

A Datamonitor report

Optimizing Sales Force Effectiveness – From Quantity to Quality

Providing you with:

- **Overview** of the key trends changing the dynamics of promoting drugs
- **Analysis** of the key strategies companies can use to improve the effectiveness of sales forces
- **Discussion** of eight best-practice case studies across the US and European markets

Use this report to...

Understand why the emphasis on sales force size in the pharmaceutical industry may finally be changing

Introduction

The environment in which pharmaceutical companies promote their products has become increasingly tough over recent years as a number of trends and factors drive changes. As the effects of shrinking pipelines and rising R&D costs impact companies, they are under increasing pressure to deliver greater productivity from their sales forces.

The drive for increases sales force productivity is taking place in an increasingly difficult environment. As the increasing physician workload combines with concern over the effects of biased promotion pharmaceutical sales reps are finding it more difficult to gain time with their core customers.

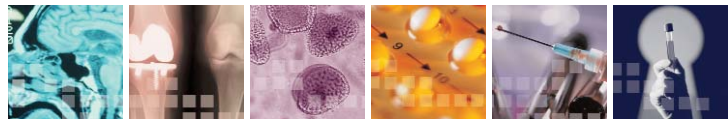
The situation is also becoming increasingly complex as an expanding network of stakeholders now influences prescribing decisions. Add to these factors the drive for cost containment driven by payors in the healthcare market as a whole, and the task facing pharma sales forces becomes apparent.

Key findings and highlights

- The increasing regulation of pharmaceutical marketing and promotion is set to continue over the next few years, driven both by authorities seeking to eradicate malpractice and by the pharmaceutical companies themselves seeking to rebuild the industry's damaged reputation
- The emerging influence of new prescribers, such as nurses and pharmacists, and other stakeholders such as formulary advisers and payer bodies, is broadening the scope of sales force strategies
- Continuing and more effective use of segmentation and targeting will allow companies to improve the effectiveness of sales forces, and so drive sales growth, without resorting to the traditional method of increasing the number of sales representatives

Reasons to buy

- Understand why the emphasis on sales force size in the pharmaceutical industry may finally be changing
- Assess the key strategies that may help improve sales force effectiveness
- Identify the opportunities to improve promotion through targeting emerging stakeholders



Sample pages from the report

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Changing Dynamics of Promoting Drugs

good job of serving the public compared to 79% in 1997 (Chain Drug Review, September 2005).

Figure 1: The public perception of the pharmaceutical industry is, overall, not favorable

HMOs = Health Maintenance Organization
Source: Kaiser Family Foundation Health Poll Report

A series of negative events have driven the fall in the pharmaceutical industry's reputation. The fall in the pharmaceutical industry's reputation in 2004, which drew a high profile, included the dramatic withdrawal of Merck cardiovascular side effects and a backtracking on off-label promotion, which included off-label promotion withholding drug information to throwing late.

The sales and marketing practices of the industry in 2004 through the lawsuit that Eliot Spitzer, against GlaxoSmithKline (GSK). The lawsuit, which focused on the use of its anti-nausea drug, was a key driver of the backlash. The lawsuit ended with GSK entering into a settlement.

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Optimizing Sales Force Effectiveness

it has become more difficult for products in development to reach the market. The FDA has reported that the likelihood of a compound in a Phase I clinical trial reaching the market is now 8%, compared with 14% 15 years ago (FDA Critical Path Initiative, 2005). In addition to this, the FDA reported that the failure rate of Phase III compounds has worsened, rising from 20% 10 years ago to 50%. Lower success rates for products in clinical trials are associated with increasing difficulty in securing approval, stemming from more stringent regulatory requirements and higher commercial hurdles.

Figure 7: R&D expenditure has increased substantially, however, NME approvals by the FDA

NME – New Molecule Entities
R&D – Research & Development
* PDUFA – Prescription Drug Users Fee Act
** R&D spend is the total spent by PhRMA

Source: Datamonitor, PhRMA Pharmaceutical Industry

Over the past decade, the number of NMEs approved has fallen from a peak of 53 approvals in 2000 to 20 in 2006. However, the peak in drug approvals rose because the FDA sped up review (NDAs) substantially over this period. The Prescription Drug Users Fee Act (PDUFA), passed in Congress.

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Optimizing Sales Force Effectiveness

In Rogers' theory, the adoption of innovation is based on an S-curved model, whereby the innovators and the early adopters initially adopt the innovation (Figure 11). Innovators and early adopters are the first customers to adopt innovation, where the innovators tend to focus on the novelty of the innovation, while the early adopters base their decision on the benefits and risks of the innovation. Under Rogers' theory, once the diffusion reaches 16%, this triggers rapid uptake by early and late majority. As part of this model, the key to product diffusion is high adoption among the opinion leaders, referred to as the early adopters. The opinion leaders are thought to yield a high level of influence over other customers, i.e. those falling in the early and late majority category. Pharmaceutical companies have long given priority to targeting such opinion leaders because of their influence on prescribing decisions. Once the product has been diffused through the early and late majority, diffusion slows to the point of saturation.

Figure 11: Rogers' innovator theory of customer segmentation

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"...Over the past few years, multinational pharmaceutical companies have increasingly been adopting holistic approaches to improving sales force effectiveness..."

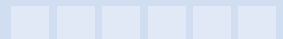


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CHANGING DYNAMICS OF PROMOTING DRUGS

- **Promoting branded prescription drugs has become more difficult**
 - Branded drugs are facing a greater competitive threat from generics
 - Secondary care detailing is set to become more competitive
 - The industry's poor reputation is damaging promotional efforts
 - The pharmaceutical industry is trying to win back physician and consumer confidence
 - Independent authorities and organizations are taking their own steps to improve the standard of promotional activities
- **Detailing is becoming more complex**
 - A multi-channelled marketing campaign is important
 - The network of prescribing decision makers and influencers is becoming more complicated

OPTIMIZING SALES FORCE EFFECTIVENESS

- **Introduction**
- **The traditional sales force model is no longer effective**
- **Companies need to integrate sales and marketing functions better**
 - Synergies offer additional value
 - Poor communication and misaligned objectives have driven the two departments to work in silos
- **Optimizing the size and structure of sales forces**
 - The use of contract sales forces can provide valuable flexibility
 - The size of sales forces need to be reduced
 - The structure of sales forces needs to be tailored to the customer
- **A more customer-orientated sales approach required**
 - Account-based selling is set to grow
 - Is total solution-selling the answer?

- The role of sales representatives is changing to improve quality of interactions
- Companies are becoming increasingly dependent on effective segmentation and targeting of customers

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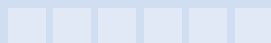
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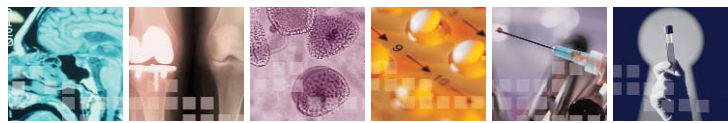
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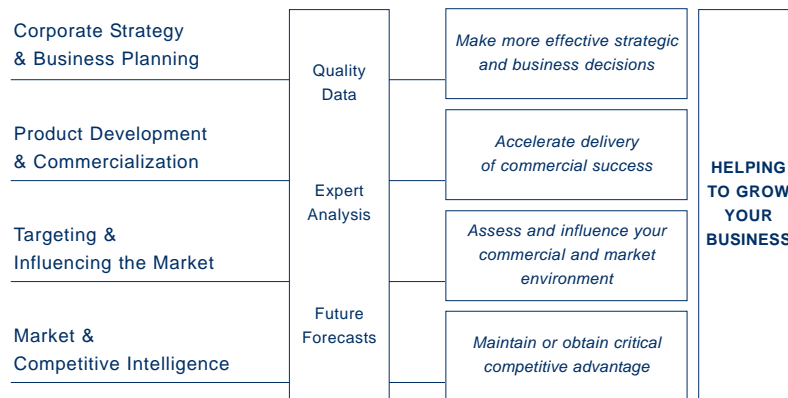




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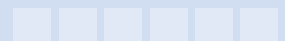
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