Investment Advisor to the Business

> *"Successful investing is anticipating the anticipations of others."*
> John Maynard Keynes

In the life sciences industry, marketing is complicated by the multiplicity of players who influence the purchasing decision. In this book we use the term "customer" to refer to the individual who makes the actual purchase decision—but this could be from any one of the following groups:

- Physicians (and sometimes other health professionals)
- Healthcare managers (at the local, regional or national level)
- Pharmacy and procurement managers
- Wholesalers and distributors (and sometimes retailers)
- Patients themselves

In fact, most of these groups will have a degree of influence on most purchasing decisions. This is why Marketing is so tightly aligned with Sales in the pharmaceuticals industry. Integrating a pharmaceutical company's marketing and branding strategy into the sales process is perhaps its greatest challenge. Without the sales teams' active engagement, targeted promotions, presentations and segmentation strategies are ineffective.

Meanwhile:

- There are more and more competitors in your market.
- Your competitors are constantly changing their business models and value propositions.
- Your customers can access massive amounts of information, making them aware of their options, tough bargainers and fickle.
- At the same time, demand for healthcare products and services continues to change and grow.

Your competition and customers will continue to increase in sophistication. Marketing must do so, too, if it is to serve the company and help it compete and win. This means its role must evolve. Marketing is well positioned to advise the business on where and how effort should be targeted in relation to customer groups. In this sense, Marketing must become an investment advisor to the business. As that investment advisor, Marketing must define:

- The overall investment strategy—what is sold, where and to whom
- The strategic path for maximizing return on the company's assets (ROA)
- The cost justification for the operational path required to get there, i.e., support of return on investment (ROI) numbers for marketing dollars

In countries where pharmaceutical pricing is strictly controlled, there are slightly different marketing levers than those available in free-pricing markets such as the U.S. In both cases, marketing must be present in the boardroom, offering business analysis coupled with financial analysis. It must connect the dots among strategic objectives, operational execution and financial criteria over a product's life cycle. It can provide the necessary alignment between strategy, operations and finance.

Marketing must overcome three important barriers to provide this alignment and become an investment advisor. Each barrier underscores the need for information sweet spots, greater accountability and more integrated decision-making.

Barrier 1: ***Defining the "size of prize" has become more complex***

In the therapeutic areas that represent mass markets, companies traditionally assessed value based on market share of major product lines, counting on economies of scale in marketing spending and healthy margins to deliver profits. As epidemiological data improved and therapies became increasingly targeted, companies began to include more sophisticated patient group and prescriber (i.e., physician) information in their data. Many companies have successfully developed this information sweet spot and can now integrate it with customer data into meaningful categories. Today, this trend is evolving as customer requirements and characteristics are divided into smaller and smaller micro-segments, which requires organizations to become responsive to the needs of more and more customer categories.

Size-of-prize marketing requires the company to do three things well. First, it must validate the "core" economic value of drug development opportunities based on epidemiological data. Second, it must pool customers into meaningful micro-segments that are cost-effective to target, acquire and retain. Third, it must determine the profitability potential of these micro-segments in order to set company priorities.

These profit pools allow Marketing to recommend the best investment at drug development/product/brand/segment levels. This is of particular relevance when considering different strategies for different prescriber (or other health professional) groups and different channels (such as prescriber, centralized, wholesale, or retail sales): the more detailed the understanding and mapping of micro-segment profits, the more the marketing and sales propositions can be refined. Given the high cost of sales in life sciences, it is especially important that product launches and field training be well aligned with the "size of the prize."

Barrier 2: ***Lack of integrated and enhanced information***

Without appropriate context (*where*, *who*, *when*), Marketing can't define or analyze a micro-segment of physicians, hospitals or patients. Without perspective (comparisons), Marketing can't define market share or track trends at this more detailed level. As an investment advisor, Marketing must merge three core information sources: customer (operational), market (external) and financial. Integrating metrics across promotional channels can help a company optimize the marketing mix.

To gain the full value of large volumes of customer data—prescription data, such as from IMS, electronic point-of-sale (EPOS), click-stream data and feeds from CRM and ERP sources—the information must be structured thoughtfully and integrated cleanly. Often this is further complicated by regulatory and vendor rules or constraints for how certain information can be used, sometimes requiring a third party to actually process the data. Yet, Marketing's judgments and assessments must be supported by the capability to categorize, group, describe, associate and otherwise enrich the raw data. Companies need easy, fast and seamless access to typical market information such as product classification and prescription use trends, product share, channels and competitor performance. They also need financial information from the general ledger and planning sources to allocate cost and revenue potential in order to place a value on each profit pool.

Barrier 3: ***Number-crunching versus creativity***

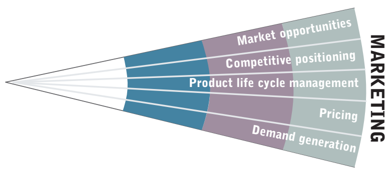
Companies create marketing strategies to win customer segments and the associated "prize." Marketing's work now really begins and it must justify the marketing tactics it proposes, set proper budgets and demonstrate the strengths and limits of those tactics. Drilling down into greater detail and designing tactics around this information will help satisfy Finance's requirements. In the past, such detailed design has not been the marketing norm, but it is what is required to generate the ROI that Finance wants to see. However, the right information is not always easy to get. And some departments contend that good ideas are constrained by such financial metrics, stifling the creativity that is the best side of Marketing. Marketing's traditional creativity should not abandon finding the "big idea," but must expand to include formulating specific actions with a much clearer understanding of *who*, *why* and *size of prize*. This is not a loss of creativity, simply a means to structure it within a more functional framework.

A Guidance and Early Detection System

As investment advisor, Marketing guides strategic and operational activity, which focuses on the potential of specific markets and how the organization can meet these markets' needs. In this role, Marketing can also be an early detection system for how changes in the market lead to changes in product/Rx, selling strategies or even more far-ranging operational elements of the business. Many marketing metrics are important indicators for a company scorecard. Sudden drops in response rates for traditionally successful marketing efforts could mean competitor pressure, market shifts and/or revenue trouble down the road. Good marketing departments see the big picture.

Marketing has the responsibility for defining, understanding and leading five core areas of the company's decision-making:

- **Market opportunities** ➔ What is the profit opportunity?
- **Competitive positioning** ➔ What are the competitive risks to achieving it?
- **Product life cycle management** ➔ What is our value proposition?
- **Pricing** ➔ What is it worth?
- **Demand generation** ➔ How do we reach and communicate value to customers?



Marketing Opportunities

Making decisions about marketing opportunities is a balancing act between targeting the possibility and managing the probability, while recognizing the absence of certainty. This decision area is fundamentally strategic and concerned with the longer term. It manages the upfront investment and prioritizes the most promising profit pools while dealing with a time lag in results. Understanding the profit potential in opportunities requires a detailed assessment of pricing, cost to serve, distribution requirements, product quality, resources, employees and more. The most obvious market opportunities have already been identified, whether by you or the competition. You are looking for the hidden gems buried in the data missed by others. These are the micro-targets that need to be identified, analyzed and understood. They may include specific therapeutic areas that have not been directly served before and where your entry will accelerate or even create a market.

GOALS	METRICS	DIMENSIONS
Company Share (%)	Market Growth ($)	Fiscal Month
Market Growth Rate (%)	Market Profit ($)	Year
Market Revenue ($)	Market Unit Volume (#)	Quarter
	Profit ($)	Month
	Sales ($)	Marketing Areas
	Unit Volume Sales (#)	Region
	Incidents (%)	Area
	Incidents (#)	Marketing Segment
	Incidents Treated (#)	Market Segment
	Incidents Treated (%)	Micro-Segment
	Population (#)	Product Brand
	Hospitals Count (#)	Product Line
	Physicians Count (#)	Brand
		Sales Organization
		Sales Region
		Sales Territory
		Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Product Management				
	Executives			•
	Analysts		•	
Sales				
	Executives			•
	Managers		•	
	Analysts		•	
Finance				
	Executives			•

Competitive Positioning

Effective competitive positioning means truly understanding what you offer as products and/or services to the segments you target, and how they compare with those of other suppliers. As an investment advisor, Marketing must clearly define the business and competitive proposition: *In which market segments are you competing, and with what products and services?*

Marketing must define and invest in specific information sweet spots that give it insight into how its customer selection and prescriber loyalty criteria compare to those of its competitors. Marketing must understand the customer-relevant differentiators in its offerings and the life span of those differentiators based on, for example, how difficult they are to copy. This is especially critical in the case of end of patent transitions and the emergence of new generic drug competitors. It also needs to understand the pricing implications of this information.

- Are our price points below or above those of key competitors, and by how much?
- If below, is this sustainable given our cost profile, or is cost a future threat?
- What premium will customers pay for value-added propositions?

GOALS	METRICS	DIMENSIONS
Competitor Growth (%)	Competitor Price Change ($)	Competitor Competitor Type Competitor Company
Competitor Price Change (%)	Competitor Sales ($)	Fiscal Month Year Quarter Month
Competitor Share (%)	Market Growth ($)	Marketing Areas Region Area
	Market Profit ($)	Marketing Segment Market Segment Micro-Segment
	Market Revenue($)	Product Brand Product Line Brand
	Sales ($)	Sales Organization Sales Region Sales Territory Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Sales				
	Executives			•
	Managers		•	
	Analysts	•		
	Professionals		•	
Product Development				
	Executives			•

Product Life Cycle Management

Products are born, grow and die. Marketing organizations must manage the product life cycle and maximize the return at every stage. Even before regulatory approval, they must be aware of the birth of new products (often represented by patents and regulatory submissions), and once approved they need to manage the launch process to maximize early take-up by the market. That launch process will include clear positioning of the product with opinion leaders, and often training of both in-house and customer staff. Marketing then needs to maintain the product's growth phase as long as possible, maximize its sales at peak and handle news of product adaptations or retirement in the face of new competition (either patented or generic).

The pace of innovation (which is subject to sudden change) sets the context in which management needs to bring "new news" to your markets. New news fuels the marketing machinery, a significant way to excite and capture customer mindshare. It is also tied to financial performance, as supportive new research findings and product innovation may point to future earnings. Innovation may mean small or significant changes to existing products as well as the introduction of completely new products. For example, based on its understanding of existing and new segments, Marketing can drive changes in packaging and pricing to target new opportunities. These changes can be achieved in the short term or the long term and are part of Marketing's role in defining profitability targets and predictions. Companies have portfolios of products/services, each in its own stage of the product life cycle. The classic practice of defining products/services as stars, cash cows and dogs forces product review with dimensions of time, profitability and competitive advantage.

GOALS	METRICS	DIMENSIONS
Product Life Cycle Score #	Market Growth ($)	Fiscal Month
New Product Growth (%)	Brand Equity Score (#)	Year
New Product Share (%)	Net Price ($)	Quarter
Sales at Peak Index	New Competitor Product Sales ($)	Month
	New Competitor Product Share (%)	Marketing Areas
	New Product Growth ($)	Region
	New Product Profit ($)	Area
	New Product Sales ($)	Marketing Segment
	New Products Developed (#)	Market Segment
	Sales Revenue ($)	Micro-Segment
		Product SKU
		Product Line
		Brand
		SKU
		Time-in-Market Range
		Range

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives			•
	Analysts		•	
Marketing	Executives	•		
	Analysts	•		
Operations / Production	Executives			•
	Analysts		•	
Purchasing	Executives			•
	Analysts		•	
Product Development	Executives			•
	Analysts		•	
Sales	Executives			•
	Analysts		•	

Product life cycle management continues the process of competitive positioning and market opportunity definition. Marketing identifies new opportunities, is aware of the competitive landscape, and then looks into what products and services will best do the job. Marketing should understand what proportion of existing sales comes from new products and compare this percentage with that of competitors. This measure helps the organization judge the impact of investing more or less in innovation. As an investment advisor, Marketing is in a position to counsel the company on how to forecast changes in market share if the company does not introduce new products in a given time period. In-depth analysis allows the company to segment products by their various life cycles and corresponding expectations, so the company can plan new product introductions.

Pricing

Once prices have been set at launch, flexibility is often limited for life sciences products, although discounting is common. Companies once defined their product and pricing proposition broadly to cast the widest net possible in very broadly defined therapeutic areas. Smart marketers today see micro-segment markets not as a challenge, but as an opportunity to define smaller, more targeted offerings that are less price-sensitive. This is the new flexibility: the more your product proposition is tailored to address a specific therapeutic need, the easier it is to protect your price and margin. Tailoring the product proposition requires more detailed information. Simple reports from transactional systems can provide enough information to support broad-scale marketing strategies. Targeting micro-segments means modeling price implications and tracking results at many levels.

- What product and service bundling opportunities are possible for given market segments—patients, prescribers and other customers?
- Does the product portfolio offer a combined value and convenience advantage that can be priced tactically?
- What impact will an increase/decrease in price have upon volumes (a measure of price elasticity)?
- To what extent should pricing be used as a defensive versus aggressive tool, and what are the relative cost benefits? For example, where a product has only a small market share, does it pay to be aggressive in its competitor's back yard?

GOALS	METRICS	DIMENSIONS
Price Change (%) Price Segment Growth (%) Price Segment Share (%)	Public Pharmacy Price ($) Avg. Selling Price Ex-Factory ($) Avg. Selling Price Ex-Wholesale ($) Discount ($) Discount Spread (%) Net Price ($) Price Change ($) Price Segment Sales ($) Price Segment Value ($) Sales ($) Unit Volume Sales (#)	Billing Customer Category Customer Name Competitor Competitor Type Competitor Company Customer Sales Rel. Status Status Fiscal Month Year Quarter Month Marketing Areas Region Area Marketing Segment Market Segment Micro-Segment Product Brand Product Line Brand Sales Organization Sales Region Sales Territory Org. Code

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Marketing				
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	Analysts	•		
	Professionals	•		
Sales				
	Executives			•
	Analysts		•	
Finance				
	Executives			•
	Analysts		•	
Product Development				
	Executives			•
	Analysts		•	
Operations / Production				
	Executives			•
	Analysts		•	
Customer Service				
	Executives			•
	Analysts		•	

Setting prices within regulatory parameters and based on well-thought-out models is one thing, but companies also must monitor how flexible local offices and sales teams need to be. Centralized pricing ensures margin stability, but can be counterproductive in a fast-moving, competitive situation. As a compromise, companies typically offer pricing guidelines and a pricing floor to enable discounts. This lets local sales reps respond to competitive pressures, but protects the business from dangerously low price levels. Good marketing systems monitor this data to test the validity of pricing assumptions, as well as to gain early warning of competitor attacks on pricing.

Demand Generation

Driving demand is where Marketing rubber hits the road. All of Marketing's strategic thinking and counseling about micro-segments, profit potential, the offer and competitive pressures comes to life in advertising (both to doctors and to consumers), online efforts, detailing material, product sampling, conferences, training and events. Direct-to-consumer marketing advertising is a relatively new but growing component of marketing spend designed to create a disease state awareness that fuels demand. These activities have to be pursued in line with industry-wide regulatory guidelines and codes of conduct, but are critical tactics to generate and support demand for a product.

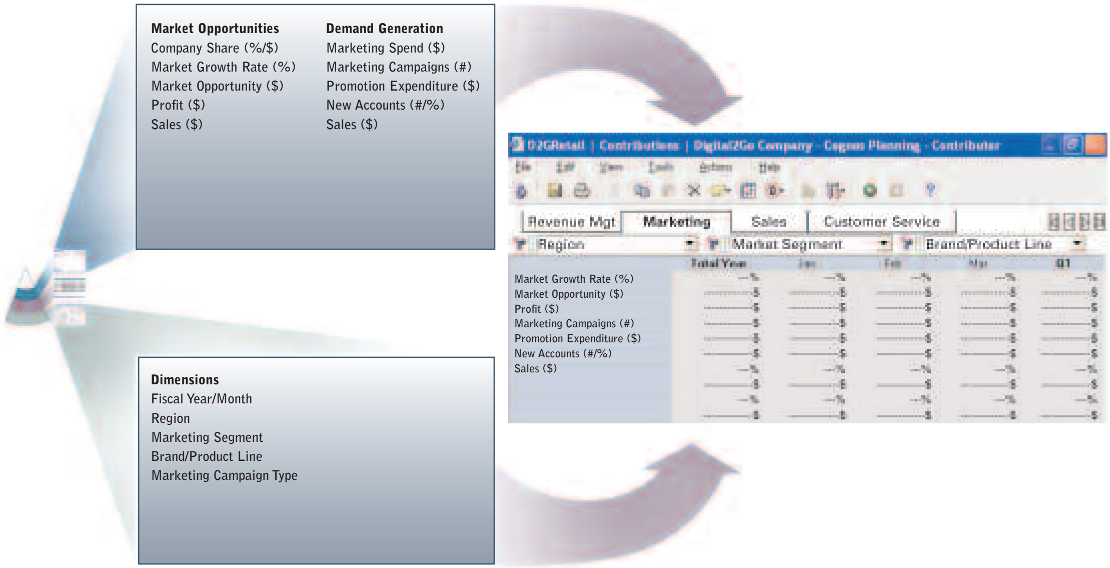
GOALS	METRICS	DIMENSIONS
Marketing spend impact score (#)	Brand Equity Score (#)	Fiscal Month
Incremental Sales ($)	Marketing Campaigns (#)	Year
Promotions ROI (%)	Marketing Spend ($)	Quarter
	Marketing Spend/Lead ($)	Month
	Non-Promoted Margin (%)	Marketing Areas
	Non-Promoted Sales ($)	Region
	Promoted Margin (%)	Area
	Promoted Profit ($)	Marketing Method
	Promoted Sales ($)	Marketing Method
	Qualified Leads (#)	Marketing Segment
	Sales on Promotion (%)	Market Segment
	Promotion types (#)	Micro-Segment
		Marketing Campaign Projects
		Marketing Campaign Type
		Marketing Campaign
		Product Line
		Product Line
		Sales Organization
		Sales Region
		Sales Territory
		Org. Code
		Weeks on Promotion

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Sales				
	Executives			•
	Managers		•	
	Professionals		•	
Customer Service				
	Executives			•
Finance				
	Executives			•

Marketing manages its tactical performance by analyzing communications, marketing campaigns and promotional support (where it is allowed by regulation), sample allocation, prescribing rates and cost per contract. At the same time, Marketing must understand whether or not the company is acquiring the right customers for the ideal future portfolio. This is key to understanding the results of a micro-segment marketing effort. Improving marketing tactics is not simply about designing more detailed and specific activities; it also means understanding what elements work better than others.

Marketing must understand the nature of the drivers in its various decision areas, including pricing, sample programs, packaging changes and customer and opinion-leader communications. *What provokes a greater response? At what cost? What is the optimal allocation of resources given the pattern of marketing expense against the rate of product take-up?* With a wide variety of options for both direct communications (to prescribers, patients, or budget holders) and indirect communications (via opinion leaders and local or regional policy makers), Marketing needs to know which tools work best for which groups.

Understanding and analyzing this information is key to alignment and accountability. Driving demand requires close alignment with Sales. Marketing tactical teams continually fine-tune their aim and selection of tactical "arrows" until they hit the bull's-eye.



The Marketing Opportunities and Demand Generation decision areas illustrate how the Marketing function can monitor its performance, allocate resources and set plans for financial and operational targets.