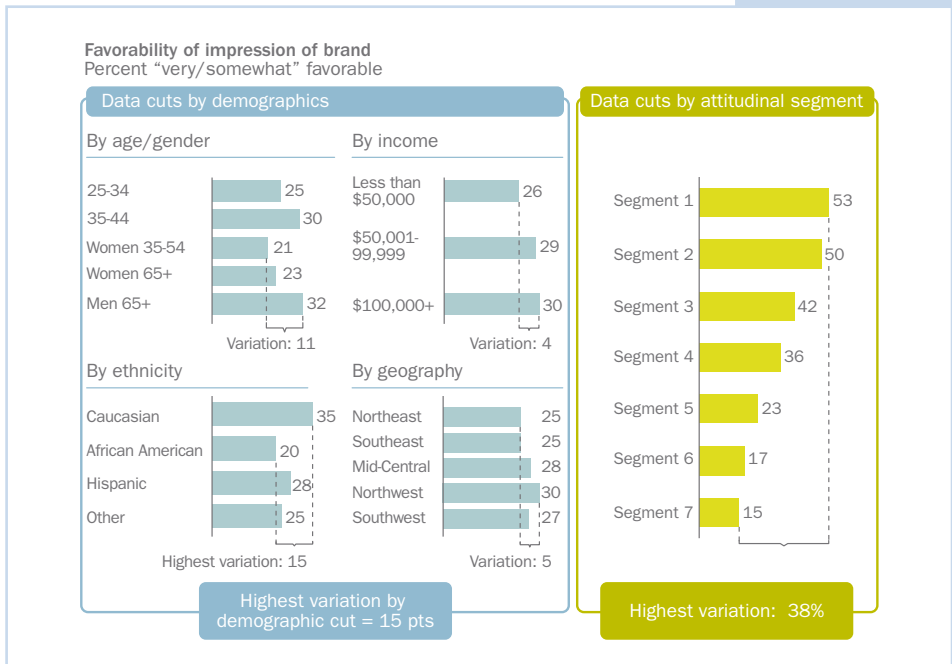
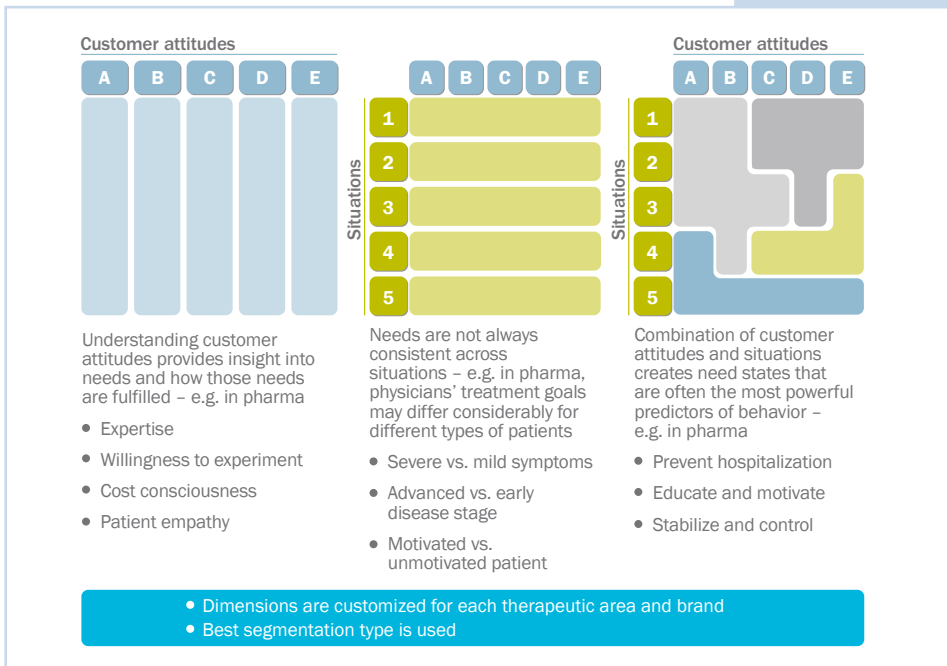


exhibit 2



With the segments defined, the next step is to select a target. In an environment of proliferating stakeholders, we are often asked who the target should be and whether or not multiple stakeholders require multiple positionings. While brands can have different targets for communication and marketing activities, positioning requires selecting a primary target. In addition to economics and volumetrics, there are several factors to consider when deciding who the target should be including the stage in the brand’s lifecycle, level of product differentiation, role of patient vs. physician in treatment and the level of complexity/risk associated with the product and therapeutic area.

Implementing a segmentation strategy often ignites heated debates between sales and marketing functions. Marketing favors a needs-based approach that yields more insight, but results in segments that are more challenging to identify in the market place. The sales team, which is tasked with finding these targets and delivering the messages, places greater emphasis on the ease of identification that a demographic or behavioral approach yields. The solution is to be very clear on why you are segmenting so you can have a sophisticated answer where it helps (e.g. message development) and greater simplicity where it is critical (e.g. message delivery). While needs-state segmentation may point to several potential target customers, it is critical to implement based on sales force capabilities. For most, a single message approach is best. For companies with more sophisticated sales forces, multiple messages may provide incremental impact if executed effectively as they better meet customer needs.

DESIGNING THE BRAND PROPOSITION

Once it is clear which target segment you are developing the brand for, the next challenge is to determine what they want and what you can deliver. Understanding brand equity is key to identifying which attributes and characteristics of your product will prompt brand choice and inspire loyalty. We use two core frameworks to assess brand equity: the **brand equity diamond** which helps you ascertain what people are saying about your brand and the **asset-liabilities matrix** which identifies those attributes and associations that really matter.

The Brand Equity Diamond

The *brand equity diamond* (Exhibit 3) is used to dimensionalize brands. It is a holistic approach that incorporates both brand benefits (what the brand offers) and brand identity (who the brand is). Both are critical to develop as you build your brand in the marketplace. The left side of the diamond displays brand benefits, which are both rational and emotional. The right side displays brand identity, which includes both what you do in the market (lower right) and the reputation you build (upper right). At launch, marketers are primarily working on the bottom part of the diamond (rational, functional benefits, and presence), which are the tangible dimensions you can control. Ultimately, the goal is to build the intangible dimensions on the brand, since these are the things you can own over time.

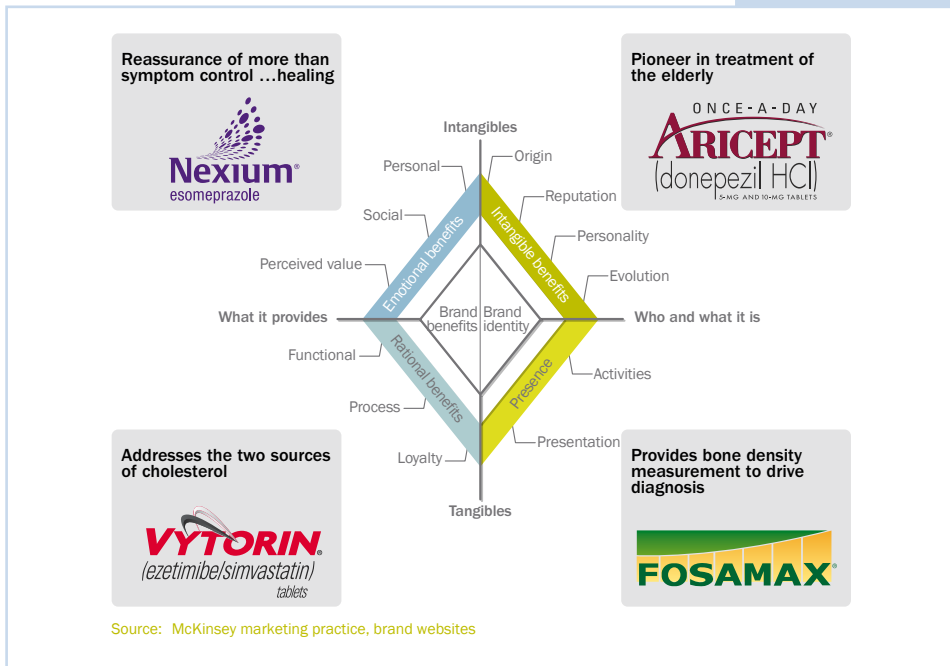
exhibit 3



Brands can leverage any quadrant of the brand diamond to differentiate themselves (Exhibit 4). Aricept is a good example of a product that has effectively positioned itself in the minds of both physicians and caregivers as the best thing you can do for an elderly person. Aricept has focused on activities like patient education that help create their reputation as a leader in the category. In contrast, Ortho-Evra has focused on the emotional dimension of the brand diamond. Rather than focus on the product's functional benefits, Ortho-Evra positioned itself to both physicians and patients as the brand that delivers peace of mind ("take birth control off your mind").

Asset-liabilities Matrix

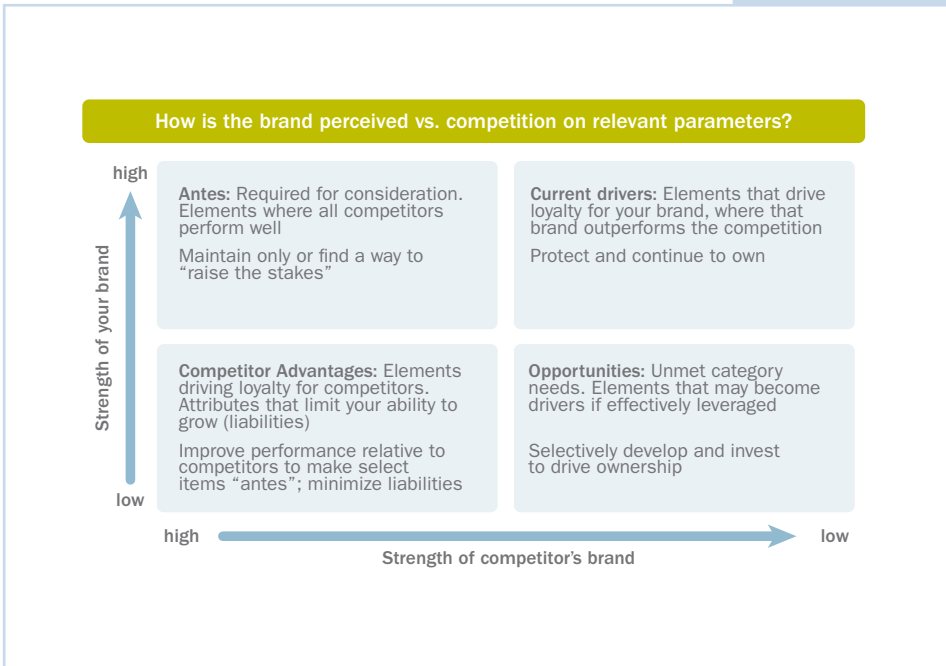
The second framework we use is the *asset-liabilities matrix* (Exhibit 5, page 23). This tool helps identify which benefits are differentiating for you and competitors. If a benefit is currently well delivered by both you and your competitors, it is an ante, or an expectation of a company in this space. Antes should be maintained, since they are necessary for consideration, or redefined in such way that "raises the stakes" but they are not the focus of the brand proposition. If it is a benefit that you are strong on and others are not, it is a driver of brand choice for you. Drivers are benefits that you should protect and continue to own. Benefits that are important but are not strongly associated with any brand are considered opportunities. These are unmet category needs that should be selectively developed and invested in to establish ownership.



pressure your testing positioning

A good brand positioning specifies a clear target, defines what the product is and does, and provides a distinctive reason to believe the benefit is true. Beyond this, you should consider the following questions:

- Is it relevant to target customers? Will customers care? Could you have a conversation with the customer on the subject that they would find interesting?
- Is it credible for the brand? Would a customer agree that the brand can say this today or be able to gather the proof to say it in the future?
- Is it distinctive from competitors? A customer must not be able to replace your brand name with a competitor's in the statement and find it equally true.
- Does it leverage brand strengths and address weaknesses (e.g., side effect)?
- Does it provides clear direction for all brand-related activities including communications, sales force activities, product development, and pricing?
- Is the positioning aspirational enough that it will take 3 to 5 years to fully achieve and enable the brand to achieve its growth objectives?
- Is it consistent with the organization's core competencies and can it be effectively executed?



Last, the matrix allows you to capture competitive advantages. These are elements that are driving the brand choice of competitors and may be brand liabilities for you (i.e., are reasons why customers would avoid a brand). These are attributes where you need to improve performance relative to competition to make select items ‘antes’ if at all possible. Constructing the asset-liabilities matrix for multiple brands in the category provides insight into competitive strengths and weaknesses and may suggest how competitors might expand or migrate their brand over time (e.g. opportunities).

Brand equity is not static. Over time a brand’s equity changes due to changes in the marketplace (e.g., new entrants, changes in treatment protocols) and the actions taken by the brand team. Both the brand diamond and the asset-liabilities matrix are powerful tools for tracking those changes and measuring the impact your marketing efforts are having on shaping your brand’s equity.

The approach we use to develop differentiated brand positionings has been successfully applied across industries as well as across therapeutic areas within pharmaceuticals. In addition to creating a strong, enduring brand positioning, this process ensures marketers avoid several of the most common positioning pitfalls:

- **Selling the antes:** Often marketers chose to focus on functional product attributes that are important to the category, true of their product, but not differentiating versus competition. We call these attributes “antes.” These are the qualities and characteristics patients and physicians expect of any product in their consideration set. They are necessary, but not sufficient to drive brand choice. AcipHex provides a good example of a product whose positioning focuses on selling the antes. The key benefits – “managing the effects of acid reflux disease” and “helps keep the burn out of your esophagus” is very functional and could be applied to any proton pump inhibitor. If you can put any brand name in to your product’s positioning statement and have it still be true, you are selling antes.

- **Failing to refresh:** Over time, differentiated brand benefits can become category antes, as competitors expand their indications and new players enter the market. Brands need to regularly track how their core attributes (functional and emotional) resonate in the marketplace so they can migrate their positioning as needed. For example, when Johnson & Johnson (J&J) recently purchased the over the counter (OTC) rights to the allergy medication, Zyrtec, they recognized that the brand's "indoor/outdoor" positioning was no longer as unique as it once was. J&J has since evolved the positioning to focus on the product's speed of action – a more differentiating benefit. In addition, the "works two hours faster" claim links to the powerful emotional value of getting time back for yourself.
- **Letting competitors do your work for you:** In highly competitive markets, unsuspecting marketers may find that the competition has defined their brand for them. By using your brand as a foil, others can position your product unfavorably or just too narrowly. For example, Apple Computer's current advertising campaign – "See all the reasons why you'll love a Mac" – portrays PCs as geeky, outdated and unwieldy compared to the smooth, stylish, fully integrated Apple.

DELIVERING THE BRAND POSITIONING

With the target defined and the product benefits designed, the final step in developing a differentiated brand positioning focuses on bringing the positioning to life. How do you align the organization so that all elements of the commercial mix support and reinforce the ideal positioning concept for your target customer? Successfully executing a brand positioning requires the full commitment and drive of the entire organization. Without a shared understanding of what the brand could be and the underlying insights, execution falls off and by the following year marketers are conceiving a new and equally brilliant positioning, wondering again where last year's approach went wrong.

Companies that have been successful in executing their brand positioning have several things in common which ensure a high level of organizational commitment to the strategy. There are three key steps to driving brand positioning through to the front line: aligning the organization, balancing global and local positioning, and measuring, tracking and adjusting.

Aligning the Organization: For a brand positioning to be embraced and executed, it must be intricately linked to overall performance, and should be one of the performance indicators used to evaluate the overall state of the organization. Varying degrees of organizational change may make sense, from simply rethinking reports and incentives, to broader based changes to the organizational design. Each situation is likely to be different, and requires managers to think about exactly what elements of the organization are most critical to align in support of the end goal.

Balancing Local and Global Positioning: A healthy tension exists between global and local or regional marketers as they struggle to find the right balance between global consistency and local tailoring. One brand positioning is often not appropriate for all markets due to differences in physician education, diagnostic techniques, cultural norms, etc. On the other hand, having multiple brand messages is both confusing for an increasingly mobile audience and more costly (e.g. no efficiencies in materials, training, etc.). To resolve this issue, companies must decide which elements of their brand positioning (both benefits and brand identity) are core and cannot be altered across markets and which can be changed to reflect the specific market conditions.

fine points of positioning

Q. Does it ever make sense to have more than one positioning for a Brand?

- Across markets?
- Across indications?
- Across customer types (HCP, Consumer)?

A. A brand should have **one** positioning:

Markets: Markets may differ in how that positioning is communicated, but the positioning should be the same across markets to prevent customer confusion. A brand may be more developed in some markets than in others, which affects what is communicated to customers and how/when it is communicated, but the positioning that all markets aspire to achieve (the positioning journey) should be the same.

Indications: A brand may span indications (e.g., asthma and COPD, or schizophrenia and bipolar disorder), but the positioning should not differ by indication – it should be broad enough to encompass both indications. Different elements may be emphasized to support the positioning for different indications, but the overarching positioning should be the same. For example, if the positioning promises that the brand “helps you maximize your patients’ progress,” this may mean maintaining productive work and family relationships for a bipolar patient, whereas for a schizophrenia patient, progress may mean reducing hospitalizations – thus, the reasons to believe the promise may differ by indication, but the positioning does not. If the new indication is extremely unrelated to the current indication, a new brand name should be considered (e.g., Zyban for smoking cessation vs. Wellbutrin for depression).

Customer types: A brand’s positioning should be consistent for both healthcare providers and consumers, since a brand cannot effectively stand for two different things. The articulation of the positioning (messaging) and the reasons to believe may differ for providers and consumers, but they should not be in conflict with each other.

Q. What signals indicate it is time to change (or at least examine) brand positioning?

A. A brand positioning generally has a shelf life of three to five years. By that time, changes in the marketplace have reduced the effectiveness of the current positioning – for example, competitors have entered or left the market, brands have gone generic, activities by you and your competitors have changed the way physicians view the competitive landscape, etc. In very mature categories, where change occurs slowly, a positioning may be effective somewhat longer than five years. In newer categories, changes may occur rapidly and the positioning may need to be refreshed more frequently than every three years.

Events that may trigger a reworking of the positioning include:

- New indication
- Entry of a new competitor (branded and generic)
- Treatment advances that prompt physicians to change the way they think about the disease/condition and/or their treatment approach
- Physician or patient feedback that suggests lack of differentiation
- Internal confusion about the future direction of a brand (across geographies or functions)
- Inconsistent activities that are sending conflicting messages to target customers
- Inability of all associated with a brand to state main reasons why the target should choose the brand.

Measuring, Tracking and Adjusting: As the McKinsey “Insights to Actions” marketing survey highlights, pharmaceutical companies rate themselves poorly on their ability to measure impact. Yet measuring impact is critical to assessing how well an organization is delivering the brand positioning. In addition to tracking brand performance, marketers must monitor brand identity to see how their tangible actions are influencing the brand’s intangible benefits and associations. Tracking these intangible attributes can serve as a powerful early indicator of when a brand needs to update or migrate its positioning.

CONCLUSION

Building a differentiated brand positioning is a cornerstone of success in today’s increasingly competitive marketplace. Doing so requires a clear definition of the target for whom you are building the brand and the bundle of benefits that will drive their brand choice. With these questions answered, marketers can focus their limited resources on delivering the functional and emotional attributes that engender customer loyalty.

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optimizing

SPEND
changing the ROI game

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JESSICA HOPFIELD

INTRODUCTION

Return on investment, or ROI, on brand-related activities is the holy grail for many pharmaceutical company commercial executives. They are not alone. When we asked 300 chief marketing officers across major industries, optimizing brand related spend was their second most important issue (the first being driving brand growth). Increasing cost pressure, payor and regulator demands for reduced sales and marketing spend, and regulatory scrutiny of in-field activities has only intensified the need to increase effectiveness of commercial spend. However, traditional measures of ROI are proving to be insufficient in this evolving environment. They are limited by an inability of the output to aid comparison across various spend options, and even more by the inability to use these measures for non-promotional or educational spend. In addition, these measures don't target newer stakeholders like regulators and payors. As the relative importance of non-promotional spend items and newer stakeholders increases, ROI measures become increasingly insufficient. Finally, the significant effort needed to gather and analyze ROI data bogs down organizations and provides a false sense of rigor and precision, while being unable to aid real trade-offs for optimizing spend.



In this article, we argue that a business-focused and analytically robust approach to optimizing spend need not be an obscure black box. To explain the approach pharmaceutical executives should consider for optimizing their brand spend, we make the following four assertions:

1. ROI in itself is ineffective and often immeasurable for assessing brand spend. Instead, Quality (Q), defined as the ability of an interaction to help meet the brand's objective is a significantly better way to measure the effectiveness of a physician or patient interaction.
2. Combining Q with unique reach and fully loaded costs of each interaction creates a holistic and comparable assessment – Reach-Cost-Quality (RCQ) – across interactions to help executives make more informed decisions on where to invest.
3. Pharmaceutical executives should, in a compliant manner, include all brand-related spend, not just marketing, in assessing their budgets and determining how to meet their commercial and medical goals.
4. Pharmaceutical companies have an opportunity to radically reallocate brand spend beyond the “last year, plus-or-minus” approach that paralyzes many commercial organizations.

Quality as a measure of a customer interaction

In our experience, many brand teams have used marketing spend effectiveness tools such as ROI, sales response curves, post-event surveys, and econometric regression analysis to better allocate their spend. These tools all provide good points of information but also suffer from severe constraints. The first is difficulty in measurement. ROI is often hard to measure and even when it is measured, each customer interaction often has a different investment horizon. Other measurements, such as post-event surveys are typically only able to provide a general 'good or bad' qualitative feeling about the effectiveness of the interaction. The second constraint involves inter-comparability. Because each measure is different, it is impossible for executives to make a trade-off across various customer interactions. Finally and most importantly, these tools do not actively take into account brand strategy and objectives. Given that the customer interactions are vehicles for delivering the brand strategy, this separation of strategy and execution often renders many of the analyses, such as ROI or regression analyses, interesting but meaningless for future spend decisions.

We suggest pharmaceutical executives look at effectiveness or impact of an interaction through a different lens: that of quality or Q, defined as the ability of a customer interaction or spend item to meet the set objective. Another way to define Q is through this question: How well does this approach (or customer interaction) support the defined brand objective compared to all other options? For example, will a targeted brand symposium generate greater interest than a local meeting? Will a sales rep detail be more effective than a discussion about the brand with peers?

Quality of each interaction is measured on three specific inter-related dimensions: engagement, attitude and behavior. Engagement quality is the ability of a customer interaction to interest or engage the customer. For example, if a customer is in a meeting where brand related messages are being communicated, is the customer really listening? Attitudinal Q goes the next step. It is the ability of an interaction to change the customer's attitude or perceptions towards a desired objective. Behavioral quality is the final step, in which exposure to the interaction influences the customer to act differently.

We often find marketers wanting to focus primarily on behavior changes. However, engagement and attitudinal changes are often more predictive and important. For example, if there is low engagement, the likelihood of behavioral change is very low. Also, attitudinal or perception changes related to the brand are often longer lasting and are of higher impact than purely behavioral changes. A combination of these three elements gives a robust platform on the Q of each customer interaction. This can be then used to compare each customer interaction, helping inform trade-offs for brand investment.

Measuring Q cannot be a uni-dimensional and mechanical exercise. We use a mix of robust and tested methodologies including a proprietary survey developed and tested to measure all three aspects of Q, advanced customer insight techniques like enriched focused groups and moment of truth analyses, and mining existing brand team analyses. One of the most rigorous analytical aspects of the measurement is to get beyond physicians' and patients' stated preferences to their derived preferences.

Overall, estimating Q is more of an art than a science. Doing it well requires a strong fact base, solid business judgment and lively debate, and customization of the approach to the specific needs of the brand and the geography.

Assessing all spend related to the brand

Many pharmaceutical executives review brand spend separately for sales, marketing, and medical budgets. This practice is driven by internal organizational silos and often done to ensure regulatory compliance and good business ethics.

However, looking at the brand spend in such a fragmented manner often leads to sub-optimal decisions, especially (but not only) between sales and marketing budgets. In addition, medical budgets are often not reviewed in a fully transparent manner leading to duplication and inefficiency across functional areas.

We suggest executives review the total budgets related to a brand or therapy area, but in a different and regulatory compliant manner. The total brand spend can be broken into three distinct categories: promotional interactions, educational interactions, and scientific programs, each with a distinct objective.

Promotional spend includes all the customer interactions with the specific objective of driving market share through promotion and explanation of the brand and its features and benefits. Educational interactions are for increasing the understanding of disease, treatment pathway and associated therapies among targeted physicians. The scientific program's objective is creating data and information about the product experience from treated patients.

In our experience, this approach enables a much more transparent view of the total budget associated with the brand. In addition, once the above objectives are clear, Q can be used to understand how effective the interactions are at meeting specific business and medical objectives. Of course the specific approach to calculating and reviewing Q varies based on the category of spend and its objective.

Combining Q with Reach and Cost to understand Reach-Cost-Quality

Calculating Q is important, but not sufficient for making brand spend allocation judgments. Two other factors need to be considered: reach and cost.

The reach of an interaction measures the number of contacts performed with targeted stakeholders. Reach analysis combined with cost and Q assesses relative effectiveness of an interaction. At the same time, it is an important stand-alone measure of the execution of interactions.

Pharmaceutical executives typically very rigorously monitor the planned and actual reach of detailing, but not for most other interactions. In addition, the detailing reach is not calculated specific to the segments and adoption-funnel stages relevant to the brand. For most other activities (e.g., for regional sales and most educational/scientific activities), there is very limited data even on the actual reach.

We have observed that for real measurement of effectiveness, reach analysis must focus not on all contacts using an interaction, but rather on contacts to the “right” stakeholder – i.e. those who are a part of the targeted segments and belong to stages of adoption funnel where the interaction can have impact. In addition, to ensure relative comparison, it is important to adjust each event for the level of attention/tune-in it can command. This must be captured using a different tune-in factor for one-to-one (100 percent tune in, e.g., detailing), one-to-many (80 percent tune-in, e.g. local meetings with a speaker) and remote (60 percent tune-in, e.g. mailing) interactions. For educational encounters, where it is not possible and may not be appropriate to target activities to segments or adoption stages, a rigorous calculation of planned vs. actual reach and the related tune-in factors is important.

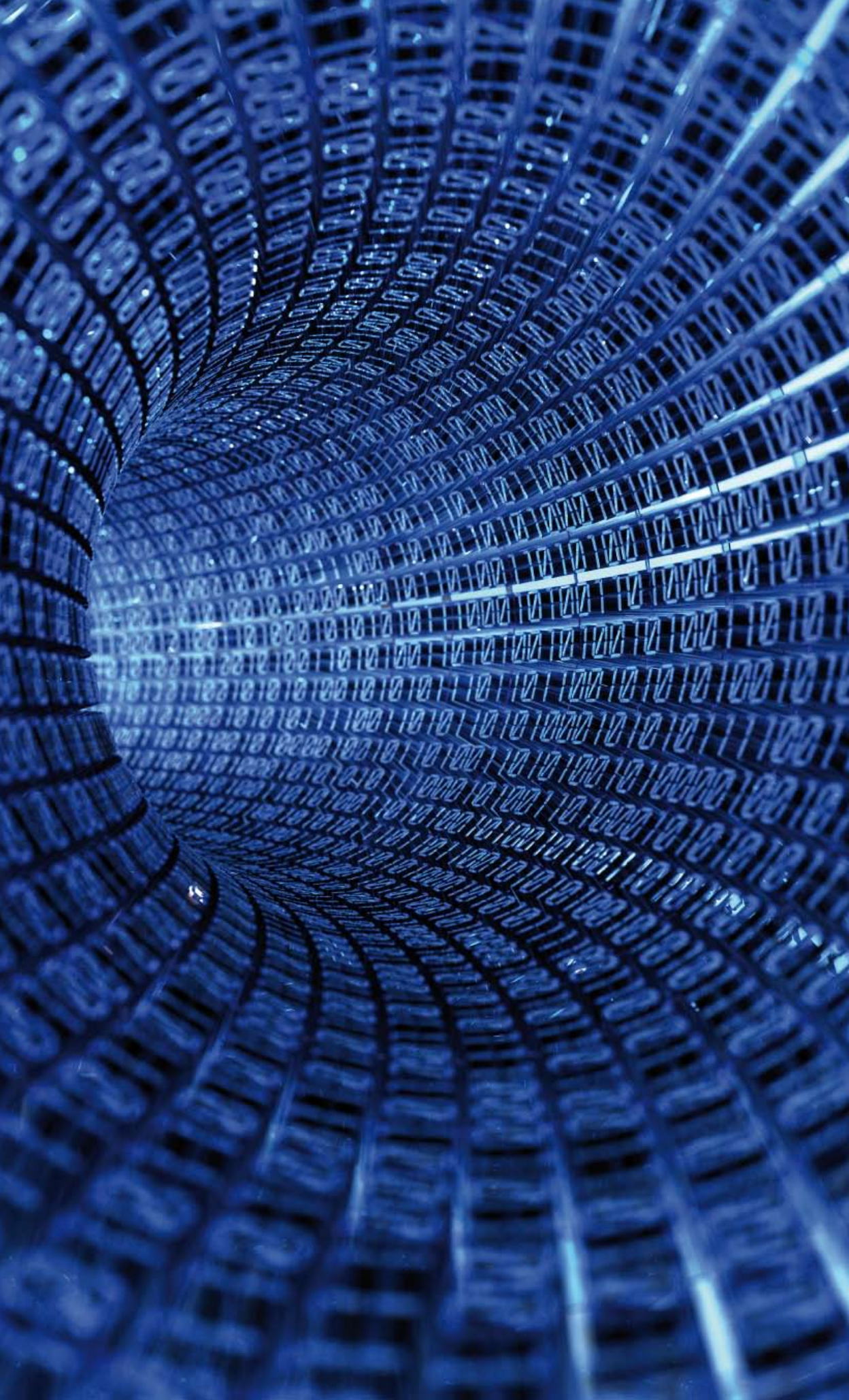
Calculating unique targeted reach across interactions not only provides executives a relative measure of real contacts across interactions, but also identifies key areas of focus to increase the reach and therefore the overall effectiveness of specific interactions.

The costs of an interaction should include fully loaded costs across different spend categories. This includes all direct and indirect costs relevant to the event. While most direct costs can be linked to an activity, the indirect costs include full-time equivalent (FTE) salaries, bonuses and other overhead allocation, which are allocated to an interaction based on the time spent on the interaction by key individuals or functions. Such fully loaded costs for an interaction are usually not apparent to most brand or medical teams and can be eye-opening.

Allocation decisions based on comparison of Reach-Cost and Quality

A comprehensive understanding of the cost per targeted contact (C/R) and the quality (Q) of an interaction helps pharmaceutical executives make decisions on the allocation of spend. Increasing allocation to interactions with a low C/R and a higher Q helps move to a more effective spend mix.





However, instead of triggering mechanical changes in spend, we suggest executives use the RCQ input as the basis to have more fact-based discussions on the effectiveness of an interaction and the directional change to their spend. Exact allocation decisions are made by defining the minimum and maximum level of investments needed considering various factors: competitive share of voice, coverage and frequency of stakeholders, regulatory constraints, other shared resource constraints, etc.

Potential impact of spend optimization

Our experience in multiple situations suggests that there is a significant opportunity in pharmaceutical companies to improve the mix and quantity of their brand spend. A rigorous RCQ approach can uncover 30 to 45 percent of brand spend across functions for reallocation to higher quality and lower cost customer interactions. It also enables comparisons of brand spend and performance across geographies, even when markets use different marketing and sales tools. We have also seen cost-reduction opportunities of 15 to 24 percent without affecting top-line growth. Very often these savings were reinvested to further drive brand growth or to better meet scientific objectives.

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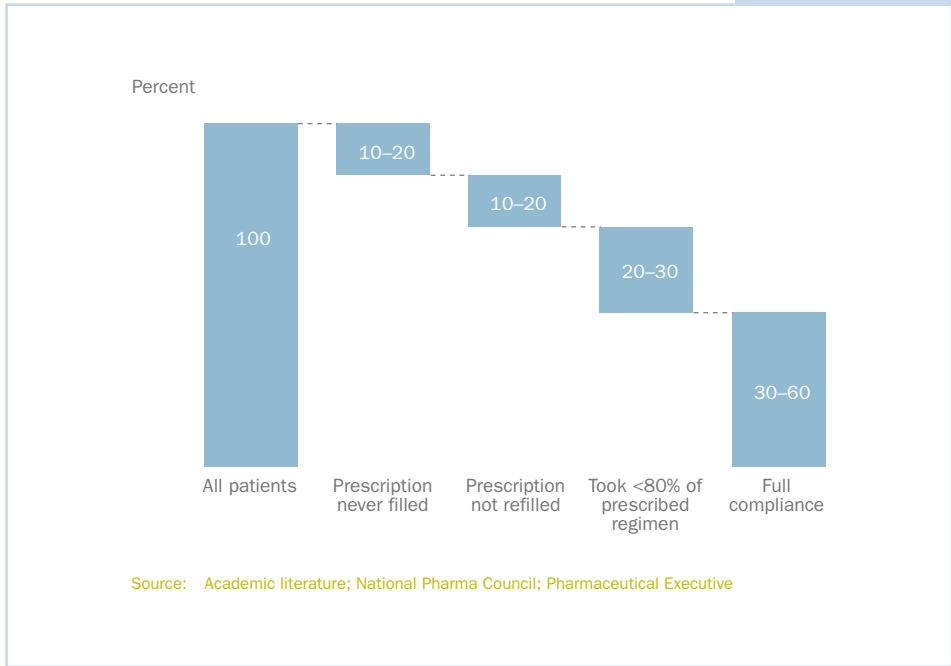
the PERSISTENCE predicament

JESSICA HOPFIELD
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INTRODUCTION

In the last half century, pharmaceutical innovation has led to extraordinary advances in healthcare. To benefit from many of the most useful medicines, however, patients must take them daily, sometimes for the rest of their lives. Unfortunately, poor adherence to treatment regimens continues to represent one of most vexing problems in medicine. Average statin users, for example, complete only 200-250 days of therapy on drugs they should take for a lifetime.¹ A third of patients diagnosed with depression fail to fill even their first prescription¹, and only 30 to 60 percent of hypertensive patients complete a year of drug therapy (*Exhibit 1*).² Even some oncology patients fail to adhere to their regimens. And many people fail to complete antibiotic treatments, leading to the rise of more dangerous pathogens.

exhibit 1



The epidemic of non-adherence hurts everyone. Patients who do not receive the full benefit of their treatments may get sicker, suffer more, and require more costly acute therapies – sometimes at taxpayer expense. In the U.S. alone each year, poor adherence causes an estimated 11 to 20 percent of all hospitalizations and repeat doctors’ visits, 125,000 deaths and \$100 billion in healthcare costs.^{3,4} Some physicians and other healthcare providers have become so frustrated that they have given up trying to improve adherence. Finally, pharmaceutical companies lose sales across classes.

This epidemic is not new. Stakeholders across the healthcare system, including academics, pharmaceutical companies, disease management companies, payors, and others have tried to address it. To date, however, successes have been few and far between. One example has been Novartis’s BP Success Zone, which likely contributed to Diovan having the highest compliance scores in our survey. This effort leverages the physician to help patients enroll in the program and provides patients with educational content, coupons, and a BP monitor to help patients track their progress. We believe that the patient education component is a key driver of their success.⁵ A second and very different example is Pfizer’s MS Lifelines program, which provides active counseling from nurses for patients taking Rebif. In a third case, The Asheville Project has shown the benefit of lower cost sharing and the role the pharmacist can play in helping patients understand their medications and improve their adherence.⁶ Many others have tried simpler reminder-focused programs and have found the results limited and short lived.

As we will show in this article, the success cases have some common threads – they build on a deep understanding of patient attitudes, they focus on educating patients about their condition and the role of medication in improving it, they leverage multiple trusted stakeholders to interact with patients, and their more advanced and successful programs take different patient attitudes into account when designing interventions. In this article, we will share some proprietary McKinsey research (focused on hypertensive patients) that sheds light on why patients don’t adhere to their treatment regimens, and provide our view of what it will take to design a program that will truly make a difference in driving patient adherence.

MULTIPLE CAUSES, MULTIPLE SOLUTIONS

Moving beyond common beliefs about customers can be a powerful source of profitable growth. In the highly competitive Consumer Packaged Goods (CPG) arena, the importance of insights in keeping pace with competitors and creating competitive differentiation has been heard and accepted. High-performing CPG companies believe insights to be fundamental to their success. In a recent survey, 100 percent of CPG high performers agreed with the statement, “Insights are the foundation of the culture, working approach, and go-to-market strategy of the organization”. In interviews we conducted with 40 Chief Marketing Officers (CMOs) around the globe, capturing and leveraging actionable customer insights was the second most frequently cited challenge for successful marketing, behind driving higher marketing return on investment.

Failure to adhere to treatment is a particularly challenging problem because, like some illnesses, it has many causes. No single solution will work. If patients forget to take medications or lack regular routines, for example, reminder devices may help. But if they stop taking medicine because they are afraid of long-term consequences, reminders will have no effect.

McKinsey & Company has conducted research to better understand the drivers of poor patient adherence. We focused on hypertension as representative of the chronic, asymptomatic conditions where adherence is the biggest challenge. To ensure a tight linkage with clinical practice and existing academic work, we partnered with Gbenga Ogedegbe, M.D., M.P.H., M.S., Assistant Professor of Medicine at Columbia University, who is an expert in medicine adherence in hypertensive African-Americans. Our approach was as follows:

- 1. Review of existing research:** While other research has helped to quantify the problem and explain patient behavior, we found no significant quantitative research on the underlying patient attitudes that affect adherence.
- 2. Qualitative research:** Our qualitative research included focus groups, home visits, online discussion groups, and discourse analysis to identify potential attitudinal barriers to adherence.⁷
- 3. Quantitative research:** We conducted an online quantitative survey of 810 hypertensive patients to prove key attitudinal barriers and other drivers of non-adherence, identify and size attitudinal segments for hypertensive patients, and test a targeted set of interventions and messages, which we mapped to segments.

Our research made it clear that the problem has multiple sources and therefore requires multiple solutions. We found that the attitudes of hypertension patients vary along five major dimensions:

1. Their personal involvement and control over their health
2. Knowledge of their condition and its treatments
3. Concerns about high blood pressure
4. Belief in medications in general
5. The quality of their interactions with physicians.

Based on these dimensions, we identified six distinct attitudinal segments, and we observed that the drivers of poor adherence vary by segment (see Exhibit 2). We present a summary of the segments below, but please see the sidebar “Snapshot of Patient Characteristics” for more detail (including key attitudes, demographics, education, etc.).

“**Proactive**” patients adhere to their regimens, thanks to good relationships with their physicians, a keen focus on health, and a good understanding of their conditions and medicines.

“**Confident**” patients also focus on health (although somewhat less than “Proactive” patients) and understand their conditions, but are more likely to believe their condition is under control when it is not. This overconfidence can lead them to minimize the severity of their conditions, resulting in poorer adherence than “Proactive” patients.

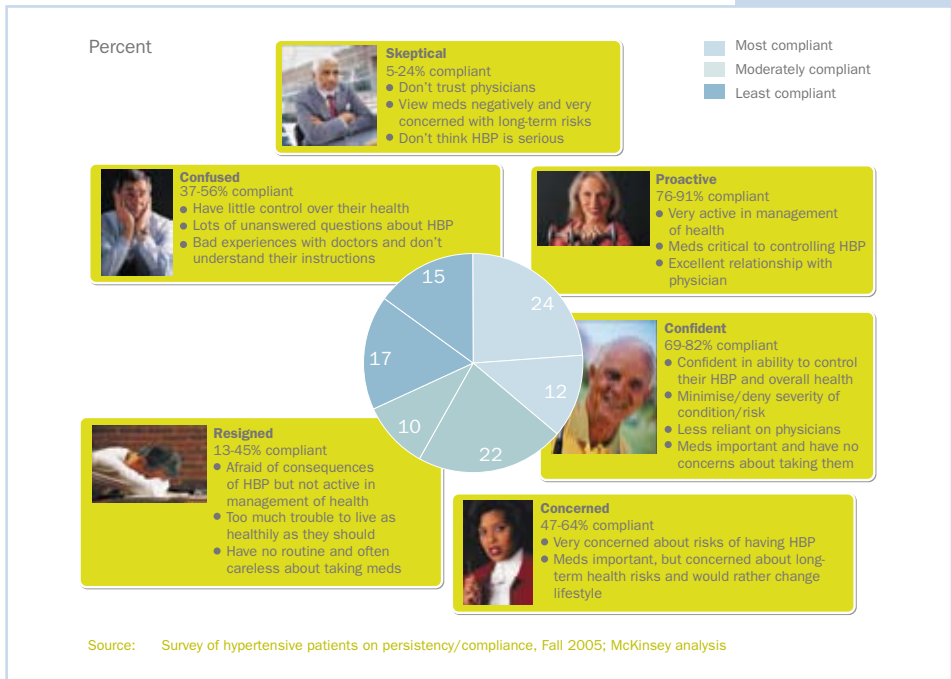
“**Concerned**” patients also understand their condition and the value of medicines, but because they are concerned about the safety of the medicines and prefer not to be dependent on medications for treatment, they strongly prefer to manage their illnesses with diet and exercise alone. This can cause them to stop taking their medicines prematurely.

“**Confused**” patients have a poorer understanding of their condition, the importance of their medications, and even their physician’s instructions. They are concerned about the long-term effects of drugs and have poor physician relationships. This leads to relatively low adherence rates.

“**Resigned**” patients are not active in controlling their health, and basically react to acute conditions as they arise. They are worried about high blood pressure but feel unable to manage it on their own. They often have co-morbidities, such as depression. They tend to have irregular routines, and often forget to take their medicines, leading to very poor adherence.

“**Skeptical**” patients doubt the need for medicines and the health system in general. Since they believe they can control their condition without medication, and worry about side effects and long-term risks, they are unlikely to take or stay on medicines.

exhibit 2



SNAPSHOT OF PATIENT CHARACTERISTICS

SEGMENT	AVERAGE AGE	GENDER	EDUCATION	COMPLIANCE	% 90 DAY PRESCRIPTION	DEFINING ATTITUDES
Proactive	56.4	54% F 46% M	Some HS/HS Grad: 25% Some college: 39% College grad: 36%	76-91%	60%	Have a lot of control over how healthy I am Made a point of educating self about HBP Doctor plays a critical role in management of HBP Taking meds is most effective way to treat HBP
Confident	54.3	61% F 39% M	Some HS/HS Grad: 15% Some college: 34% College grad: 51%	69-82%	66%	Have a lot of control over health Believe that HBP is under control Clearly understand doctor's instructions about HBP meds and how to take them Rarely think about HBP and risks associated with it
Concerned	51.0	53% F 47% M	Some HS/HS Grad: 20% Some college: 47% College grad: 33%	47-64%	44%	Afraid of the consequences of not controlling HBP Have a lot of control over health Not taking my BP meds is a threat to my health Would rather change my lifestyle than take meds
Confused	47.8	42% F 58% M	Some HS/HS Grad: 30% Some college: 41% College grad: 29%	37-56%	35%	Lots of unanswered questions about HBP Don't understand doctor's instructions about taking meds Bad experiences with doctors Have little control over health
Resigned	49.1	50% F 50% M	Some HS/HS Grad: 26% Some college: 44% College grad: 30%	13-45%	26%	Too much trouble to live as healthily as I should Really don't do very much about my health until I get sick Careless about taking my meds Have not made a point of creating a routine
Skeptical	49.3	45% F 55% M	Some HS/HS Grad: 26% Some college: 42% College grad: 32%	5-24%	52%	HBP is not very serious Not afraid of consequences and do not often think of risks Don't trust doctors Can control HBP without meds



NEEDED: MULTI-DIMENSIONAL, HOLISTIC SOLUTION

Due to the complexity of the adherence challenge, making a difference will require an investment from and involvement of stakeholders across the system. We believe that pharmaceutical companies have a very important role to play in catalyzing improvements, but must create a comprehensive set of holistic solutions to do so. To succeed, any approach must begin with deep, detailed insights on patients’ attitudes toward specific medicines and diseases. Armed with this information, pharma companies can create partnerships with other stakeholders such as physicians, nurses, pharmacists, patients, payors, and even competitors.

Four activities are essential to developing a holistic set of approaches for a given product: 1) gaining insights on the barriers to adherence for each particular product, and the relevant patient segments that suffer from each; 2) prioritizing the barriers and patient segments based on size and ability to change; 3) developing the plan for partnering with external stakeholders to improve adherence; and 4) rallying the organization’s relevant functions around the opportunity. These steps require a significant commitment, but we believe they can yield valuable results.

1. Gaining insights on the barriers to adherence

Our hypertension research provides new insights into patients and the barriers to adherence. In an ideal world, each brand might conduct a similar study, but this would be expensive and time-consuming. Fortunately, relevant information is often already available from existing consumer attitudinal research, consumer survey results on adherence, payor or PBM data that quantify the challenge and patient longitudinal data. In addition, targeted supplemental research focused on adherence, building on existing patient segmentation, can provide important insights.

Our findings can be a good starting point for other disease areas. We tested the validity of our segmentation and the barriers identified for dyslipidemic and diabetic patients (*Exhibit 3*). Our findings show that the segmentation holds up well for dyslipidemia and relatively well for diabetes, offering key insights into both of these conditions.



We believe that while segment sizes may vary by condition, attitudinal drivers such as overconfidence, concerns about long-term safety, lack of understanding of the condition, and poor physician relationships will continue to apply, as will other barriers, such as high cost, forgetfulness and so on.

2. Prioritizing the barriers and patient segments of focus

To maximize the impact of any adherence program while preserving critical resources, companies must determine which barriers to adherence and which patient segments to target. Factors include potential for improvement, likelihood of shifting attitudes, and alignment with brand strategy. All broad-based communications would be directed at priority segments, and consumer insights would inform interactions with individual patients, e.g., in the customer relationship management (CRM) setting.

For example, we propose prioritizing patients from our hypertension analysis into three categories, based on likely return on investment from interventions:

- Our top priorities would be the “**Concerned**” and “**Confused**” segments because they have significant potential for improvement, and can likely overcome barriers to adherence. The “Concerned” are engaged in their health but need education and reassurance about medications – something companies and healthcare providers can offer. The “Confused” need significant education and the intervention of new trusted stakeholders, but at least have the underlying attitudes that could make them amenable to intervention
- Our second priority would be the “**Confident**” and “**Resigned**” segments. While the “Confident” can be reached, their attitudes may be harder to overcome, and we see less opportunity for improvement. The “Resigned” may be willing to consider messages, but their underlying co-morbidities and passive approach to health make them difficult to reach
- We would focus less on “**Proactive**” and “**Skeptical**” patients because “Proactives” have little room to improve and “Skepticals” are reluctant to trust messages from anyone in the healthcare community.



3. Partnering with external stakeholders to develop programs and improve adherence

Pharmaceutical companies have few opportunities to interact directly with patients, and their credibility is relatively low. And since any successful approach must be multi-faceted, companies need to partner with a broad set of stakeholders to drive improvements in adherence.

Physicians: Since physicians play the primary role in patient interaction and care, they need to be a focus of any adherence strategy. Unfortunately, they are extremely busy and tend to overestimate their patients’ adherence.⁸ Moreover, not every physician is interested in the topic or wants to hear about it from a pharmaceutical sales rep. Informing physicians could therefore include:

- Conducting broad-based education on adherence using Continuing Medical Education or simple messages from sales reps, such as the size of the adherence problem and the benefits of 90-day prescriptions.⁹ During this conversation, reps could identify physicians who are interested in more in-depth discussions on the topic

- Providing receptive physicians with insights from product-specific segmentations. It is important to note that companies should not attempt to simply teach physicians the segmentation presented in this article. Rather, they should use the insights from the segmentation to create user friendly ways for physicians to identify attitudes and adjust interactions and medications accordingly. Delivering these messages could help companies add value during regular sales calls, through medical science liaisons, or with special adherence reps, depending on company resources, commitment, and culture. *Exhibit 4* illustrates this potential approach.

	What patients might say/do	What doctors should do
 <p>Concerned</p>	<ul style="list-style-type: none"> • “Do I need to take medicine?” • “Are there other choices for me?” • Are these safe?” • Look worried 	<ul style="list-style-type: none"> • Recognise concern • Share materials • Talk about long-term safety data and importance of using medications for long-term health (use clinical data if possible)
 <p>Confused</p>	<p>Respond quietly Do not show understanding Ask basic questions</p>	<p>Take few extra minutes to explain condition, importance of medicines, and safety of medicines Ask nurse to come in to answer more questions</p>
 <p>Confident</p>	<p>Act casual/nonchalant “But doctor, this is early stage only” “It’s not that serious, right?”</p>	<p>Carefully explain risks of disease If needed, mildly scare patient</p>
 <p>Resigned</p>	<p>Act passive Usually have trouble with compliance</p>	<p>Ask if they feel they can manage condition Emphasise patient control/ability to take charge Share anecdotes Leverage fear of stroke</p>

- Additional research would be needed to build physician-friendly education materials
- In addition, physicians could add segmentation questions to initial patient questionnaire

Pharmaceutical companies can also use adherence data to improve physician targeting, since patient adherence can significantly boost the value of a new prescription. Companies with detailed adherence data can direct more of their scarce resources toward physicians whose patients adhere to treatment regimens.

Nurses and pharmacists: Research shows that nurses and pharmacists can significantly improve adherence.^{6, 10} They can be less intimidating than doctors, and tend to have more time. Counseling from a nurse or pharmacist could be particularly valuable for patients who have poor relationships with their physicians, such as those in the “Confused” segment.

To be sure, pharmaceutical companies face practical limitations to partnering with these stakeholders. Most nurses work at the behest of physicians, and most pharmacists are busy in their traditional roles. But we believe companies can find opportunities for face-to-face interactions with diabetes nurse educators, for example, and certified nurse practitioners, since they tend to work more independently. Sales representatives could visit these and other nurses as part of physician details, providing information about adherence. Not all pharmacists will have time for discussions or active counseling, but some will, and others can have more subtle impact while discussing medications with patients.

Patients: Patients, of course, are the ultimate target of these efforts, but are difficult to reach directly. Opt-in programs offer direct contact, but patients who enroll tend to be from the higher-adherence segments. Companies that understand patient attitudes can tailor messaging to improve enrollment – and customize programs by segment to make them more effective. Direct-to-consumer communications, such as advertising, offer a broad reach but are inefficient. To improve targeting, companies can combine patient insights with additional research to identify the most efficient media and most powerful messages.

Payors: Payors can play a critical role in adherence, since they define what patients pay for pharmaceuticals. They also have data on each patient's persistence and can interact directly with patients and their physicians.

Unfortunately, the interests of pharmaceutical companies and payors are often not well aligned. Patients tend to change payors frequently, and a payor does not always suffer financially when a relatively healthy patient fails to adhere to treatment for a chronic condition, as the adverse event will likely occur beyond the timeline of that patient's enrollment

We see two primary opportunities for pharmaceutical companies to collaborate with payors. The first is sharing the upside from increased adherence either by increasing rebates or paying service fees for specific activities, such as mailings, refill reminders, etc. This could apply for all classes of medications and patients. Pharmaceutical companies could also share adherence data to help payors improve their disease management programs.

Government: Local, state, and federal agencies have a stake in the health of citizens. Patients who adhere to their drug regimens, for example, may save taxpayers money by avoiding or delaying more expensive treatment and acute care. Adherence to certain drugs, such as antibiotics, can help slow the spread of deadly pathogens, a serious problem now being detected in major American cities.

Many public health authorities have advertising and communications budgets – and credibility with key audiences, including consumers and healthcare providers. Pharmaceutical companies should raise the topic of adherence with key agencies and elected officials and provide them with data on its growing importance. The partnership could then extend to public health messaging on adherence, leveraging public health agency credibility.

In addition, Medicare and Medicaid, which are among the largest payors and which tend to have patients enrolled for longer periods of time than commercial payors, could be even more willing to enter into adherence arrangements as described for payors.

Creating coalitions: Pharma companies could improve adherence through stakeholder coalitions. These could include patient and physician groups, payors, and even other pharmaceutical companies. The type of collaboration would vary depending on who is involved, but opportunities could include conducting new research and informing patients and physicians about the issues. Coalitions could be formed temporarily for a specific purpose, such as launching a new CME program, or more enduringly, such as the Diabetes Care Coalition. This industry often struggles to collaborate, particularly internally, but we believe this should be a central part of any serious adherence strategy.

4. Rallying the organization around the opportunity

In addition to building a broad range of external partnerships, companies will need to enlist internal stakeholders. Any effort to reach physicians will need input from Sales. Reaching consumers will require marketing at the brand and corporate levels. Other critical partners may include managed care, legal and regulatory departments, medical for key opinion leaders and physician interactions, and government relations and senior management for leadership and collaboration with external stakeholders.

Getting Started

To begin, pharmaceutical companies need to define the problem, quantifying lost sales, and make a reasonable assumption about how much they can re-capture. They should do the research necessary to understand what drives non-compliance in their portfolio and commit to making a significant multi-year investment. They may need to explore issues for individual brands and therapeutic areas.

Once a goal is set, a company must rally the organization, aligning key internal stakeholders around the magnitude of the problem and giving them license to experiment and take risks.

Companies should segment physicians and tailor interventions accordingly. They should launch pilots to test their research, tactics, and insights. As they learn by doing, organizations can roll out a broader effort and build competencies that they can leverage across the portfolio.

CONCLUSION

Non-adherence is a major problem that demands a range of treatments and the best efforts of the healthcare community. We expect that progress will come through trial and error, but gaining insights to patient attitudes is a vital first step. Companies need to help physicians improve compliance on a patient-by-patient basis. But doctors aren't the only focus. The full range of healthcare professionals, from nurses and pharmacists to payors, must also join the struggle. Companies need to target patients directly and even work with competitors to ensure a consistent, far-reaching approach. Since success may not come quickly, companies need to make a long-term commitment with a significant investment to ensure their solutions are sustainable and cost-effective.

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and you thought a
product
only launches **ONCE**

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INTRODUCTION

Pharmaceutical companies excel at launching new brands. Companies make substantial investments over many years to understand market opportunities, develop compelling marketing strategies, and optimize sales force deployment to ensure a successful launch. These investments have generated billions in value for shareholders and helped save thousands of lives.

However, given the size of initial market launch investments, it is surprising that companies rarely invest commensurately to defend against a product launch by a competitor. New entrants often catch the incumbent on their heels, forcing the market leader to play a reactive game of defense. Few incumbents lay adequate groundwork before a competitor launches to contain the competitor's new product.

We believe that incumbents have a significant opportunity to play offense, rather than defense, as they prepare for competitor launches. Through public documents and competitive intelligence gathering, incumbents have substantial visibility into when a competitor will launch, giving ample time to create more favorable market conditions. By developing cohesive, integrated strategies months or years in advance of competitive launches, incumbents can expand their notion of competitive preparation from a way not only to protect value, but also to create value. For example, a leading brand facing direct competition for the first time developed a new contracting strategy to defend market share. The strategy was eventually expanded to encompass other brands, targeting a previously unexplored cross-sell opportunity.

A competitive offense strategy often leads to brand strengthening, due to more targeted deployment of resources to shore up weak areas and ensure key customers are well served. A competitive defense strategy, on the other hand, at its best typically minimizes lost value as the company reacts to a competitor's brand position, pricing structure, and sales force deployment after the launch. A competitive offense fundamentally requires a mindset shift for the organization across all functional areas, and mandates that the company invest proactively with a long-term timeframe.

This article describes a set of observations on how to successfully develop and execute a competitive offense strategy. We describe a basic framework to organize a competitive offense strategy, several key success factors, and a diagnostic tool to prepare individual brands.

A BASIC FRAMEWORK TO ORGANIZE A COMPETITIVE OFFENSE STRATEGY

Companies can organize a competitive offense strategy in many ways. Below is an overview of an approach that we have found effective.

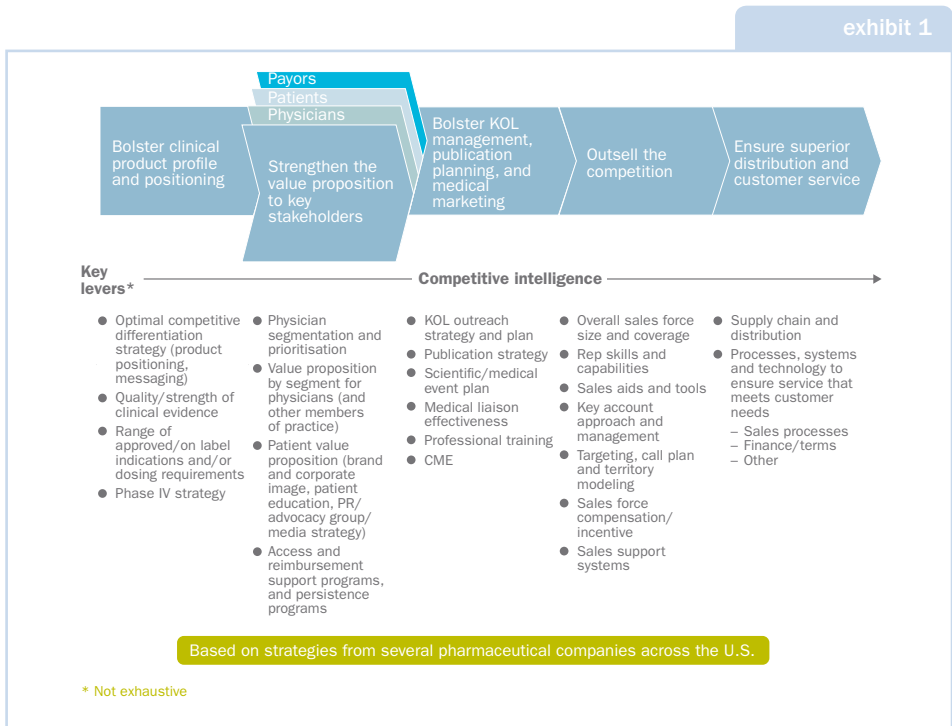
Using a diagnostic tool

In order to develop and execute a competitive offense strategy, incumbents need to start with taking stock of the situation. A diagnostic can ensure a competitive offense strategy is comprehensive and systematic. One tool we recommend is based on a business system framework with six major components [Exhibit 1]:

1. Competitive intelligence
2. The product’s clinical profile and position
3. Value propositions to different customer segments
4. Key Opinion Leader (KOL) management and medical marketing
5. Outselling the competition (field force deployment)
6. Customer service and distribution.

Instituting a cross-functional management team

Once priority areas are identified, senior management needs to dedicate resources. One successful model is a core cross-functional team acting as a project management office and supported by cross-functional sub-teams. The core team could consist of 1-2 project leads, and several top managers from across the organization who can serve as a Steering Committee. The core team can be supported by sub-teams organized around the key parts of the diagnostic tool framework.



A COMPETITIVE ENTRY DIAGNOSTIC

Competitive intelligence

The first order of business to prepare for a competitive launch is to gather relevant facts about the entrant's strategy, strengths and weaknesses; to understand what the entrant will do, using the most sophisticated information and thinking about the competitor. This allows the incumbent to develop a strategy to respond to the entrant's potential strategies. A war game exercise is often a useful tool to crystallize competitive intelligence findings into strategic priorities and tactical action plans.

Competitive intelligence fact gathering should include questions that allow the incumbent to understand the competitor's strategy across each component of the diagnostic tool. The incumbent should use to its advantage the fact that it has been in the market longer and presumably understands the market far better than the entrant. For example, questions around the clinical trial data and timing can help inform when the launch will occur and what label can be expected.

Gathering this information accurately and cost effectively requires an ongoing organizational investment. Competitive intelligence cannot be a one-time event, but should be built into the incumbent's business processes to ensure that the information is collected and shared with senior management on a continuous basis. This can be a blind spot for first-to-market brands that have not had the need to develop sophisticated competitive intelligence capabilities.

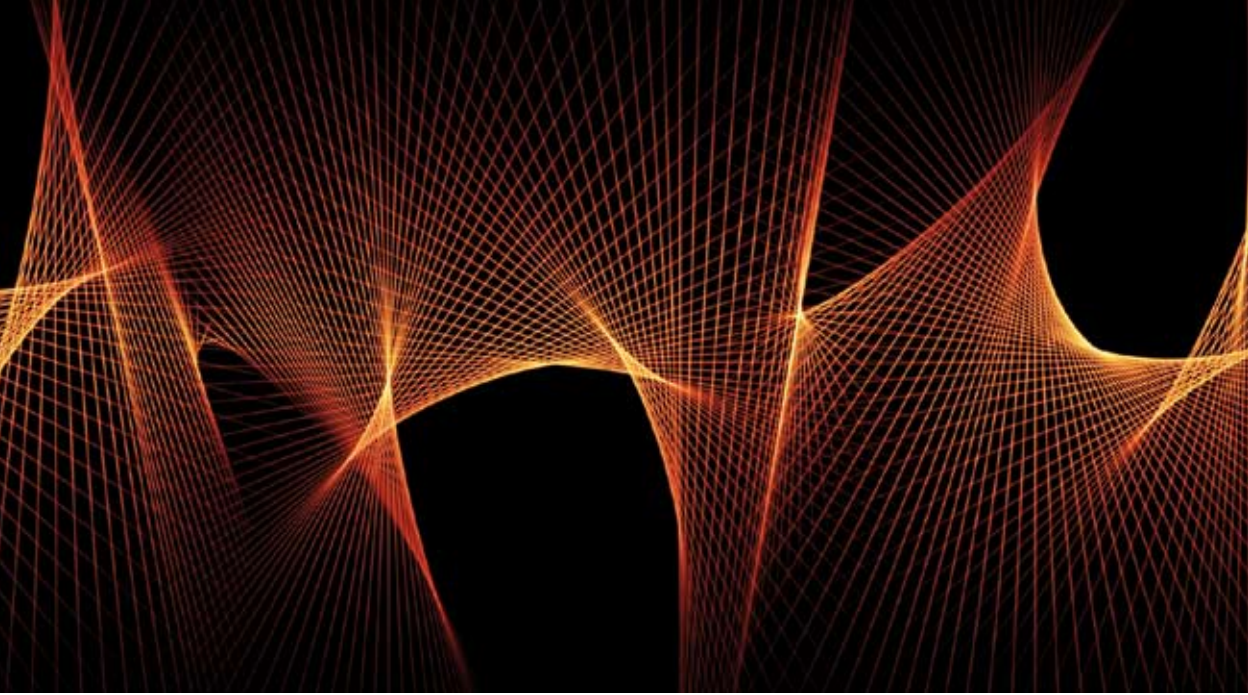
Product positioning

A first-to-market brand or a market leader often utilizes messages focused on market growth. In a competitive market, market leaders need to strike the right balance between market growth and competitive positioning to protect market share. Core brand messages need to focus on (or at least include) promoting product characteristics that are relevant and, preferably, superior to the competitor's product.

In determining how explicit they will be in making a comparative claim in their competitive positioning statement, companies face a design choice. A positioning statement can explicitly compare the incumbent brand to the entrant brand (e.g., "drug X lasts longer than drug Y"), or it can implicitly make the same comparison (e.g., "drug X provides the longest lasting treatment"). Explicit comparisons may be preferable if they are credible. However, the data would have to be of the highest credibility to back up a comparative claim. The incumbent would also need to perform a rigorous analysis of the available clinical literature and other publicly available data. The assessment should include both the strength of the data (i.e., how strongly the data supports or refutes the message) and credibility (i.e., how credible the source of the data is).

Competitive positioning statements can also capitalize on the incumbent's historical track record. For instance:

1. A drug's history in the marketplace can help build intangible assets, such as brand equity that can be used in messaging.
2. A brand should consider the emotional benefits of using the product (especially with their patient-focused messages).
3. Finally, messages built around real world data that the incumbent has collected over time can be quite compelling.



Incumbents will also need to develop a clinical trial and/or phase IV trial strategy to bolster support for each of the messages. For each message, data should be continually developed in order to create “purposeful noise” in the marketplace. By releasing multiple publications over time, the incumbent’s messages will become more visible and credible to the market. In addition, another source of clinical differentiation may be the possibility of a broader label. This can take the form of an additional indication, a change to the recommended dosing regimen, or other label dimensions. While the purpose of this strategy is to develop an advantage over the competition in the claims that can be promoted, this strategy is typically a multi-year effort.

Value proposition

Pharmaceutical drugs are complex to sell since multiple stakeholders must be convinced in the selling process: physicians, patients, insurance companies, GPOs, and pharmacists influencing drug formularies. For each of these audiences, incumbents need to develop a compelling value proposition. Companies can employ five levers to do this.

Segment and target physicians (or patients or others). Companies who do not face competition typically segment their physicians based on sales or sales potential. However, in a competitive market, a segmentation approach should account for both total volume of a drug class, as well as the incumbent’s share of that volume. This can represent a major shift in how the incumbent targets accounts and measures an account’s value and loyalty.

The loyalty dimension can be challenging to define. An easy approach is to base loyalty on market share, but this is only feasible once a competitor is in the market; developing a market share estimate also requires reliable and accurate data. An alternate methodology for defining loyalty is to consider the use of the brand’s leverage across the entire incumbent company’s product portfolio (see sidebar, “Moving away from product loyalty to brand loyalty”). However, the use of a portfolio of products to prevent share erosion and to create value prior to competitive entry requires extensive coordination of all key functions across brands.

Develop value propositions for each physician segment. Once it has defined its segments, the incumbent can develop segment-specific value propositions; these may include pricing/contracting, messaging, and sales force organization and tools. For example, some companies can provide value-added services to targeted segments, such as cooperative marketing programs, patient education programs, and patient loyalty programs. A customer who is both valuable and loyal could be attracted to stay if offered a contract with benefits across the portfolio and more sophisticated value-added services. A customer who is valuable but not loyal may need to sample other products in the portfolio through targeted sales force visits and product sampling, and then be offered discounts as he/she increases total purchases from the company. A customer who is less valuable could be attracted to stay with the company and increase use of a product through education on potential treatment protocols, a patient loyalty program, and a contract with volume tiers.

Develop a strong patient value proposition. In addition to assessing the robustness of a company's value proposition to different segments, the incumbent needs to assess whether there is sufficient pull-through coming from patient demand. The areas to evaluate for preparedness include the main product's brand image and appeal; patient advocacy, education efforts, and loyalty programs; and corporate perception. Patients will also need a different segmentation approach than that used for physicians.

Ensure appropriate access and reimbursement support. Many companies, particularly those selling specialty drugs, must provide significant support for physicians and patients so that all patients who need treatment have access to the drug. Prior authorizations, lack of insurance and high co-insurance rates are among the obstacles that patients face. A range of programs are feasible, including co-pay assistance, foundation grants, free drugs, hotlines, and other programs. In expensive treatment areas, physicians want to send their patients to companies with superior access programs because it is easier to work with the insurance bureaucracies and physicians want their patients to be able to afford treatment.

moving away from product loyalty to brand loyalty

A pharmaceutical company was facing pending competition for a core product, "Product X". Historically, while the company sold other products to the same accounts, it segmented its customers purely on Product X sales volume. Marketing programs targeted high-volume physicians based on Product X volume, and it based its sales force incentives primarily on sales of Product X.

As part of a shift to brand loyalty, the company's customer base was analyzed using a 2x2 matrix based on value (the vertical axis) and cross-portfolio leverage (the horizontal axis), as a proxy for loyalty and defined as follows:

1. Consider customer A, 90 percent of whose business with the company is with Product X and 10 percent with Product Y. In this case, Product X has very little cross-portfolio leverage.
2. Consider customer B, 30 percent of whose business with the company is with Product X and 70 percent with Product Y. This incumbent has significant cross-portfolio leverage here.

Through this assessment, it became clear that many high-volume customers had very low leverage – that is, they did not buy much (or any) of the company's other products – and many low-volume customers were very loyal to the overall portfolio. The company soon realized that focusing on raising the penetration of other products would turn into a key strength when the competitor entered the market (not to mention the near-term cross-sell upside).

Key Opinion Leader management and medical marketing

Once the incumbent brand has a clearly defined competitive product position and value proposition for each segment, the incumbent must develop a strategy to get its message to physicians, patients and other stakeholders. Several components should be in place for an effective KOL and medical marketing strategy, including:

- **A clear KOL outreach plan.** Including tapping into those leaders who will be most likely to influence product choice. A KOL mapping exercise can be a useful tool to do this
- **A publications strategy.** Ensuring the publications strategy is consistent with the product messaging and positioning and maintaining a close link between the publications team and the medical affairs teams
- **Training and medical education.** Continuing medical education programs and other professional training programs can help physicians become more comfortable with the incumbent's product – bolstering practice patterns that the competitor would have to work hard to overcome
- **Conferences and symposia.** Working closely with conference organizers and speakers to develop materials that are consistent with the competitive messaging. These forums are useful for KOLs to deliver key messages and unearth added competitive intelligence
- **Medical liaisons.** Medical liaisons should be educated on the brand's competitive messages.

Outsell the competition

Ensuring that a product will get the maximum level of trial, adoption, and use in a competitive market requires a well-distributed and prepared sales force. Prior to a competitive launch, the sales force may be under-optimized and not have the right messages or tools to support a sales call aimed at reducing the competitor's effectiveness.

Once a company has segmented and prioritized its customers, the incumbent needs to ensure that it organizes its sales force to execute and operationalize the competitive offense strategy. A diagnostic can examine key areas that typically arise in this process. An assessment can be made of whether there are adequate sales personnel and coverage based on the segmentation and prioritization of accounts. The diagnostic may also highlight that there is an urgent need to hire sales personnel with different skill sets. In addition, sales force compensation and incentives to ensure that the right messages, products, and contract agreements are already in place prior to competitive entry. Making all of these adjustments early is critical because the competitor will try to poach sales force talent closer to the launch; the further out from anticipated entry that sales force optimization changes can be made, the better.

Finally, a critical area often overlooked is gathering, synthesizing, and syndicating competitive intelligence on the potential competitor and its product from the field. With its "high-touch" position, the sales force often is able to assess the market pulse around the competitor product.

Customer service, distribution, and back-office systems

The final component in the diagnostic is back-office system support and supply-chain management. In a competitive environment, superior customer service and distribution systems can be the key to keeping (or losing) customers, whereas a market leader could sometimes overlook this aspect given the absence of other alternatives. Key aspects would include:

- Supply-chain management, including distribution agreements, manufacturing efficiencies, quality control, and manufacturing network optimization
- Customer-service support, including call-center management, system integration, and responsiveness to customer concerns
- Access and reimbursement support, including reimbursement hotlines or other programs to help physicians and patients navigate the reimbursement process.

KEY SUCCESS FACTORS IN IMPLEMENTING A COMPETITIVE OFFENSE STRATEGY

Day-to-day concerns – including quarterly targets and other near-term projects – consume a vast amount of managerial attention. How do some companies overcome this inertia to effectively prepare to engage the future competitor offensively? This section describes some of the key challenges to implementing a competitive offense strategy and some approaches to help overcome these hurdles.

Primary challenges to implementing a competitive offense strategy

Market leaders face several challenges in implementing a competitive offense strategy. The diagnostic and cross-functional team approach described above represent a fundamentally different way of doing business and come as a shock to most organizations' corporate cultures. We have observed two key challenges.

Lack of organizational commitment to a product relaunch. We have found that implementing a set of strategies 12 to 18 months before a competitor enters the market will create the appropriate market conditions in favor of the incumbent. For example, incumbents can promote competitive messages months before competitors are able to promote their own products, allowing the market to internalize the incumbent's message. Despite these needs for early intervention, at the corporate level a competitive threat can get crowded out by more immediate quarterly demands. Gaining traction to implement a competitive offense strategy is even more difficult if there is substantial uncertainty about the projected competitive launch.

If the corporate hurdle is overcome, employees often find it challenging to manage the competitive offense project among their other priorities. Some find competitive offense a distraction from their day-to-day work, which contains more short-term concerns such as brand plans, conferences, and other events. Of even greater concern, if executives are not able to integrate competitive offense into their broader work, the brand's entire strategy may become incoherent.

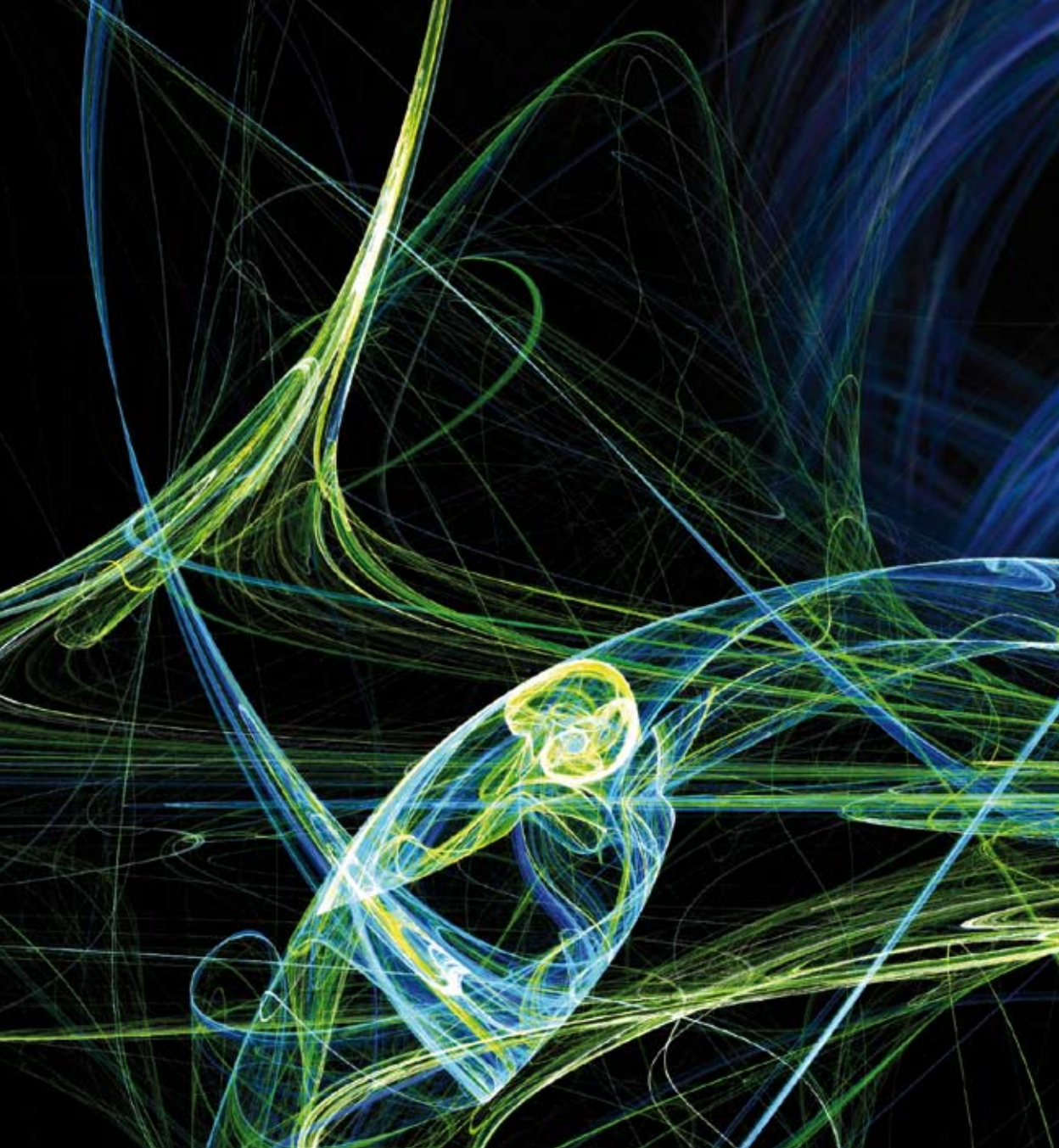
Employees tend to operate in silos. Often, even within a single brand, functions do not always work together. For example, at one company we found that the medical marketing team had been working for months on developing data to support a severely outdated set of messages. In other situations, brands often do not work jointly toward the same end. For example, separate teams managing the same drug across different indications often are at odds in developing their product messaging, managing reimbursement support programs, and developing medical marketing studies.

Mitigating strategies to manage challenges

A competitive offense strategy should be viewed as akin to a change management process. The move to a competitive world requires a major mindset shift in the organization and among its leadership. If senior executives lead a thoughtfully designed process, then this mindset shift can begin to occur over time. Success strategies to create organizational buy-in and action include:

- 1. Conducting a diagnostic to create a common burning platform.** Using the tool described in this paper highlights key gaps in competitive preparedness and helps build buy-in throughout the entire organization about the need for change. The diagnostic process also highlights gaps in connectivity across the organization, demonstrating where the major silos are located and allowing executives to begin to break down those walls.
- 2. Building a rallying cry and organizing around key gaps.** A competitive offense strategy must address the key gaps identified in the diagnostic. It is helpful to develop working teams for each of the components of the diagnostic tool, with clearly defined team leads and cross-functional team members. This structure ensures silos are broken down and that there is clear accountability for each major activity.
- 3. Prioritizing and sequencing.** Based on the diagnostic's findings, companies should identify high-priority initiatives based on their importance to the strategy. Teams should sequence these initiatives so that they build appropriately on each other. As a general rule, companies should execute the early components of the diagnostic before the latter components. For example, the competitive positioning messages should be developed before the value proposition is refined and before the medical marketing strategy is developed.
- 4. Institutionalizing a process to continually communicate and refine.** Providing regular (e.g., monthly) cross-organizational updates to management is a valuable way to ensure that progress is made on an ongoing basis, that management remains updated, and that silos do not become obstacles. These updates should be both cross-functional and cross-indication for the same brand. Regular updates also help enforce accountability from the working teams because management can intervene when necessary. Some organizations even develop new incentives that are included in formal evaluation process for members of the working teams.
- 5. Call out growth initiatives, too.** A robust competitive intelligence process will identify ways to protect the brand, as well as ways to grow the brand or other products in the company's portfolio. By highlighting these growth initiatives, competitive intelligence teams can advertise their success broadly across the organization and engender additional support.

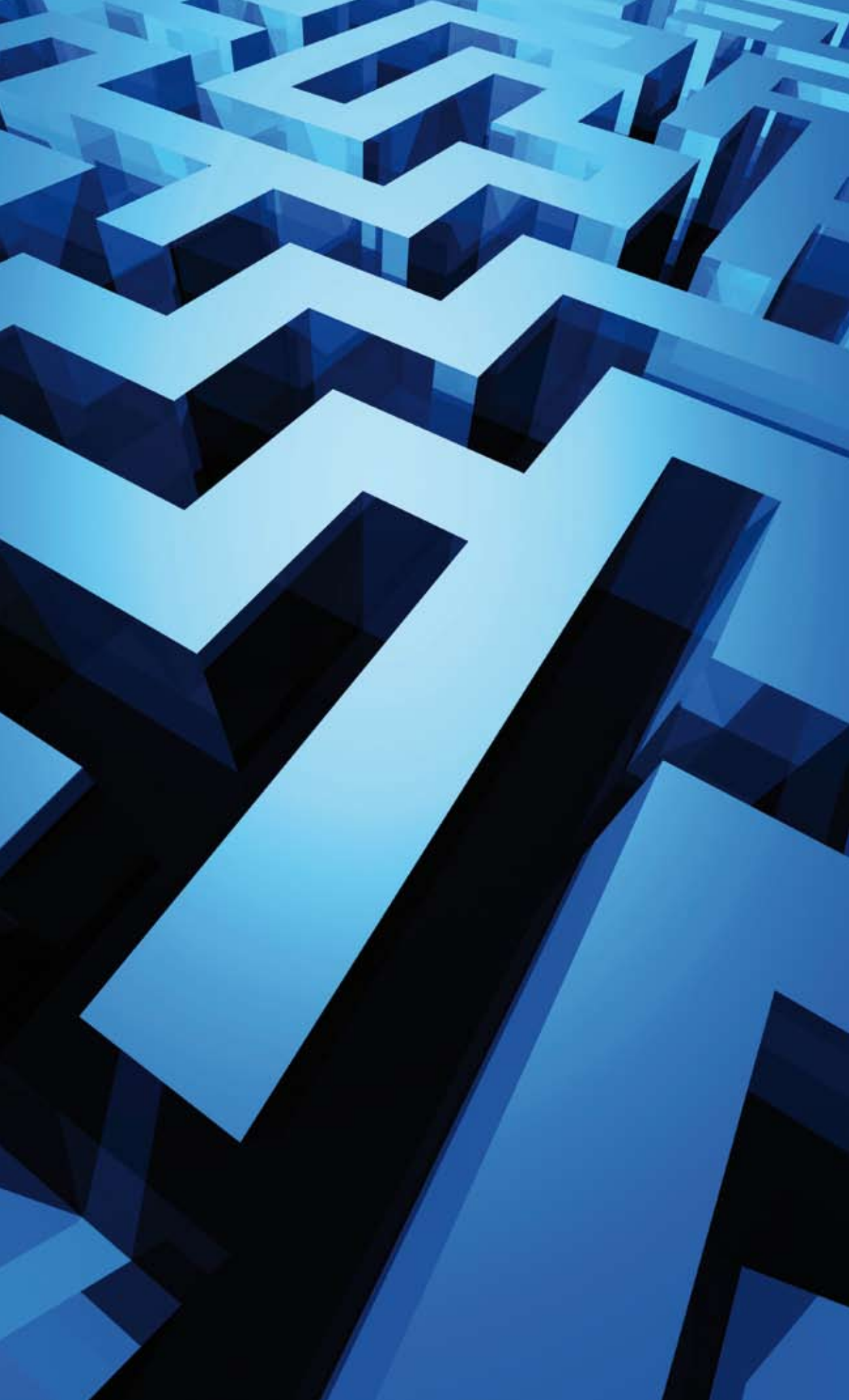
A useful activity to conduct periodically is a war game, with participants extending beyond the sub-teams. This is not just to build awareness of the burning platform and to maintain momentum, but also to ensure that new findings and strategies are dispersed across key divisions. Beyond that, it can be a powerful way to display data that can dispel myths about how to position the incumbent product, particularly for one that has had the advantage of an uncrowded marketplace and thus always appeared successful.



CONCLUSION

Implementing the competitive offense process described in this article is only the first step in a change-management transformation that results in a brand's new competitive mindset. For market leaders, this metamorphosis can be a shock to the system and cause turbulence throughout the organization. The purpose of the key success factors, the diagnostic tool, and other methods described is to provide the basis for a rigorous, fact-based conversation so that people across the organization can agree on the key gaps and marshal resources to address them. The processes also allow for the creation of a rallying cry to build momentum and break down organizational silos. These factors give management the ability to implement strategies that require a paradigm shift in how the organization functions. We believe that while new product launches will continue to be the focus of management, as drug classes face new competitive threats in the future, it will be increasingly important to focus on product relaunches... again and again.

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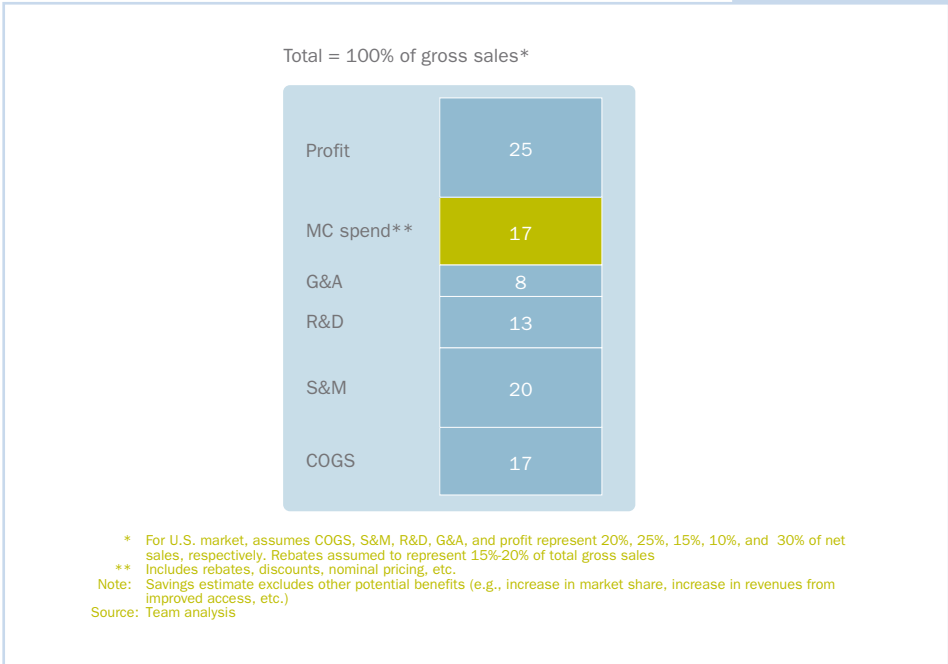


creating a winning **payor** STRATEGY

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INTRODUCTION

Pharmaceutical manufacturers have long contended with acquiring coverage and ensuring reimbursement to optimize access to their products. However, navigating the access maze is increasingly challenging as public and private market constituents put increasing pressure on overall drug spend. The incentives for and ability of commercial and private payors to manage drug costs continues to grow due to a number of factors including pressure from employers (payors' largest customers), increased negotiating leverage from industry consolidation, and advances in cost-management tools. To be competitive in gaining and maintaining access going forward, pharmaceutical manufacturers must not only deploy a coordinated managed-markets approach that optimizes coverage and access to their products, but also constantly update and refine their approach given the ever-evolving payor landscape. Given the magnitude of manufacturer resources typically dedicated to managed care – almost a fifth of gross revenues for the typical product (*Exhibit 1*) – manufacturers are motivated to ensure both the efficiency and effectiveness of their approach.



GROWING INCENTIVES FOR PAYORS TO MANAGE DRUG SPEND

Payors have recently had increasing incentives to aggressively manage the cost of pharmaceuticals as part of their overall expenditures. Rising healthcare costs have challenged margins and shareholder returns for commercial payors, especially in the past year. Similarly, healthcare costs are top of mind for government payors, as forecasts continue to predict insolvency of the Medicare Hospital Insurance Trust within 15 years and Medicaid budgets are increasingly under pressure. Additionally, U.S. employers are responding to ever-increasing healthcare costs by putting pressure on commercial payors – both by demanding better cost management and by canceling policies. As payors seek to respond to these incentives from their primary stakeholders, and as costs are predicted to grow aggressively in the next several years, drugs – especially specialty pharmaceuticals – are an attractive target.

From 2000 to 2003, commercial payors were able to more than offset increases in medical costs with simultaneous increases in pricing of premiums to their customers. For the past 3 years, however, payors have been limited in their ability to raise premiums while medical cost growth has maintained a fairly consistent rate of 6 to 7 percent. For some of the largest commercial payors, this trend has resulted in significant growth in medical loss ratio (MLR), a measure of the cost of the healthcare services provided to a payor’s patients as a percentage of premium revenues. In turn, this trend has contributed to an erosion in share prices and total returns to shareholders (TRS) in the last year, providing a strong incentive for payors to become even more aggressive in managing medical and drug costs.

Continued increases in healthcare costs have also affected and provoked action by employers. Health benefits have been the fastest-growing category of employer-based benefits since 1999, increasing at an average of 9.2 percent per year. For the average Fortune 500 company, health benefit expense will be larger than after-tax profits within the next 2 to 3 years. Employers are responding with a variety of tactics that increase the pressure on commercial payors. For example, elimination of benefits by employers is a widespread phenomenon: in 2005 approximately 266,000 fewer U.S. firms offered health benefits than in 2000, a 13 percent reduction. Some studies suggest that the number of employees forced to buy individual insurance due to insufficient or non-existent employer coverage has increased by more than 50 percent.

Employers who provide insurance to their employees are demanding new and more aggressive approaches from commercial payors, including increased focus on both case management (high-cost patients) and disease management (populations of patients with chronic diseases for whom near-term medical management may save costs of long-term complications). The most visible trend, however, is the employer movement toward health plans featuring greater direct cost burden for the employee, through co-pays, co-insurance, deductibles, and premiums. “Consumer-driven health plans” (CDHPs) and linked financial accounts such as HRAs and HSAs have become increasingly popular with employers: the use of CDHPs virtually doubled each year from 2004 to 2006.

As commercial payors respond to key customers’ pressure to reduce costs, specialty pharmaceuticals are a high-priority target. Although they are by no means the largest component of commercial payors’ per-member-per-month (PMPM) costs, biologic drugs (largely though not completely synonymous with specialty pharmaceuticals) are among the fastest growing (*Exhibit 2*). This growth is driven largely by drugs in a few distinct therapeutic categories – oncology, immunomodulation, anti-infectives, eye care, and musculoskeletal and endocrine therapies.

exhibit 2

	PMPM spend Dollars		CAGR Percent	Increase Dollars
	2001	2008		
Professional	52	71	5	17
Inpatient	27	40	6	13
Outpatient	18	32	9	14
Drug (excluding biologics)	23	49		11
Biologics	4	13		9
Total	124	205	7	

Source: Milliman USA Late Survey; Milliman USA Trend Model; payor interviews

INCREASING PAYOR INFLUENCE OVER MARKET STAKEHOLDERS

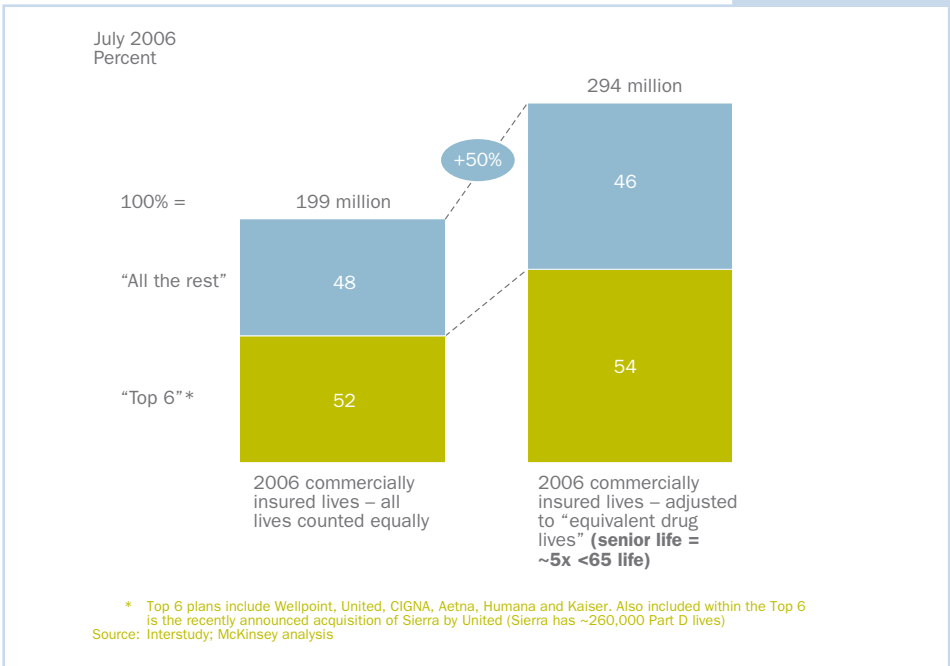
The ability of payors to control specialty drug costs is dependent on the amount of influence they hold over other stakeholders in the healthcare system. In the past several years, two trends in particular have increased payor influence. Horizontal consolidation among payors has increased their negotiating power with both manufacturers and healthcare providers. And where this power has not delivered sufficient savings payors have pursued vertical integration to give themselves even greater control over healthcare costs.

As the number of specialty pharmaceuticals on the market increases, commercial payors are beginning to demand discounts from manufacturers in return for favorable, or parity, access. Payors’ continued consolidation has increased overall negotiating leverage in demanding these types of concessions. The top six payors now account for 54 percent of “equivalent drug lives” (*Exhibit 3*). The two largest commercial insurers, United and Wellpoint, provide health insurance coverage to more than 30 million enrollees each.

While payor concentration at the national level is high, giving payors leverage against manufacturers, regional concentration is higher still – a significant advantage for payors seeking to sign contracts with local health providers. The largest five payors account for 70 to 85 percent of lives in the especially populous states of Illinois (85 percent), Texas (81 percent), California (73 percent) and New York (72 percent).

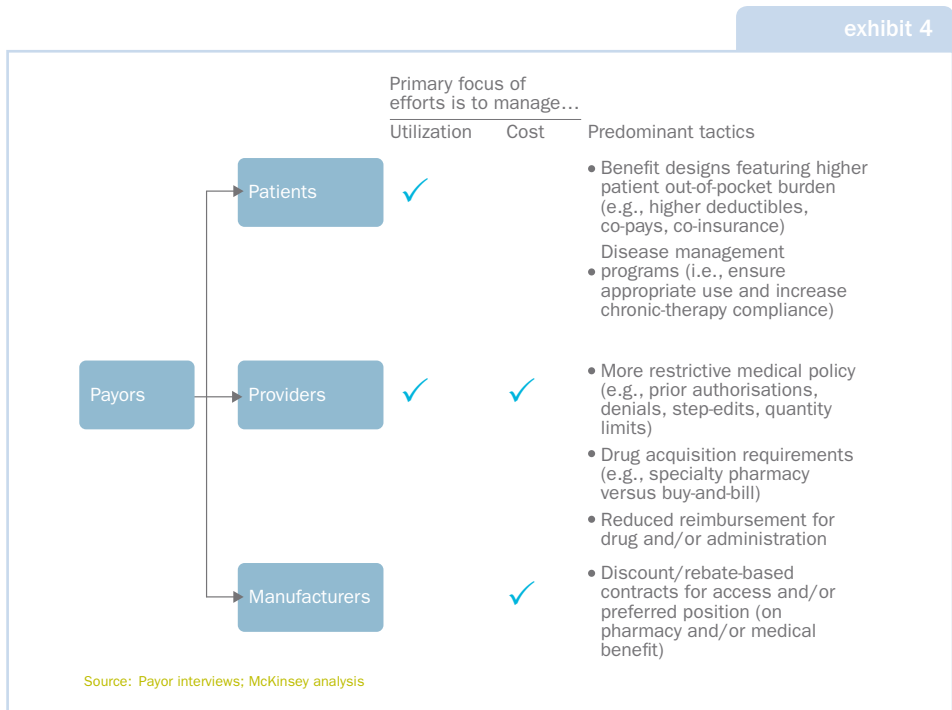
The trend toward horizontal consolidation among payors is complemented by a simultaneous emerging trend toward vertical consolidation with and among players in the channel – specifically payors with pharmacy benefit managers (PBMs) and specialty pharmacy providers (SPPs). Vertical consolidation with PBMs and SPPs allows payors to more closely manage drug utilization. Examples of “captive” PBMs (owned/operated by payors) include Wellpoint Pharmacy Management, United’s Prescription Solutions, and CIGNA Pharmacy Services. Many payors are also bringing specialty pharmacy functions in-house.

exhibit 3



TRENDS IN PAYOR TACTICS WITH KEY MARKET STAKEHOLDERS TO MANAGE SPECIALTY DRUG SPEND

Although payors use different tactics to influence drug spend with each type of market stakeholder (manufacturers, health professionals, and patients), they have been aggressive on all fronts. *Exhibit 4* shows the predominant tactics payors use to manage either utilization or cost.



Patient-focused tactics

Traditionally, patients were not required to pay co-insurance for specialty pharmaceuticals, since these drugs were not particularly expensive (often less than \$1,000 for overall cost of therapy), and patients using them were often quite sick, making payors and employers unwilling to subject them to high out-of-pocket costs. However, as new, much more expensive drugs are launched, payors and employers are considering higher levels of patient cost burden through higher deductibles and co-insurance up to an out-of-pocket maximum (often close to \$5,000 per year). This area continues to engender much debate as the objective of increasingly involving patients in the financial aspects of therapy needs to be balanced with limiting the financial burden on patients in order to avoid the unintended consequences of lesser outcomes (sometimes accompanied by higher total healthcare costs).

By some estimates, 8 percent of commercially-insured patients are responsible for 70 percent of medical costs. Many of these are chronic-disease patients (e.g., asthma, diabetes, adjuvant breast cancer, mental disorders) who end up incurring either high costs for recurring maintenance therapy or large acute-care costs. To reduce costs associated with these patients, payors have made increasing investments in disease-management programs, sourced both externally from service providers like Matria and Healthways, and internally through investments in nurse case managers. Although the exact cost impact of such programs is subject to widespread debate, several studies have shown significant benefit.

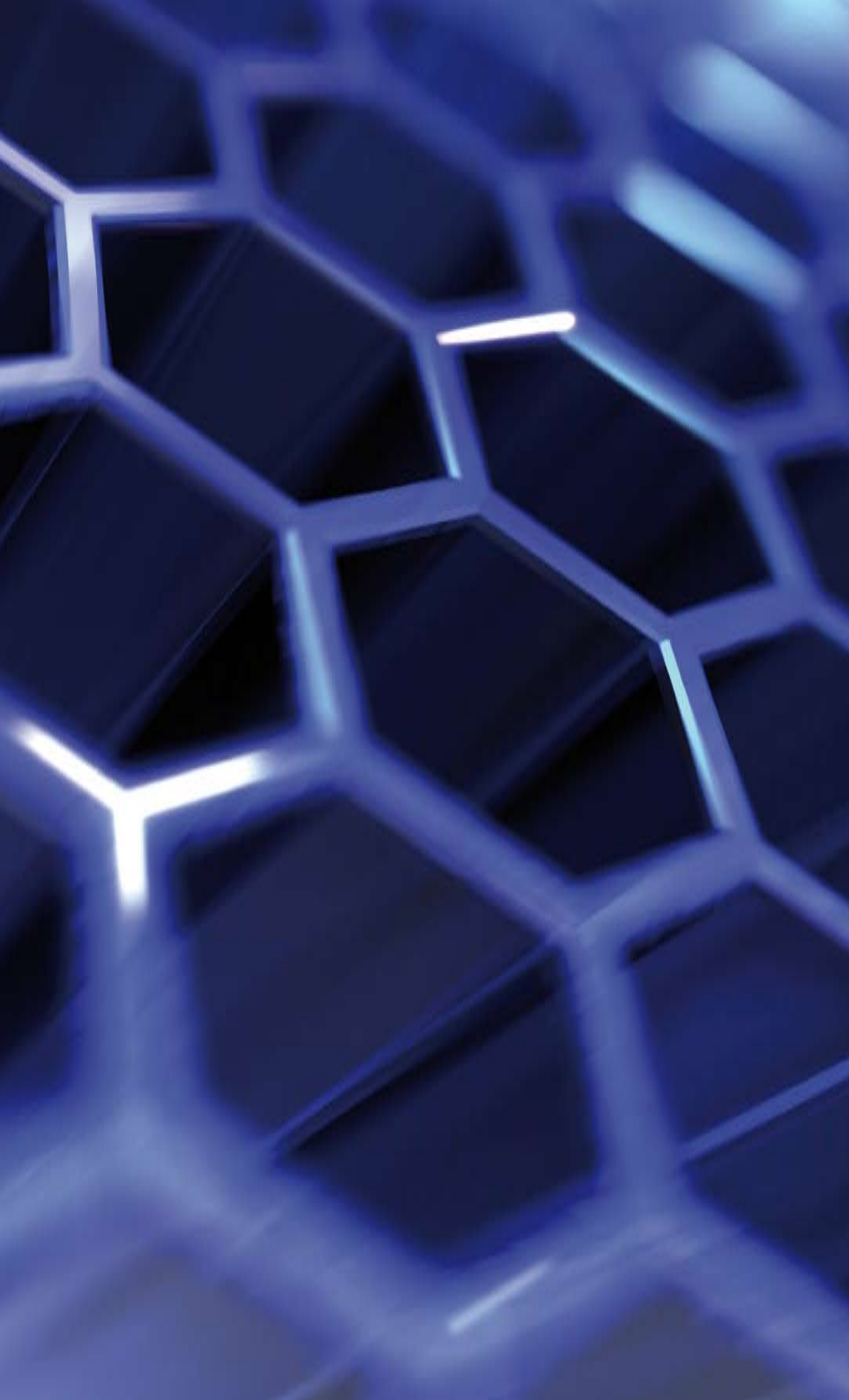
Provider-focused tactics

Commercial payor tactics focused on healthcare providers are designed to control availability and choice of medication and dose for specialty pharmaceutical prescriptions, and to adjust provider financial incentives for a subset of those prescriptions (largely following the example set by the Medicare Modernization Act of 2003).

Payors commonly use several tactics to control the availability and choice of specialty pharmaceuticals by providers. **Prior authorizations** (PAs) requiring time-consuming medical-necessity paperwork are the most prevalent instrument, with anywhere from zero to approximately 75 percent of individual medications requiring PAs. **Step-therapy** – the requirement that alternative therapies be used prior to more expensive/risky medications – is less prevalent, due to a lack of therapeutic classes in which data suggest clear clinical benefit to such cut-and-dry protocols. **Quantity limits** – for instance, limitations on the amount of recombinant factor VIII used for hemophiliacs – are more common, with close to 40 percent of payors citing their use for a sample of specialty medications. Finally, one-quarter to one-third of payors mention **limiting prescribing privileges to specialists**.

For specialty medications administered in physicians' offices and clinics, providers have long made money by acquiring the drugs from manufacturers at one cost and being reimbursed by payors at a higher rate (a model known as "buy-and-bill"). That reimbursement rate was traditionally based on a measure called Average Wholesale Price (AWP). Instead of being calculated on the basis of actual sales price data, this measure is reported by manufacturers and is commonly 30 to 35 percent higher than average selling price (ASP). However, providers reimbursed under this scheme typically received AWP minus approximately 10 percent, resulting in an attractive margin for providers. Medicare was the first major payor to take action to reduce reimbursement for these medications, via the Medicare Modernization Act (MMA) of 2003 which specified that by 2005 physician-administered medications would be reimbursed at ASP plus 6 percent. Commercial payors watched the MMA experiment with keen interest, and as it seemed to run relatively smoothly, started to make plans to use a similar approach. As of early 2006, approximately 25 percent of plans were reimbursing physician-administered drugs on an ASP+ basis (or less); approximately 45 percent more plan to do so in the next 1 to 3 years.

Some commercial payors have sought to completely remove the financial incentive for providers by taking the responsibility for both buying and billing out of the hands of providers, and requiring specialty pharmacies to carry out these duties. Across three commonly used specialty medications recently assessed, approximately 30 percent of payors require the use of specialty pharmacies at the expense of providers' ability to buy-and-bill. Recent studies have suggested that the absence of the financial incentive provided by the buy-and-bill model can indeed have a dampening effect on the amount of specialty pharmaceuticals used.



Manufacturer-focused tactics

While commercial payors still expect manufacturers to provide the appropriate level of clinical data around safety and efficacy, interviews with payors and manufacturers suggest that to date, discounts and rebates on most specialty pharmaceuticals have been minimal. However, given payors' increasing scale and leverage over providers, along with an increasingly competitive marketplace for specialty pharmaceuticals, payors will become ever more aggressive in demanding more health-economics data to inform their technology assessments and expecting deeper discounts and rebates for such drugs.

IMPLICATIONS FOR PHARMACEUTICAL MANUFACTURERS

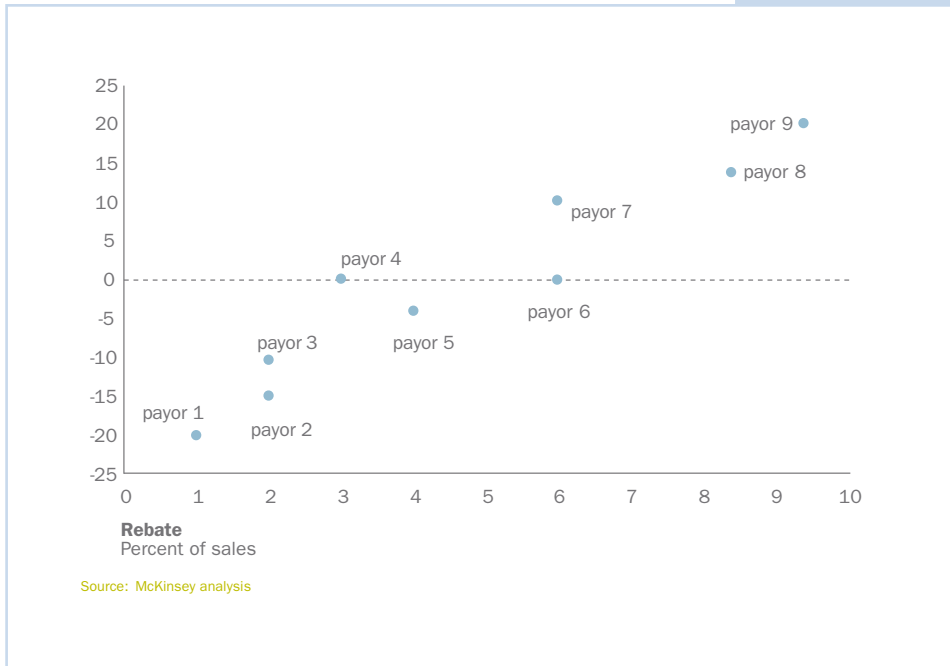
Increasingly, payors are being seen by manufacturers as key customers, on the level of providers and patients. The new importance of the payor as customer is driving the creation of more robust managed-markets strategies, increased investments in managed-markets organizations, and increasing importance of these groups within the overall manufacturer organization. In the context of these trends, manufacturers have the opportunity to significantly sharpen their approach and optimize coverage and access to their products, by focusing on three major areas of potential investment and improvement.

1. Sharpening payor strategies

The fundamental starting point for defining payor strategy is a detailed segmentation of payors, PBMs, and specialty pharmacies – with payor size and control as the two key dimensions for the segmentation. The segmentation provides the basis for defining both direct and indirect payor strategies. As manufacturers align their managed-markets organizations directly with payors, including payors' field forces, medical affairs personnel, marketing personnel, and more, they can use the payor segmentation to feed segment-specific strategic objectives and create individual account plans that are responsive to the specific needs of individual payors. The segmentation can inform the size, structure, and activities of the payor field-force organization and help set field force priorities (e.g., working to achieve favored formulary status in several key regions rather than at the national level, which may not be enforced). Additionally, the segmentation can serve as a framework to inform the overall approach to contracting with payors and other intermediaries and optimizing the return on investment on rebates paid to payors (*Exhibit 5*).

Segmentation can also inform indirect strategies designed to encourage payor policies that optimize rebate structures and/or ensure access. Indirect strategies typically employ efforts to educate employers, patients, or providers about the benefits of the manufacturer's products in concert with information about payor policies, to encourage these constituents to interact with relevant payors to improve access. For example, manufacturers have recently increased their efforts to educate and inform employers about pharmaceutical utilization and to influence benefit design at large self-insured employers.

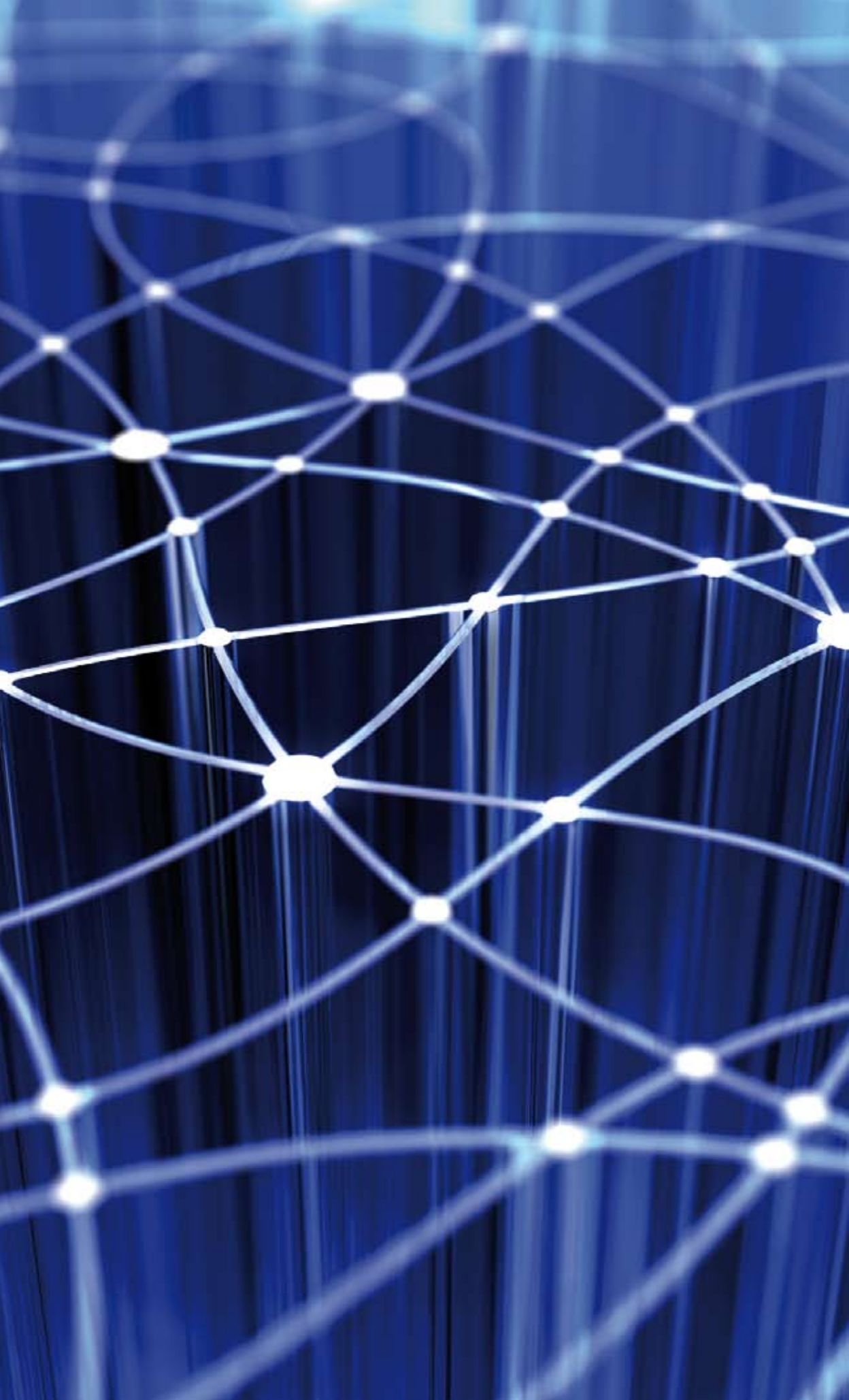
exhibit 5



2. Developing comprehensive access strategies for patients and providers

The second area of opportunity for manufacturers is helping patients and physicians confront the increasingly complex reimbursement environment, to ensure access to their products. For patients, reimbursement support can include free drug programs or co-pay assistance for those with qualifying economic profiles. For providers, reimbursement support can be quite robust, including education on optimal billing practices, assistance in handling prescriptions that are facing payor hurdles like prior authorization or denial, favorable dating for payments on products to address lags in payor reimbursement, and more. In increasingly competitive specialty pharmaceutical markets, manufacturers are beginning to think of their reimbursement-support services as a core component of competitive differentiation.

Reimbursement support to patients and providers to improve access can be delivered using both central services, like assistance hotlines or websites staffed by insurance coding experts, and field-based forces that visit providers' offices periodically or as requested. These services have significant uptake and impact – for instance, tens of thousands (and perhaps hundreds of thousands) of patients nationwide are enrolled in free-drug and/or co-pay assistance programs. Additionally, for many providers administering in-office injections of drugs which they buy-and-bill for themselves, manufacturer support to decrease denials has had a significant impact on overall practice economics.



3. Enhancing analytic capabilities and internal coordination

To “turbo-charge” the two strategies mentioned above, most pharmaceutical manufacturers will need to improve the quality of their data on managed care stakeholders, as well as the breadth of this data’s use. Strengthening internal data acquisition and analytic capabilities to increase the value of limited publicly available data (especially for biotech and specialty products) will support and inform payor strategies and serve as a helpful performance-tracking mechanism for the managed-markets organization.

Another area of opportunity is the level of interaction and coordination between the managed-markets group and other internal stakeholders (e.g., brand teams, government affairs, health economics and outcomes research, corporate communications, patient assistance). Almost all managed-markets groups work in close coordination with brand teams to ensure alignment on overall strategic objectives; however, the increasing sophistication of payors raises the bar in the development and complexity of payor strategies and programs. For instance, the recent trend by commercial payors toward using real-world outcomes data to inform technology assessments creates the need for closer coordination between the managed-markets, health economics and outcomes research, and medical affairs organizations.

CONCLUSION

Developing a sophisticated approach to managed markets poses new challenges to biopharmaceutical manufacturers. As the marketplace evolves and highlights a shift of influence toward large commercial payors, pharmaceutical manufacturers’ success will increasingly depend on developing strong internal managed-markets organizations and capabilities. Our experience shows that manufacturers who are able to successfully implement innovative managed-markets strategies are able to benefit from improved bottom-line results, either in terms of rebate optimization or improved access.

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addressing threats before a brand is in CRISIS

ERICA NEMSER
DAVID QUIGLEY

INTRODUCTION

Companies expend tremendous resources building a brand's reputation and strategically thinking about threats from direct and indirect competitors. When those threats come from other sources, however, many brand teams lack adequate plans to address them. In an increasingly skeptical, litigious and aggressive public environment, challenges to a brand's reputation can originate from a wide variety of sources. The media, consumer groups, law firms, regulatory and public health agencies, etc. can be at least as damaging to a brand as a new competitor if not more so.

Pharma brands have found themselves increasingly under attack from a hostile and aggressive press. Lawsuits and negative legal ads have reduced physician and patient confidence in some brands or drug classes. Meanwhile, political scrutiny of the industry has increased, consumers have grown more skeptical of drug benefits relative to costs, and pressure on the FDA to "get tough" on safety and approvals has intensified.

Based on experience with a number of brands, we outline several actions that brand leadership, together with a wider set of corporate colleagues, can take to identify brand reputation challenges and effectively meet them.

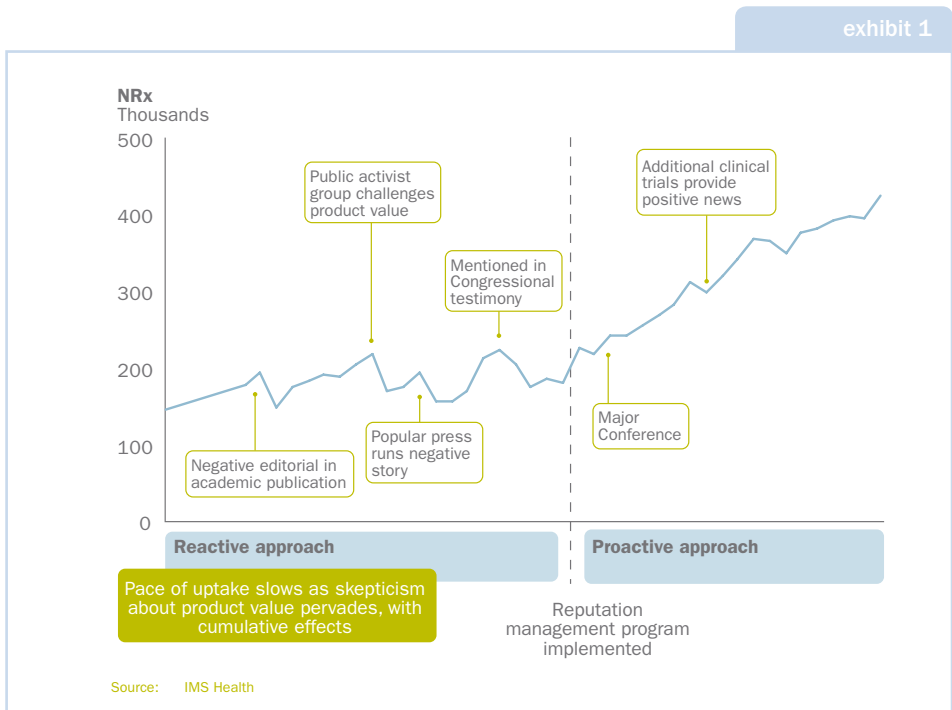
Effective action includes proactively preparing for and managing potential and emerging challenges – something any brand leadership team should do. In addition, brand teams facing mounting challenges need to embed into their overall brand management activities a more sophisticated range of proactive and reactive crisis management techniques. Leveraging a wide range of internal and external knowledge and capabilities is critical to developing and employing an effective strategy to protect a brand's reputation.

SEEING THE SIGNS

Many brands have faced reputation challenges in the past and a wide range currently face these challenges. Challenges that brands have faced in the past include media attacks about drug safety (e.g. Public Citizen calling for the FDA to pull a drug from the market), unexplained product contamination, negative data release associated with major sales declines, and Congressional inquiry.

The current list of therapeutic areas with reputation challenges is extensive and includes COX-2 inhibitors (Cardiac side effects); statins (muscle toxicity); ADHD therapies (public criticism of abuse by adults and overuse in children); Oral contraceptives (religious and political opposition). This long and growing list only reinforces the impact that the broader business and public environment is having on brands.

When a situation starts to impact a brand, one of the first signs may be increased negative press mentions. Regular tracking of brand equity can also serve as an early indicator of emerging issues. If physicians and patients start to change behavior and analysts begin reporting on the issue, the situation can quickly progress to the point where share and growth are affected. Late-stage situations are characterized by flattening or declining share and a crisis-management atmosphere at the brand (*Exhibit 1*).



Unfortunately, brand teams do not traditionally have the skills to address brand reputation challenges in the public arena. They typically focus the majority of their marketing resources, skill, and energy on physicians and consumers. And even in this realm of relative marketing strength, sales force planning, training, and execution are often inadequate to deal with this new class of threats.

The sales rep is often the first in the company to hear that an issue has become a critical concern. Physicians turn to reps with questions such as: “Some of my patients want to stop taking their meds because a legal ad says your product is dangerous. What do I tell them?”, or, “I saw the editorial in Journal X asserting your product should be pulled from the market. What’s your response?” But sales forces often lack the skills or training to address public relations issues. Their limitations are compounded when the brand team moves slowly with information about key events or is late in providing guidance. The brand team may be able to draw on corporate resources (e.g., media, advocacy, PR, legislative and government affairs groups) for help, but most often these resources are not coordinated through the marketing organization or aligned with the brand’s goals.

DEVELOPING A BRAND REPUTATION STRATEGY

As demonstrated by these shortcomings, the vast majority of brand management teams would benefit from incorporating basic reputation and risk planning into their larger brand planning efforts. Some potential brand challenges (a negative statement by the FDA, for example) are predictable or general enough to be articulated in advance. A modest investment in planning can have huge benefits later in terms of quick turnaround time, coordinated response, and ultimately, increased impact.

When a specific potential crisis looms on the horizon, the best response is to quickly direct a wider range of efforts directly at the challenge. In these cases, many more internal resources must be devoted to event management, proactive messaging, and understanding stakeholder needs. Not only is this larger investment justified by the magnitude and immediacy of the risk, it may also be required to deal with a broader impact on the brand, such as the need to revamp brand positioning.

Our experience with brands that have been challenged in the public arena has illustrated several basic requirements for success:

- Change the brand planning process to ensure reputation issues are included in overall brand strategy, planning, and prioritization processes
- Work with a wide range of stakeholders to shape the public debate in areas of common interest
- Craft consistent messaging to address specific challenges
- Manage events, news, and media proactively and opportunistically
- Think broadly about brand performance metrics.

Change the brand planning process to ensure reputation issues are included in overall brand strategy, planning, and prioritization processes

Brand leadership needs to identify and analyze reputation risks alongside other risks that help shape brand priorities. In many companies, rigorous thought and analysis are not applied to reputation risks as they are to other threats. In order to move beyond speculation to fact-based decision making, brand teams and other corporate leadership must develop robust thinking in several areas:

- Thoroughly consider reputation threats:
 - Monitor key external issues on the horizon
 - Map landscape of potential events and develop strategic approaches to address them.

- Hold the evaluation of reputation challenges to the same level of analytical rigor as other types of threats:
 - Measure the business impact of existing and potential external events
 - Prioritize external agenda items in the context of broader brand objectives.

While ensuring that brand reputation risk is considered as a separate form of risk, companies must integrate their strategic response to reputation challenge in their overall brand strategy, instead of crafting an isolated response. Doing so includes developing strategic approaches that are linked to major brand initiatives and messages. Responsibility for issue management and tactical execution should lie with the brand leadership responsible for overall execution (e.g., consumer promotions, media relations) as opposed to a perpetually separate task force (task forces should be reserved for project ramp-up.) Solutions and messages (discussed further below) should be developed cross-functionally with this group.

Finally, companies need to treat reputation risks as general threats, issues, and challenges in the brand planning process. The formal brand planning and management process addresses a range of threats and existing risks (e.g., threat of generics, new market entry, formulary placement). Reputation risks should be managed in a similar manner. Doing so ensures that addressing these risks quickly becomes second nature to the company and brand team.

Work with a wide range of stakeholders to shape the public debate in areas of common interest

Beyond the confines of the company, brand leadership needs to understand and address key stakeholder needs, work with external champions and supporters, and forge relationships with allied organizations and individuals. This approach extends to coordinating a multi-organization response to news and key external events.

The influential stakeholders affecting the brand can include key opinion leaders (where brands typically look), as well as government agencies, politicians, particular advocacy groups, and media outlets/individuals. Teams need to comprehend the motivations, perspectives, and needs of each of these different stakeholders. This understanding will help brand teams prioritize these stakeholders and provide the underpinnings of effective messaging.





Craft consistent messaging to address specific challenges

When developing messages to help address an immediate threat, brand teams must ensure that these messages are resonant with the full range of priority stakeholder groups and consistent with overall brand positioning. Thus, messages may need to include clinical components as well as other elements, including, for example, public health, public interest (e.g., cost effectiveness for society), individual rights, etc. The challenge comes in addressing the full range of issues and interests while ensuring they remain under the umbrella of the overall brand message and positioning.

The most effective strategy for ensuring this type of robust and broad-based consistent messaging is to harness the collective input of a host of internal and external “experts”. While some may balk at the prospect of having clinical, marketing, regulatory, public relations/affairs, ad agencies, legal, and government affairs representatives (among others) trying to work on messaging together, it is an effective way to ensure patient centricity and regulatory compliance. United under a common objective and given some structure to the discussion, these groups can and do develop highly valuable and highly effective messaging. In the process, they often develop greater insight into each other’s perspectives and positions, which can be immensely valuable to the brand and the company down the road.

Manage events, news, and media proactively and opportunistically

Companies often find it easiest to wait until a threat has gained public attention to develop emergency reaction plans. But structured contingency planning – that is, developing a proactive strategy for publicly addressing reputation challenges – is worth the investment (*Exhibit 2*). This is doubly true in an environment where multiple parties will have to be involved in decision making and execution.

Successful companies move to a proactive position, in which content, messaging, roles, and responsibilities are all clarified before a threat arises. They work with media outlets and individuals in advance and over time, delivering messages to the marketplace proactively and repeatedly.

exhibit 2

Proactive prevention and management	Reactive situation management control
<ul style="list-style-type: none"> ● Map complete stakeholder environment and conduct root cause analysis: allies, ambivalents, active critics ● Understand specific influence of public debate on prescribed usage ● Activate a carefully constructed influence network <ul style="list-style-type: none"> – Develop key messages and effective means of influencing key stakeholders (e.g., KOLs, Congress, media) – Develop external champions and supporters (e.g. patient advocacy groups, Congressional supporters, media) ● Create forum for developing and executing cross-functional messaging and tactical tools (e.g., salesforce aids, letters to Congress, advocacy messages, basic media response toolkit) 	<p>Conduct all of the “proactive” activities PLUS move to total situation management:</p> <ul style="list-style-type: none"> ● Comprehensive mapping of all upcoming events (e.g., meetings, publications, public forums) to identify opportunities and threats ● Proactive event management and messaging, including <ul style="list-style-type: none"> – Complete cross-functional full-time event and crisis management teams – Regular strategy, tactical and coordination sessions ● Broader and more intensive interactions with allied organizations and individuals (e.g. coordinating multi-organization response to news and key external events) ● Repositioning brand <ul style="list-style-type: none"> – Realistic target perception – Supportive clinical strategy

example of a
brand's strategic
action plan
in the face of drug
withdrawal

RESPOND IMMEDIATELY, FLAWLESSLY, AND RESPONSIBLY:

- Notify affected individuals (if appropriate)
- Prevent any increase in the liability – e.g., ensure that additional usage is stopped immediately
- Develop a program for handling affected individuals
- Proactively reach out to any agencies/associations who will be commenting on the situation and/or making public recommendations for product users (e.g., FDA and AMA)
- Consider all constituencies throughout your business system, e.g., develop generous recall/rebate programs to maintain goodwill with distribution chain

PUT IN PLACE APPROPRIATE LEGAL COUNSEL FROM OUTSIDE AS PART OF THE TEAM

PUT IN PLACE PUBLIC RELATIONS COUNSEL FROM OUTSIDE AS PART OF THE TEAM

UNDERSTAND THE MAGNITUDE OF THE EXPOSURE:

- Understand who was affected (e.g., all users, those with certain characteristics, those who used the product in certain ways) and how (is the problem now or in the future?, can future problems be predicted?)
- Understand the potential impact on the company's financial viability

RESPOND TO THE ROOT CAUSE OF THE PROBLEM:

- Assess whether an underlying problem needs to be addressed
- Consider whether any corrective action needs to be taken

CONSIDER “GOODWILL” GESTURES, E.G.:

- Show a sincere effort to understand the issue with the product, and how it impacts the affected individuals
- Create a panel of global experts to advise on the problem caused by the product; this group can provide the company credibility in trying to do the right thing, and become excellent advisors and even expert witnesses

ORGANIZE INTERNALLY FOR THE “LONG HAUL”:

- Choose the very best people from each area
- Make it “okay” that individuals outside of this group not be informed every step of the way
- Remove all bureaucracy for this group
- Ensure the team is properly supported (e.g., develop a war room, provide generous logistical/administrative support, confidential computer drives, filing system/library)
- Ensure that there is a lead contact within each relevant skill area (e.g., legal, research/science/medical, investor relations, PR, project management)
- Create internal ground rules and control communications to absolutely everyone outside of the project team
- Create standard “processes” (e.g., standing weekly meetings, group calendars, group action-item lists, regular reports of critical information)

Developing this type of strategy requires regularly scanning the environment for threatening events on the horizon (e.g., clinical data release, Congressional events, product launches, professional meetings). Communication and event management plans should be put in place for all major events that could have negative repercussions. These same events will often provide a chance for positive messaging, if teams are prepared to take advantage of the opportunities.

Involving the entire organization in contingency planning is necessary, although it can create internal disagreement and conflict, driven by differing interests. For example, legal concerns may drive for very limited, reactive, and circumspect messaging, while business concerns will drive to support branding, positioning, perception, and commercial goals with bolder, more proactive, repeated messaging. It is critical to allow various parts of the organization to succeed without undermining the others. Professional risk-management PR firms are adept at executing on such nuance, and companies may wish to employ them or other outside resources to help protect brand reputations.

Think broadly about brand performance metrics

Brand teams must consider both leading (e.g., press mentions, changes in brand equity measures) and lagging (e.g., market share changes) indicators of reputation challenges. Performance against these indicators can be a guidepost for activating different activities, depending on the severity of the situation.

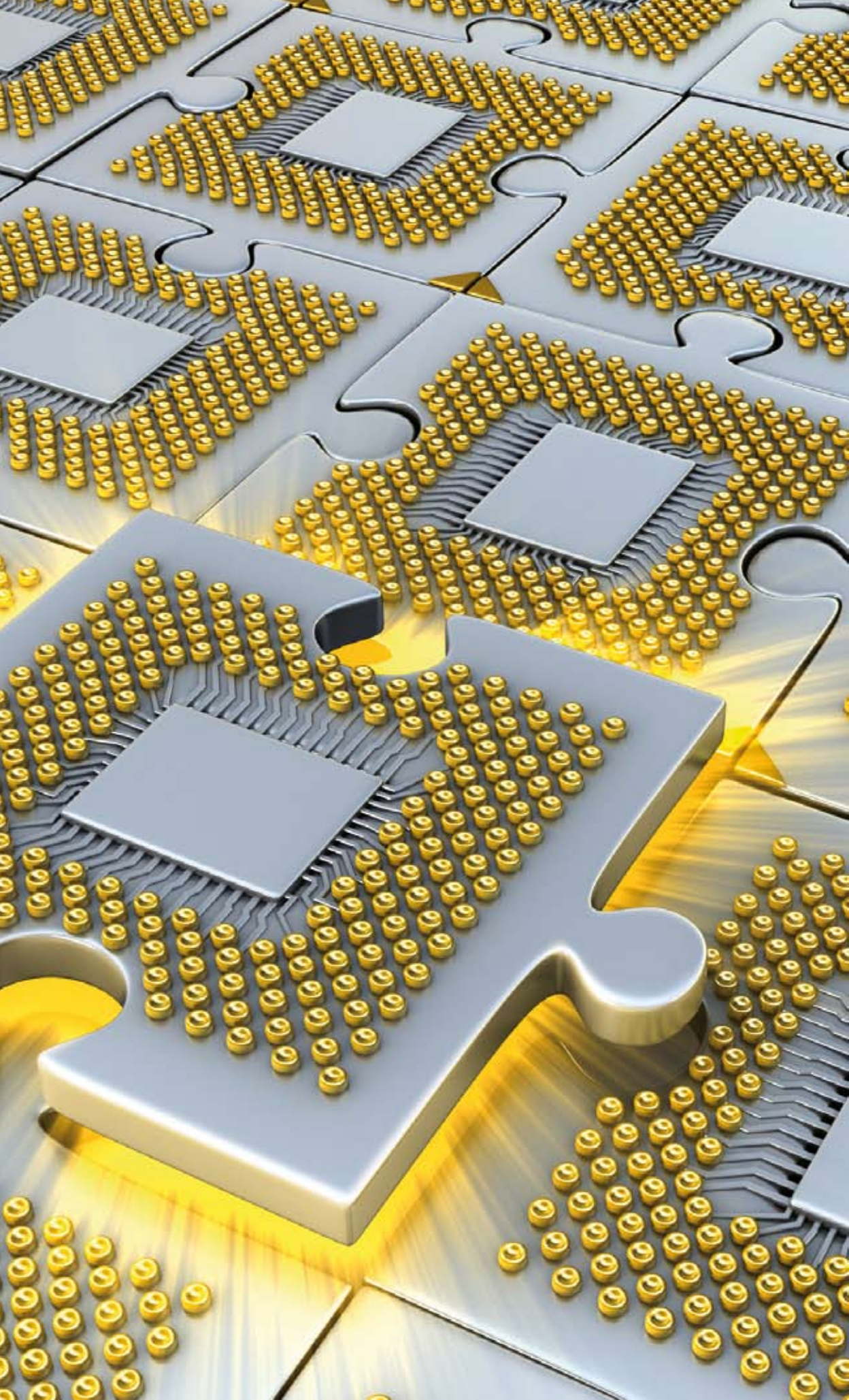
The skill with metrics is isolating a simple and clear set that are easily understood, easily collectable and communicated, and drive to clear implications. The challenges with executing and implementing metrics are both psychological and logistical. Oftentimes an atmosphere of “preferring not know” prevails, which can be overcome by starting small and seeing success or building collective organizational momentum (among other methods). Logistically, pulling together metrics and communicating them effectively requires the collection of new data (and new responsibilities) or the organization and coordination of a range of existing outputs (and responsible owners).

CONCLUSION

The steps to implementing a brand reputation strategy may be clear, but the path to success is not always simple. The process requires the coordination of a significant number of internal and external resources. While the amount of time devoted by any particular individual may be small, the total number of players contributing can be vast. Understanding and buy-in of leadership is critical, given that the organization must think and execute differently, and senior management must thus participate in different activities in different ways.

By anticipating and regularly assessing challenges, brand teams can quickly create tailored strategies and execution plans to mitigate the impact of negative events.

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the changing role of **IT**
in PHARMA

**SAM MARWAHA
STEVE VAN KUIKEN**

INTRODUCTION

Author's note: *This McKinsey classic on “The Changing Role of IT in Pharma” is even more relevant today than it was when first published in 2005. The urgency of the twin imperatives – IT efficiency and IT driven innovation – within the commercial function has only increased in the face of looming growth challenges. In addition, external disruptions like the emergence of on-line physician communities, clinical decision support and the increased transparency of clinical data and outcomes are changing how products compete. Those companies that successfully translate the experimentation currently on the periphery to the core of their commercial model will gain a significant competitive advantage.*

Pharma's health will depend on a dose of IT to improve efficiency and innovation.

CIOs in the pharmaceutical industry have an opportunity to become true pioneers. That's the good news—and the bad news. With the business model straining to operate at scale, pharma companies are asking their IT leaders to do two things at once: dramatically improve the efficiency of IT and use it to drive business innovation. Never before have CIOs in any industry had to face these challenges at the same time and to meet them so quickly.

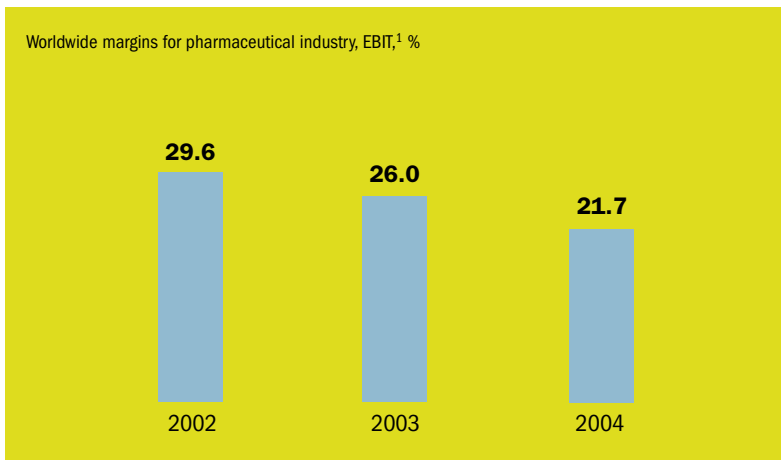
The need to face both challenges at once arises from a convergence of factors. The pharma industry – buffeted by the possibility of price controls, declining drug-development productivity (higher costs, fewer drugs), stricter regulatory scrutiny, and competition from a growing number of “me-too” drugs – is in a state of turbulence. This instability is putting financial pressure on all the industry players, not just the weaker ones; earnings of the sector’s top companies have fallen by 25 percent since 2002 (*Exhibit 1*). Meanwhile, companies must rethink core business processes (such as drug development and commercialization) and seek new ways to increase their yield and productivity.

IT is critical to meeting both challenges. Big pharma companies are streamlining and standardizing their operations, focusing on procurement and manufacturing as well as on back-office functions such as finance, human resources, and facilities. Success in these efforts will require IT solutions. Equally critical is IT support for business innovation. Pharma companies expect IT to improve data collection, speed up regulatory reporting, manage the progress of clinical projects, and improve the targeting of physicians and the use of marketing programs. Faster, better decisions are critical in an industry where each day’s delay of a blockbuster drug can mean \$5 million in lost revenue.

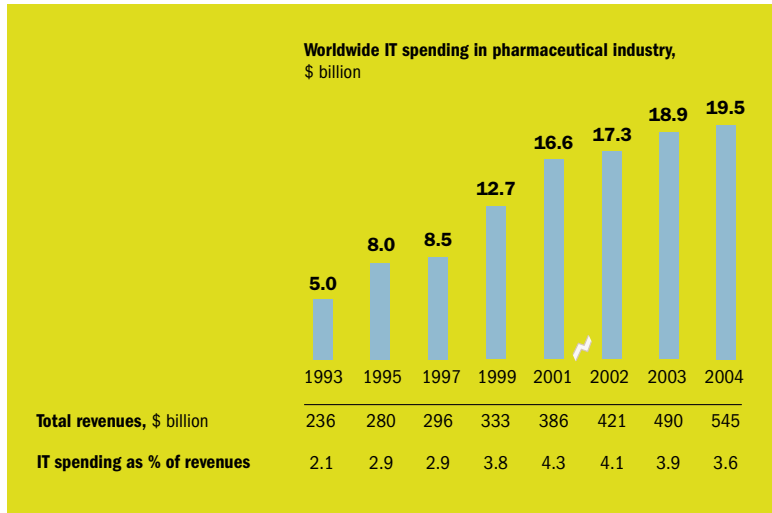
To meet these twin challenges, pharma CIOs will need to overhaul their IT organizations. Over the past decade, IT spending at most pharma companies has grown much faster than revenues (*Exhibit 2*), partly to meet the information needs of the business but mainly because the IT environment is diverse and highly decentralized. In a typical pharma company, fiercely autonomous and well-financed divisions and functions make their own IT decisions. There might be dozens of different systems for enterprise resource planning (ERP), finance, lab information management, and document management, along with a jumble of underlying infrastructure assets. Layers and layers of fragmented systems make it impossible for companies to integrate and scale their IT resources to reach speed and efficiency goals or to support their need for innovation. Inefficiency is costly: more than 85 percent of the industry’s IT spending goes toward maintaining and supporting these disparate assets. In short, IT has become an impediment to rather than an enabler of better business performance.

exhibit 1

Declining margins



¹ Earnings before interest, taxes; weighted average of top 10 companies by margin for which data were available. Source: Bloomberg

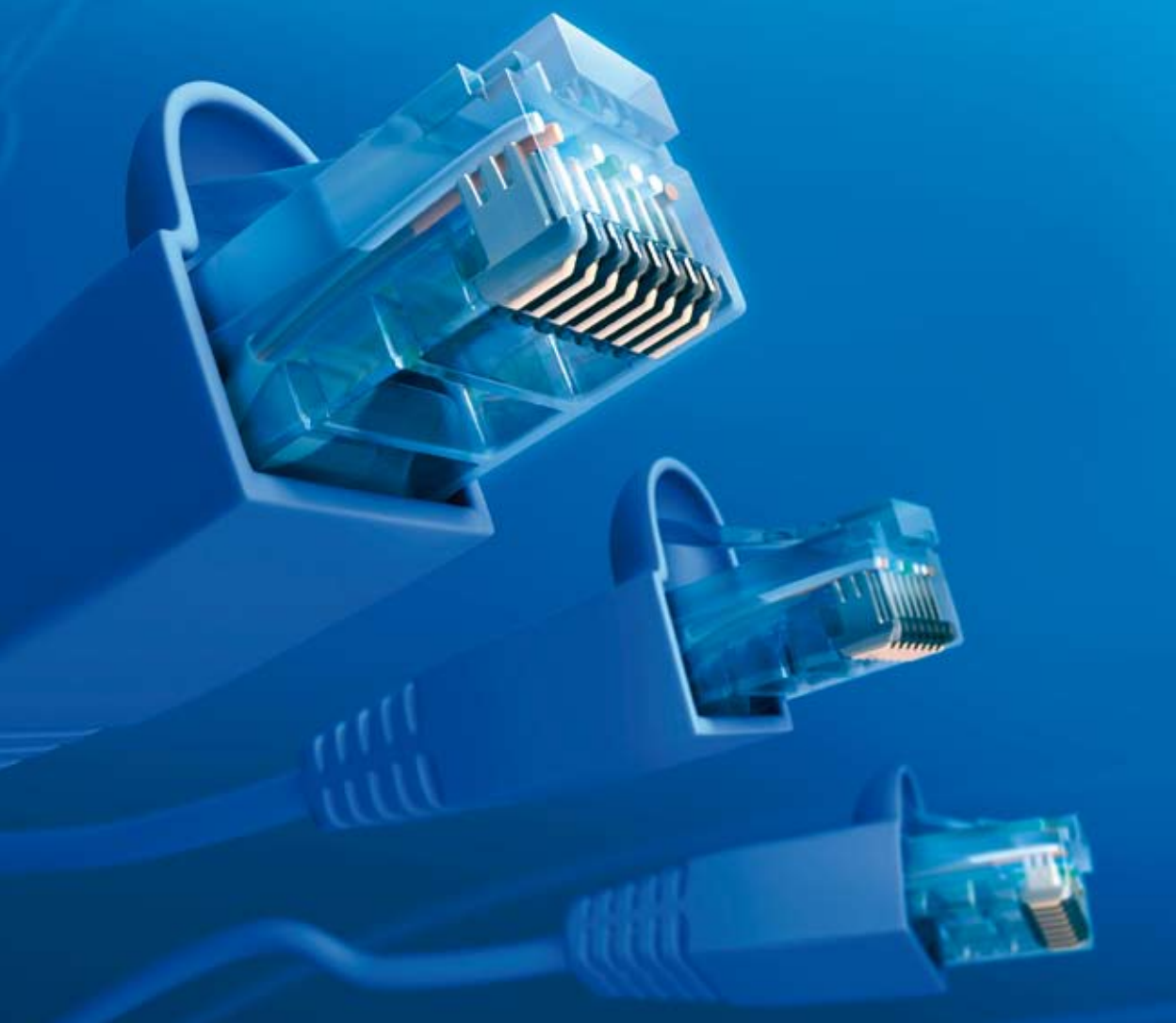
Spending more on IT

Source: Gartner; IMS Global Learning Consortium; Rubin Systems; McKinsey analysis

The choices pharma CIOs make regarding IT's efficiency and potential for business enablement – that is, the use of IT to promote business objectives – will have an enormous impact on their company's ability to compete over the next decade. The wrong choices will impede progress; the right choices will speed it up. CIOs need to sort out the balance of actions meticulously to improve both the efficiency of IT and its support of business innovation, weighing these decisions by the lights of a deep understanding of corporate strategy and capabilities.

It is all too easy for executives under pressure to decide on tactical improvements that are wrong for the corporation. At one company, a CIO placed more emphasis on improving IT's efficiency than the business units did – a misalignment that has set back the company's overall improvement program by 18 months. At another company, a CIO opportunistically pursued IT efficiency and business-enablement projects, but this à la carte approach quickly led to conflicting decisions, mixed messages, and confusion within the IT organization and in communications with clients.

CIOs can make the right choices if they truly understand the three generic improvement paths available: tackling the twin challenges in a serial fashion, in parallel, or through outsourcing. They must recognize the benefits, challenges, and trade-offs of each path to choose the one that best fits their company's business strategy and the IT organization's ability to deliver.



THE IT LEADERSHIP CHALLENGE

Improving efficiency and promoting business innovation demand different sets of roles and skills from the IT leader. To increase efficiency, the CIO must play the role of enforcer, urging the business to conform to more restrictive rules and policies. Supporting business innovation requires a true partnership with business leaders and a willingness to assume the role of business strategist. Moreover, efficiency makes it necessary to cut costs by limiting service-level choices, instilling process discipline, and finding what business units have in common. Promoting business innovation, by contrast, requires an IT leader who understands the differences – not the commonalities – among all business units and helps each of them hone its competitive distinctiveness. What’s more, business innovation demands a willingness to go beyond traditional process constraints and service catalogs. These inherently conflicting roles present a major hurdle to success. The CIO may struggle to fill both roles, neither of them well, or may focus on one at the expense of the other, thus creating an imbalance.

Another critical issue is capacity. Launching simultaneous campaigns for IT efficiency and business innovation puts an enormous load on the IT organization. Few pharma companies have enough skilled IT project managers to drive all the efforts these goals imply, and some efforts will inevitably stall. This upheaval also takes a toll on the enterprise as a whole.

To address these challenges, pharma companies face a choice of three paths: tackling IT efficiency first and then focusing on IT-driven business innovation, undertaking both sets of activities in parallel with two different leaders, or gaining efficiency by outsourcing basic IT operations so that the IT leader can focus on innovation. Each approach has advantages and drawbacks. In our experience, all pharma companies are moving forward – but some are taking the wrong path, pursuing advantages that aren’t matched to their current business needs, grappling with disadvantages that their IT capabilities can’t overcome, or both. Worse, some companies are on more than one path.

These problems stem from a lack of clarity about what each path involves. Let’s look more closely at them in turn.

The serial approach

Pharma companies that take a serial approach start by streamlining and globalizing the IT function to increase its scale and efficiency. Once their IT house is in order, they focus on IT-driven business performance and innovation. This approach takes the longest time – 18 to 24 months for the efficiency phase alone, on average – but it’s the least risky because resources can be managed in a focused, coherent way.

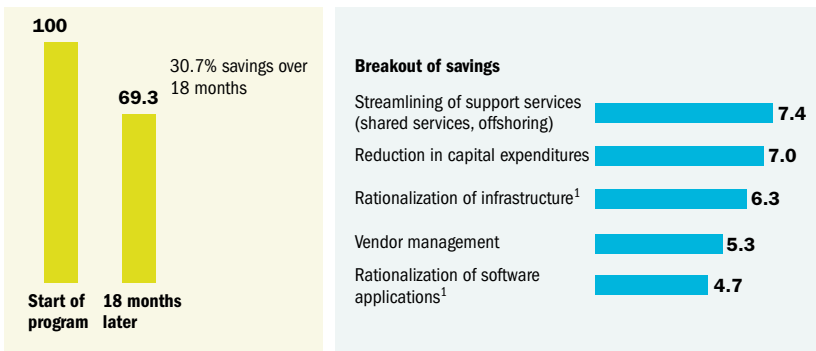
In the first phase, the CIO consolidates IT assets, creates standard and reusable IT “products,” selectively offshores or outsources infrastructure management or application development where feasible, and takes other actions to increase the efficiency and scalability of IT. At one typical pharma company, functions such as sales, manufacturing, and R&D had their own groups for IT support, application maintenance, the help desk, and infrastructure. As a result, processes were inconsistent, efforts duplicated, and systems redundant and fragmented. The company consolidated these dispersed assets under one IT organization, cut back on redundant systems, and reduced the number of servers and other IT assets. Cost-saving actions also included paring back the application portfolio, using fewer vendors for the development and maintenance of applications, and outsourcing help desk and end user support. In this way, the company reduced its total IT costs by 30 percent in 18 months (*Exhibit 3*).

exhibit 3

Streamlining IT

IT cost reduction through improved efficiency; disguised example of pharma company

Total IT costs; index: costs at start of transformation program = 100



¹ Rationalization = evaluation of applications/infrastructure portfolio with respect to consolidation, redundancy, retirement of elements.

Another goal of the company's phase-one effort was to globalize IT operations, since IT was fragmented across countries and even within functions. The company created a new, global IT organization with twice the size and budget of the old one – all under a single CIO – so that IT operations could be managed in a more unified way. Consolidation and globalization laid the foundation for the IT-enablement phase, which the company is shifting to now.

After centralizing and globalizing IT, pharma companies following the serial approach can begin creating common, global platforms for key business processes such as finance, human resources, the supply chain, and other areas that benefit from low-cost, standardized approaches. The creation of shared services and the selective use of offshoring are also possible at this stage. With standardized, global processes, business units can more easily share new approaches and technologies across the enterprise and thus accelerate innovation in the core areas of sales and R&D.

The serial approach has practical benefits. Besides reducing the risks involved in managing these initiatives, it can make progress self-supporting, as cash freed up during the efficiency phase is used to finance globalization and innovation. The serial approach also gives the IT organization time to build the necessary change-management capabilities as it moves from internally focused IT efficiency to externally focused business innovation and enablement. Finally, the early wins from reducing costs and complexity help build credibility with the business, thereby smoothing the way for phase two. The business units will be more likely to put their processes at risk when they know that the IT organization has successfully transformed itself.

The parallel approach

When pharma companies want to overhaul the IT organization but cannot put IT-driven business innovation on hold, they can undertake both efforts in parallel. With this approach, companies split the responsibilities between two leaders – one with the experience and capabilities to drive scale and efficiency, the other with the acumen and business relationships needed to support IT-driven innovation. Companies needn't be constrained by traditional views of the proper experience for an IT leader. One pharma company, for example, gave the responsibility for promoting business innovation to an executive with a background in business strategy and planning. His charter was to drive the value of the business in commercial, R&D, and supply chain applications and in information management.

Besides splitting up the leadership roles, companies must design cross-cutting policies and operating procedures – such as ways to manage conflicting demands and to measure unit costs – that let the two groups remain strategically aligned while day-to-day operations are somewhat decoupled. Companies on the parallel path work best when they identify the 10 to 15 application platform “archetypes” that meet the needs of most applications and then standardize support and provisioning around these archetypes. Finally, the parallel path requires release-management discipline for application development. These principles help eliminate the low-value variations and complexity that hinder scale and efficiency, and they allow the leader responsible for IT-driven business innovation to move aggressively by focusing on the specific capabilities that create value.

The parallel approach can be risky, however. Without disciplined adherence to cross-cutting policies and operating procedures, the two separate power centers may make slow and ineffective decisions, which lead to misalignment and waste. The parallel approach also can introduce cash flow problems: when companies invest in efficiency and innovation at the same time, the IT budget often balloons until the efficiency improvements kick in.



The outsourcing approach

A third approach to transforming IT is offloading the efficiency piece to a third party. By outsourcing the IT infrastructure and the maintenance of stable legacy applications, companies can capitalize on the capacity and professional standards of vendors and focus internal resources on IT enablement and innovation. Outsourcing is not, however, a complete shortcut; companies typically spend six to nine months planning before handing off any IT functions to a vendor. These planning activities include identifying opportunities for efficiency and scale, estimating the economic payback from the bottom up, determining which aspects of IT should be contracted out to capture these opportunities, and negotiating contracts that meet efficiency goals.

Outsourcing is becoming more prevalent in the pharma industry. Although the large-scale, multiyear commitment required means that few companies outsource their IT infrastructure wholesale, many have outsourced selected components, such as the help desk or desktop support. In addition, more vendors have shown that they can provide specific infrastructure services (for example, the hosting of applications that run on virtual Windows or Linux platforms) during the course of contracts that are much shorter in duration than the typical seven- to ten-year outsourcing deal.

Outsourcing infrastructure and legacy systems lets IT leaders focus on business change. Moreover, this approach involves less strain than does the dual-focus and dual-organizational model of a parallel transformation. If done correctly, the outsourcing approach is also considerably faster than the serial one. These benefits come at the expense of some flexibility, however. As most CIOs now realize, outsourcing agreements can hinder rapid growth or contraction and usually require prenegotiated technology changeovers. Outsourcing also demands greater management sophistication, including the discipline of planning ahead and the ability to manage the activities of partners.

CHOOSING THE RIGHT PATH

Although most major pharma companies are overhauling their IT operations to meet the challenges of business efficiency and innovation, few have thought about the best way to get there and how their decisions will affect the flexibility of the business and the speed of innovation.

A number of factors should drive the choice. Companies that are averse to change or risk may opt for the more easily managed and slower-paced serial approach. Another factor may be leadership capacity: the parallel approach demands two highly motivated people with wholly different sets of skills. Companies that cannot find such people may have to scale back and adopt the serial or outsourcing approach. In the end, though, the best path depends largely on a company's overall business strategy.

Staying in the game

For financially troubled companies whose business strategy is to stay in the game by engineering a turnaround, the best option is the serial one because it's the fastest path to cost savings – with the least risk. For these companies, improving the efficiency of current operations trumps promoting business innovation in the short term. To succeed with this approach, however, companies must set clear and ambitious efficiency goals that reflect the amount and timing of the savings they expect. Moreover, the business must understand the need to delay innovation while the IT organization cleans house. Only the most critical business-enablement projects can be pursued during this first phase.

Shifting from the IT efficiency to the business-enablement phase may require a change in IT leadership. The former demands a leader with the technical competence and attention to detail needed to push the IT organization to consolidate and standardize technologies, as well as the organizational know-how to restructure the IT organization, change its governance models, and develop internal talent – in other words, an operator. By contrast, the leader of the business-enablement phase must be a person with a deep knowledge of the business units and functions that IT supports, credibility as a business partner, and the sophistication to invest in new approaches and technologies – in other words, a strategist. Only rarely does one individual possess both sets of capabilities.

CIOs at companies that aren't under financial duress should think twice before opting for the serial approach. Managing in a serial fashion puts less stress on the IT organization, but it undermines the competitive advantages to be gained by pursuing business innovation today. At one company, executives rejected the CIO's decision to pursue a serial approach—the company wasn't financially struggling – so he eventually had to adopt a parallel one to get improvements started at the company. In the process, valuable time was lost.

Winning within the rules

The outsourcing approach balances risk and speed. It is the choice for any company whose business strategy is to be a “fast follower” – that is, ready to adopt industry innovations quickly but with no desire to lead. Such a company seeks a more rapid transformation than the serial approach offers, without the complexity and organizational strain of the parallel approach. Moreover, as outsourcing vendors become more flexible and outsourcing buyers become more sophisticated in the way they plan, negotiate, and manage deals, the attractions of this option increase. Companies on the outsourcing path must still, however, analyze the opportunity and develop a strong grasp of vendor economics before negotiating deals. They will also need to strengthen their skills in procurement and in managing third parties. After the six to nine months required to analyze the outsourcing opportunity, these companies can begin to address business innovation in earnest.

From a leadership perspective, companies that choose this route need a CIO who has outsourcing and vendor-management experience and can work effectively with the business to improve its performance. The outsourcing approach combines IT efficiency and business enablement, but not to the same degree as the parallel approach. Since efficiency efforts are conducted at arm's length, the leader can focus on optimizing the business.

Changing the rules

The parallel approach is most attractive to companies intent on developing or maintaining industry leadership by changing the rules of the game. It lets them build on their current strengths and lengthen their lead while seeking new ways to compete. Companies on this path have an overall bias toward business innovation, so they pursue efficiency in parallel to speed the delivery of new capabilities. Two IT leaders, one focused on efficiency and one on IT-driven business innovation, will give these companies the greatest flexibility and the fastest transformation.

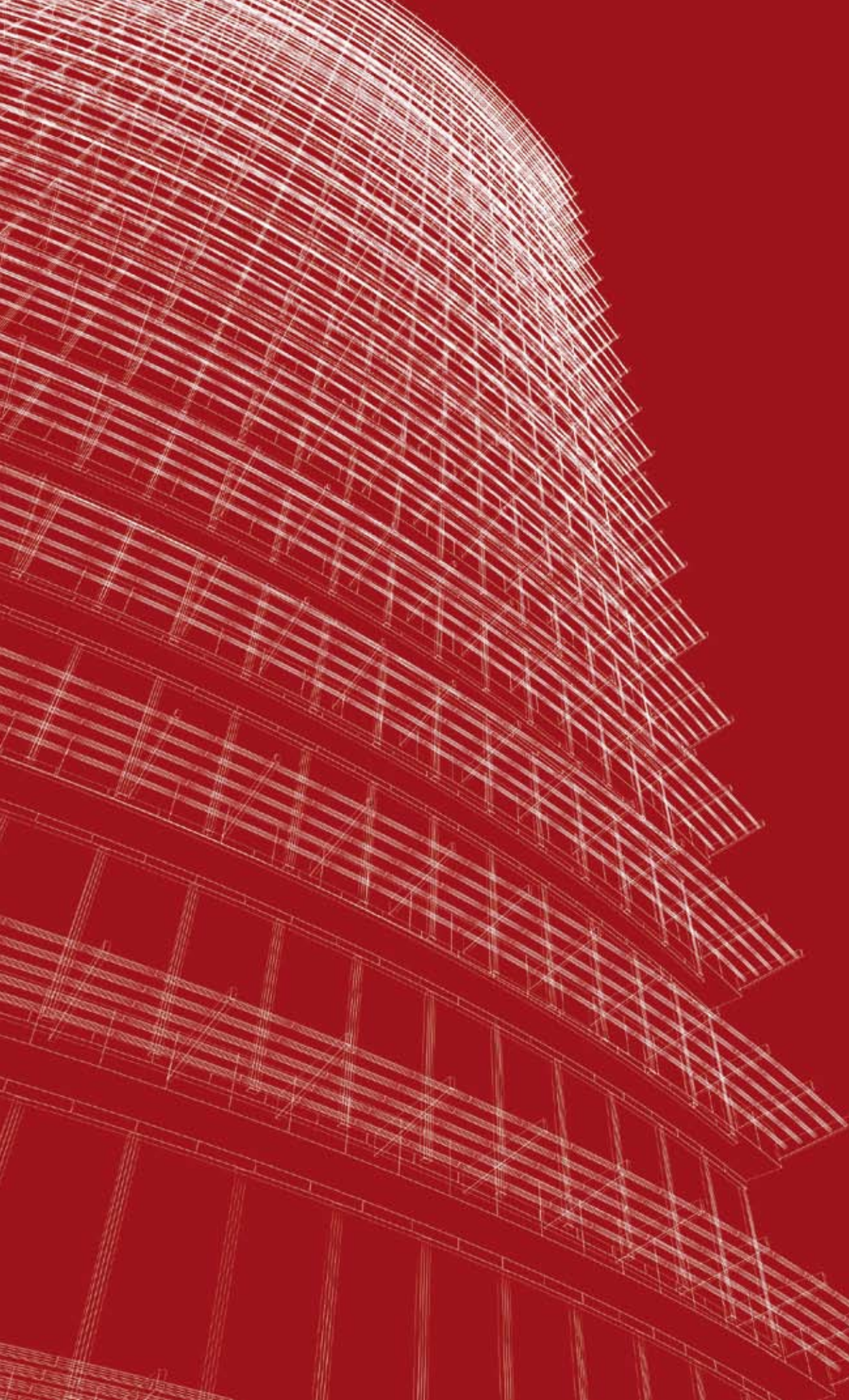
With the parallel approach, the complexity of dual leadership and the strain on an IT organization that must manage change in both efficiency and innovation will be more than offset by the rapid achievement of a new, more competitive business model. To get started on this path, companies must clearly define the roles, skills, and responsibilities of the two leaders; create a common operating model to help resolve the inevitable conflicts and trade-offs; and create mechanisms (such as service-level agreements and standard platforms) to promote structured interaction between the two organizations.

Looking across the industry, only 25 percent of the top pharma companies are able or willing to change the rules of the game through the parallel approach. Another 25 percent, driven by the need to streamline and restructure their operations to generate cash, will default to the serial approach. The remaining industry players should use outsourcing to boost the efficiency of IT so that business and IT leaders can focus on business innovation and competitive performance.

CONCLUSION

As pharma CIOs face the dual challenge of quickly improving the efficiency of IT and supporting IT-driven innovation, they have no precedent to follow. No other industry has had to change so much so quickly to assure the financial viability of its key players. In this turbulent environment, the choice of a path to transformation and the selection of IT leaders are critical decisions with far-reaching implications.

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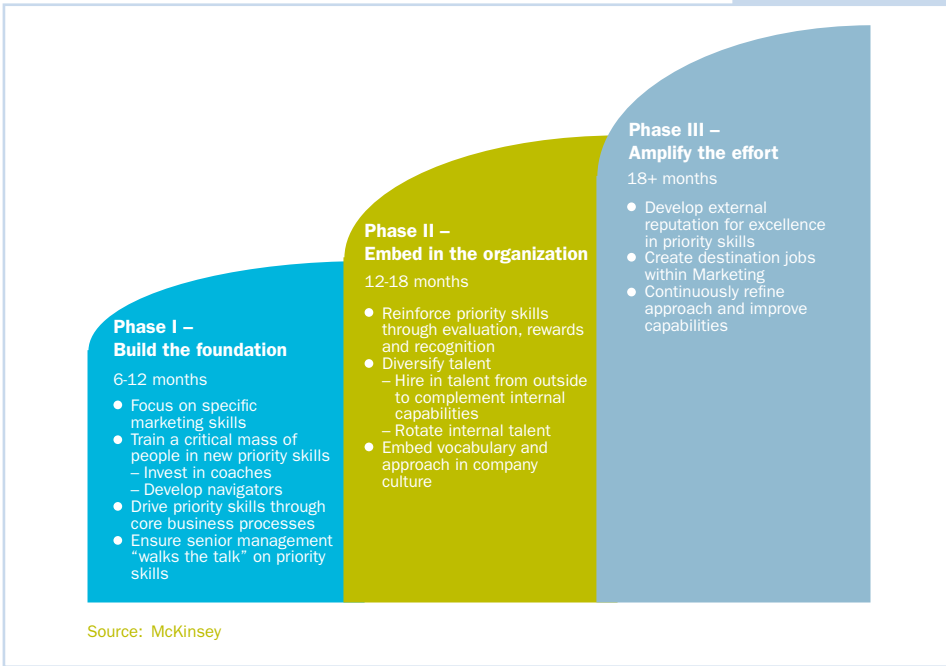
building MARKETING excellence capabilities

**CHINMAY BHATT
AGNES CLAYE
DAVE ELZINGA**

INTRODUCTION

Historically, pharmaceutical companies have focused on driving performance through sales force excellence. As sales force optimization yielded significant gains, they focused their efforts on maximizing physician reach and detailing frequency, often neglecting to institutionalize capabilities in marketing and market access. Due to the changing healthcare environment (reduced physician access, increasing pressures from managed care organizations) and competitive pressures (plethora of “me-too” compounds, build up of sales forces), returns on investments in sales force have diminished, and the importance of marketing has increased. As a result, pharmaceutical companies are increasing their focus on building superior marketing capabilities in order to differentiate their products.

This article presents the key components of a successful marketing capability building program, based on the experience of several large pharmaceutical companies as well as companies outside of the industry. It describes the multi-year journey to achieve marketing excellence, focusing on 3 phases shown in *Exhibit 1*: ‘Build the Foundation’, ‘Embed in the Organization’, and ‘Amplify the Effort’.



PHASE I – BUILD THE FOUNDATION

The first phase of a marketing capability program focuses on building the foundation – selecting the core skills to focus on, defining the new approach, and training the organization. This phase takes 6 to 12 months, and requires the active support and participation of recognized marketers within the organization and senior management. This first phase is key to build momentum behind the long term transformation.

Focus on specific marketing skills

In order to design a capability building program, there should be clarity, consensus and solid communication about the capabilities that need to be developed.

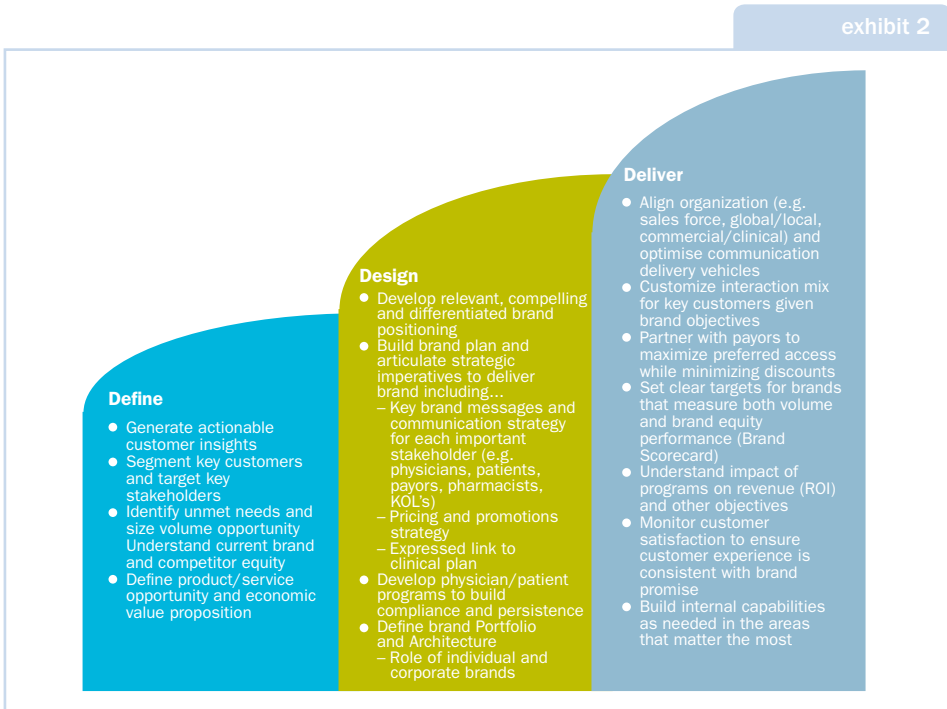
Saying that marketers should “improve their marketing skills” is too uninformative to be meaningful. There are a wide variety of marketing skills companies can focus on (*Exhibit 2*) – for example, more competitive orientation, building world-class customer insights, creating differentiated and relevant brand positioning, or developing a compelling value proposition to payors – and companies should pick the specific skills they want to focus on. Successful companies select real problem areas that are pertinent to their current business challenges and environment. For example, one company decided to focus on building customer insights skills for stakeholders like payors and insurers whose influence on prescription choice was growing in key European markets.

Train a critical mass of people in new priority skills

Well-structured and targeted training events are the minimum requirement for a successful capability building program – that is, one that changes behaviors and mindsets, so that transformation sticks.

For superior training events, it is important to simulate as much of the real world as possible in the process, in order to train truly cross-functional teams. Use a case study to bring the capability to life. Encourage creativity with contests, mock presentations etc., as creativity and improvisation are intimately related to learning.

Sound education methodology prescribes that one builds on the learning of the training events. Two ways of going beyond training events have proven successful at pharmaceutical companies: Invest in coaches and Develop navigators.



Invest in Coaches

When expertise does not exist internally, companies should invest in external coaches in order to develop the approach and training materials for the organization, and train the future navigators. Coaches should be selected based on their expertise in the chosen marketing skills, and their ability to work closely with the navigators. They should have experience outside of the industry to provide perspectives on best practices and bring fresh ideas, and be sensitive to the company's culture.

Coaches intervene at all key points of the capability program – at training of course, but also prior to presentations to senior management or the interpretation of important market research.

Develop navigators

Coaches should groom a set of navigators within the organization, who in turn will lead the program and act as its 'public face' for the rest of the company and during training. Selecting the right set of navigators is important, as they bring credibility to the role and to the effort. But it is also very difficult, and few companies do this successfully. It is important to select individuals with credibility (e.g., high-performing marketing directors from markets with demonstrated track record), an ability to influence others in the organization, and experience in functions beyond marketing (e.g., sales, market research or medical affairs).

Navigators typically first go through the training themselves, and apply the content to a real market context in order to gain hands-on experience for a few months. Then, navigators attend 'train the trainer' sessions with coaches, covering the actual training they would provide to brand teams. Coaches may support navigators in delivering the first training sessions until they are sufficiently skilled.

Navigators then typically complete a 12- to 18-month rotation at the regional/global commercial function, allowing him/her to round out his/her local operational experience with a more regional/global strategic view.

Some consumer goods companies allocate full time roles for navigators. P&G for example has a dedicated center of excellence with staff that travels the globe to train and support local teams in specific skills (e.g., consumer promotion, advertising). This also provides an alternate career path for those who are interested in a specialist skill set.

Drive priority skills through core business processes

Capability building should be integrated as part of day-to-day events and processes – for example, the brand planning process, budgeting process, or brand campaign development.

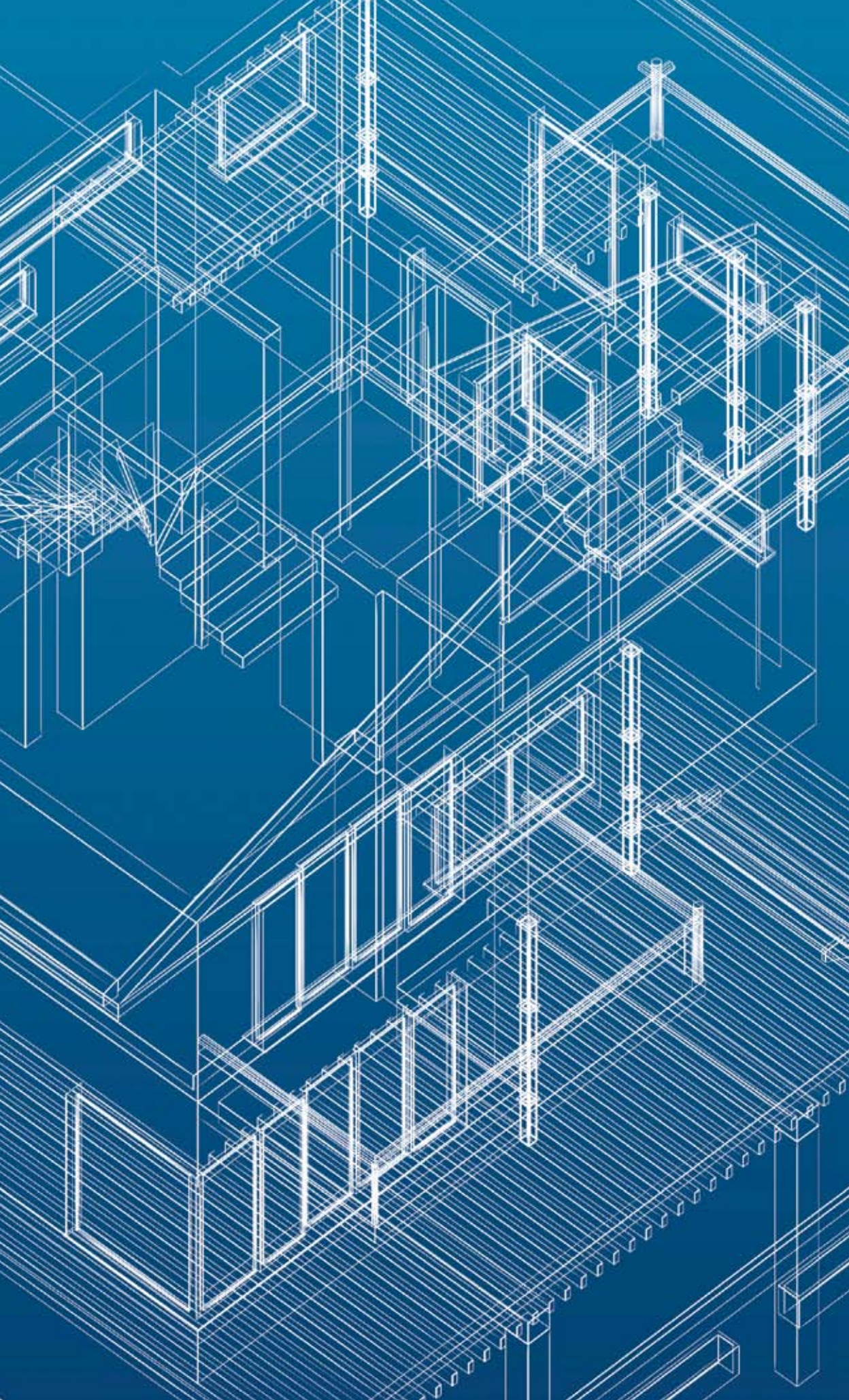
This approach yields some important benefits: First, it gives people the opportunity to learn and internalize new skills by applying and testing them. Second, anyone would be more likely to invest time, energy, and commitment into learning new skills if they recognized how these would be of real value to them in their everyday life.

Ensure Senior Management ‘walks the talk’ on priority skills

As the organization develops the priority skills, it is very important to reiterate the message consistently. Senior management should continuously communicate the focus on these capabilities to the rest of the organization, not only through interactions and written communications, but also through the decisions they make when solving problems or strategizing.

Senior executives, like the Chief Marketing Officer (CMO), can play a very critical role in making these changes stick. Experience shows that CMOs need to spend a significant part of their time championing the change program. At one company, the senior marketing executive was a visible “spokesperson” and role model visiting brand teams in different countries and spending real time with them in customer focus groups and internal challenge sessions.

In the consumer goods industry, Colgate decided to focus on resource allocation and ROI as a core capability. Colgate rolled out an ROI toolkit to evaluate the efficiency of consumer and trade spending across subsidiaries, and implemented regular meetings to analyze promotion spending.





PHASE II – EMBED IN THE ORGANIZATION

Once the foundations are in place, capabilities must be embedded into the organization's functional and people processes, as well as in the company's culture, so that the transformation 'sticks'. This phase can take between 12 and 18 months, and is a key component of the change program.

Reinforce priority skills through evaluation, rewards and recognition

All human resource processes should be aligned with the goals of the capability program. The processes should serve not only to reflect and emphasize the importance of the key capabilities, but also to measure and encourage progress.

The evaluation process should be adapted to assess people on the new skills and track their development over time. The incentives of managers should be based on progress in their skills development. Ultimately, one should develop a systematic career path for marketers, which includes training programs and milestones at each critical juncture of their career. For example, after having successfully managed at least two new brand campaigns, they may move from product manager to group manager.

At P&G, brand managers are evaluated on how they build the next generation of marketers, which is used as an input in the review process and has impact on their compensation.

Diversify talent

One way to broaden the organization's marketing capabilities is to hire marketers or senior executives from outside the pharmaceutical industry. For instance, one may bring in a consumer packaged good brand manager or category manager from a large market in order to introduce innovative approaches. Another way is to pro-actively rotate marketers across geographies in order to broaden their skills set and cross-pollinate their experience. Colgate typically encourages "high potential" marketers on a fast career track to move geographically to gain a broader set of experiences that will help them make better decisions as they climb the marketing ladder.

Embed vocabulary and approach in company culture

An important element to roll-out capabilities and make them 'stick' is to embed them in everyday vocabulary and, over time, in the company culture. At one pharmaceutical company for instance, all marketers had to learn what brand positioning is and needed to be able to express the positioning for their brand in 6 words or less.

At Unilever, marketers across the globe use a common framework called the 'brand key' to define all aspects of their brands. As a result, all marketers know what the 'reason to believe' or 'discriminator' mean, and use this framework as the basis for their strategic plans. Unilever also uses the brand key to define their Corporate brand and their value proposition to potential recruits – an example of how a shared approach and vocabulary have become part of the company's culture.

case example of a marketing capability program

A top 10 global pharmaceutical company conducted a Marketing Capability program aimed at helping brand marketers to be more strategic, competitive and fact-based when developing their annual brand plans. This program involved over 10 countries and over 70 commercial employees.

Key elements of the program

First, the company built a group of four navigators with a sound understanding of the new brand plan methodology. The chosen navigators, promising brand leads from different markets, were positioned as key to the success of the program.

Next, they developed a cascade of training sessions, starting with country managers (to instill a new vocabulary and vision), commercial directors (to act as in-country coaches and challengers for the brand teams) and, finally, taking the training to cross-functional brand teams. Every key brand from major markets was represented. Each cross-functional team had marketing, sales, medical and market research members.

In 2- or 3-day training sessions, they were presented with a mock business case involving an own brand that they developed. Training was a mix of plenary sessions (30%) and breakouts by team (70%), which included role plays and on-the-spot problem solving.

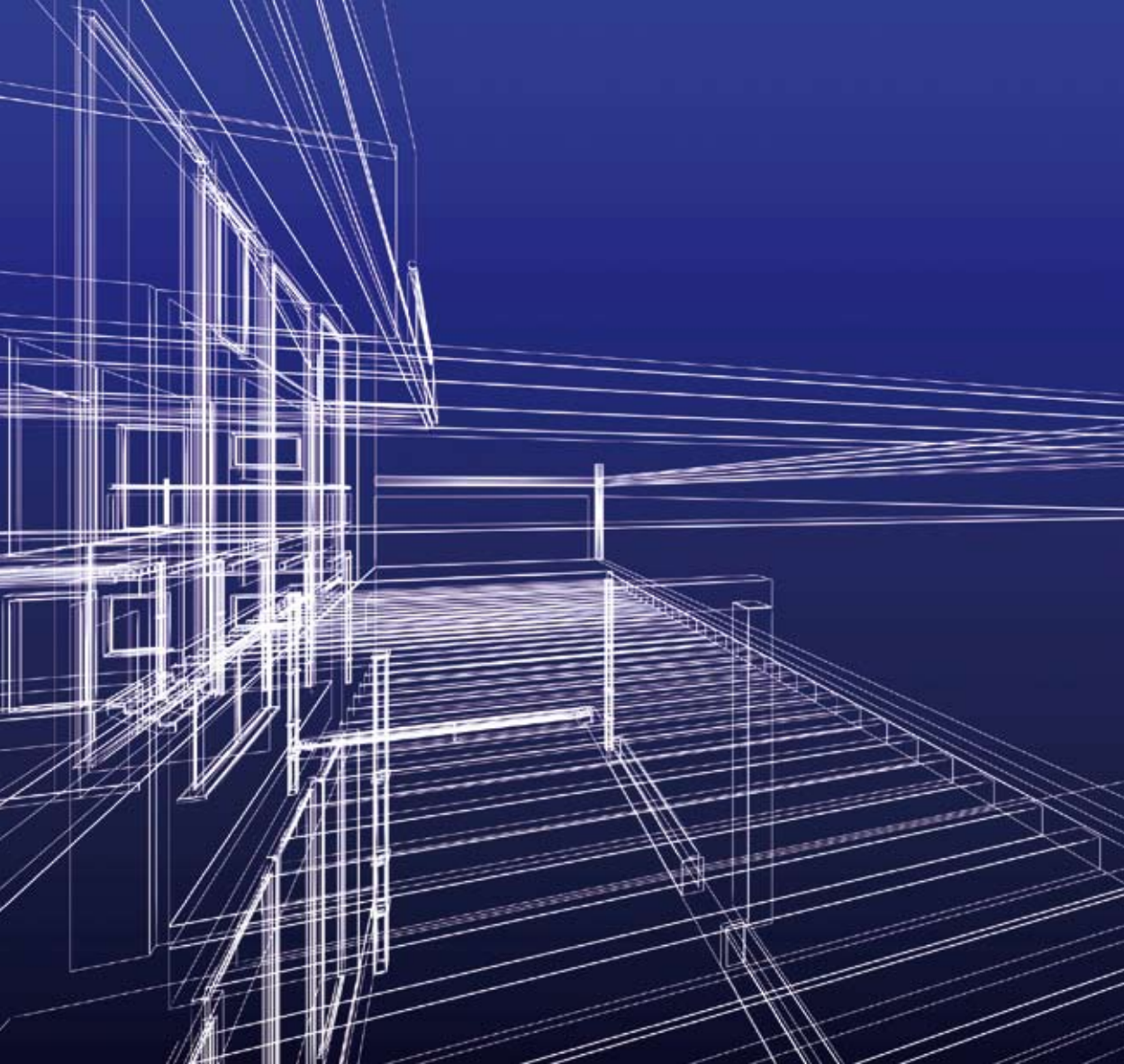
After the training, brand teams went back to their home markets to develop the actual brand plan for their brands. The navigators supported them in 10–12 sessions of one hour each. They used these sessions to clarify the fundamentals, define additional market research needs, help interpret results, challenge the evolving strategy, and jointly problem solve around bottlenecks.

What has the impact been?

The organization has significantly moved ahead in terms of marketing capabilities. Senior management is now asking different questions to the brand teams, challenging the brand plans constructively, and focusing more on strategic issues. As the program focused on innovation, teams regularly challenge each other by asking, 'So what's really innovative about this brand message?', and evaluate marketing decisions by asking the same question.

The program also enabled the company to establish a shared approach and vocabulary around marketing. For example, brand teams across regions now have the same understanding of what brand positioning is, and how it relates to messaging. The clarity of language and approach also helped align regional and local teams.

This program also had a real short-term business impact, as several of the company's brands enjoyed market growth following the transformation.



PHASE III – AMPLIFY THE EFFORT

The final phase of the program is to amplify the effort – developing an internal and external reputation for excellence, and focusing on continuous improvement. This phase can take up to 18 months.

Develop reputation for excellence

Once the new skills are in place, the company needs to build its reputation for excellence in that area, both internally and externally. Externally, having a strong marketing reputation can help attract talent; internally, it gives marketing a more influential seat at the table. While companies can talk about their marketing expertise at industry events and in their recruiting materials, building this reputation can only truly be accomplished by demonstrating success.

Create destination jobs within Marketing

Ultimately, the marketing function needs to become a ‘destination’, i.e. a place with attractive career paths for high performers. A strong CMO position and/or a Customer Insights Director with a seat at the board table can help provide visibility to the function.

Continuously refine approach and improve capabilities

As with any capability program, skills need to be improved over time. Marketers should continuously refine their approach, tools and frameworks for the priority areas, particularly in light of new market situations or challenges.

CONCLUSION

A capability building program is a multi-year journey that can have significant impact on the organization. With the help of coaches and navigators, companies can build a strong foundation focused on a few core skills that become embedded into the day-to-day operations and culture of the organization. While the transformational approach we have outlined requires senior level commitment and time, companies that embrace the challenge frequently realize short term benefits along the way that help support and encourage the quest for continuous improvement.

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