

Using Marketing Metrics as A Source of Competitive Advantage

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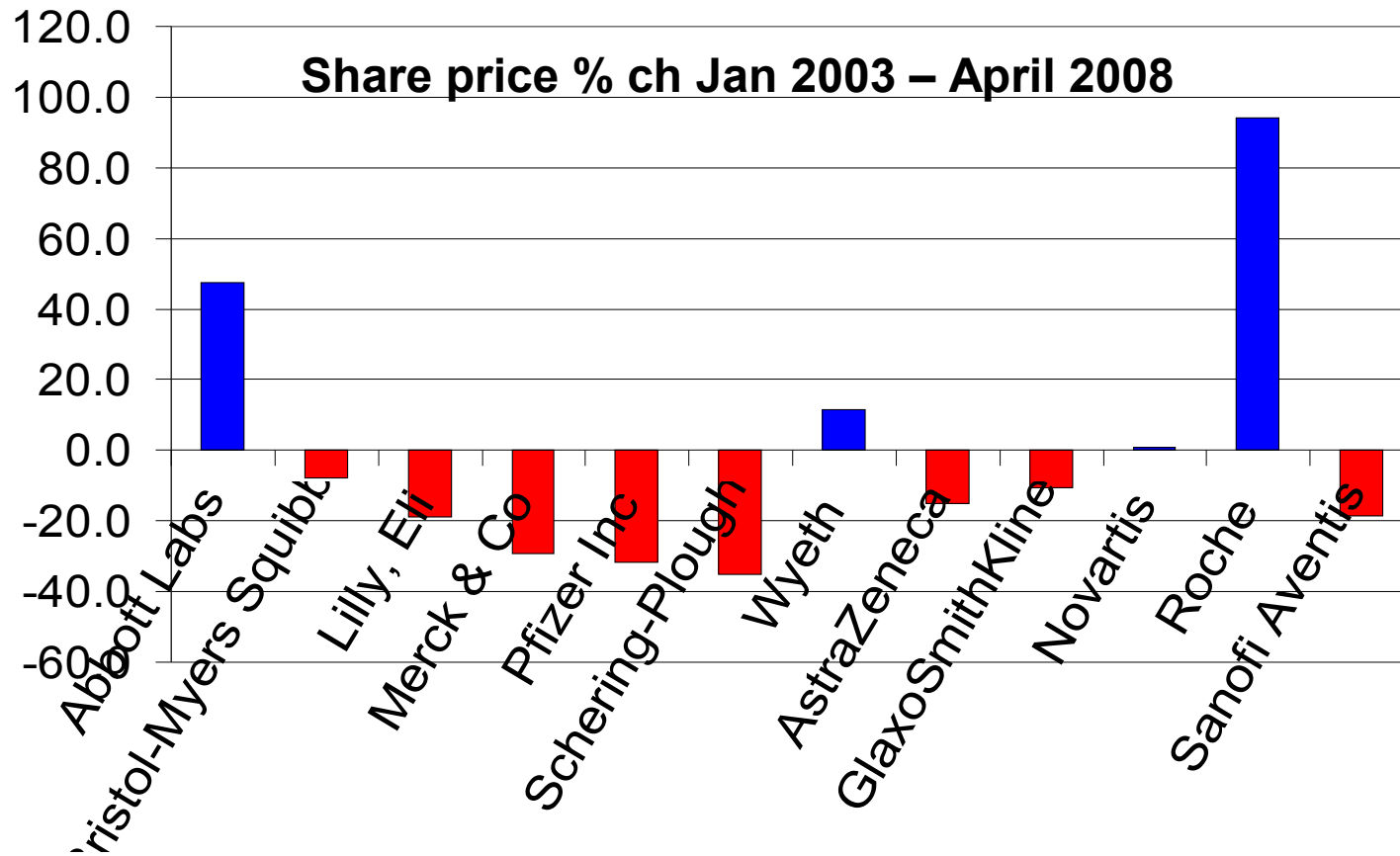


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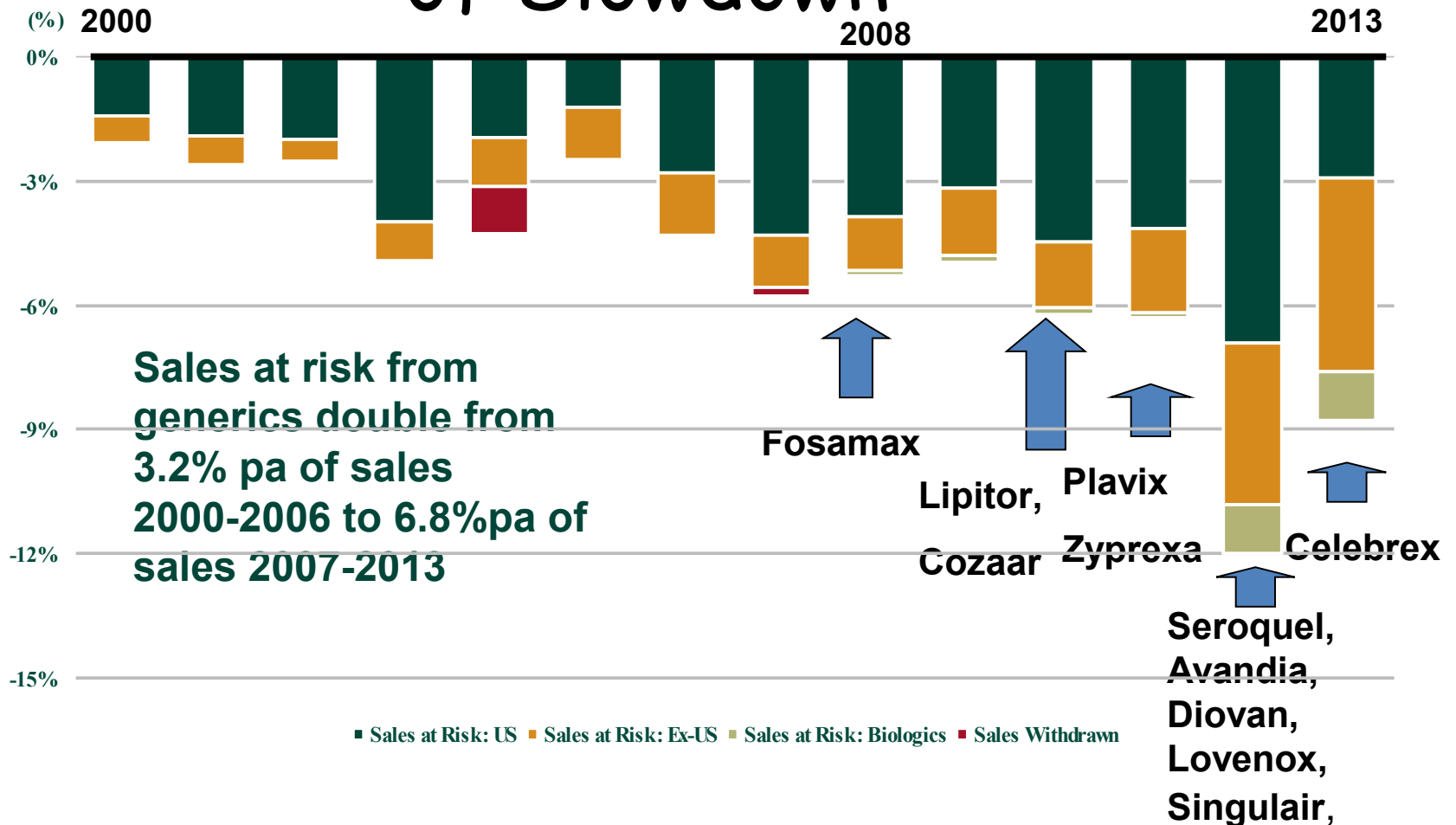
Discussion Points

- Big Pharma in trouble
 - Downsizing sales forces
 - Re-training for KA Management and shift to Specialty Care
- Medium Pharma can take advantage
 - Less corporate disruption/better morale
 - Better use of CRM and marketing ROI metrics

Most Big Pharma Shares Have Lost Value Over The Last Five Years

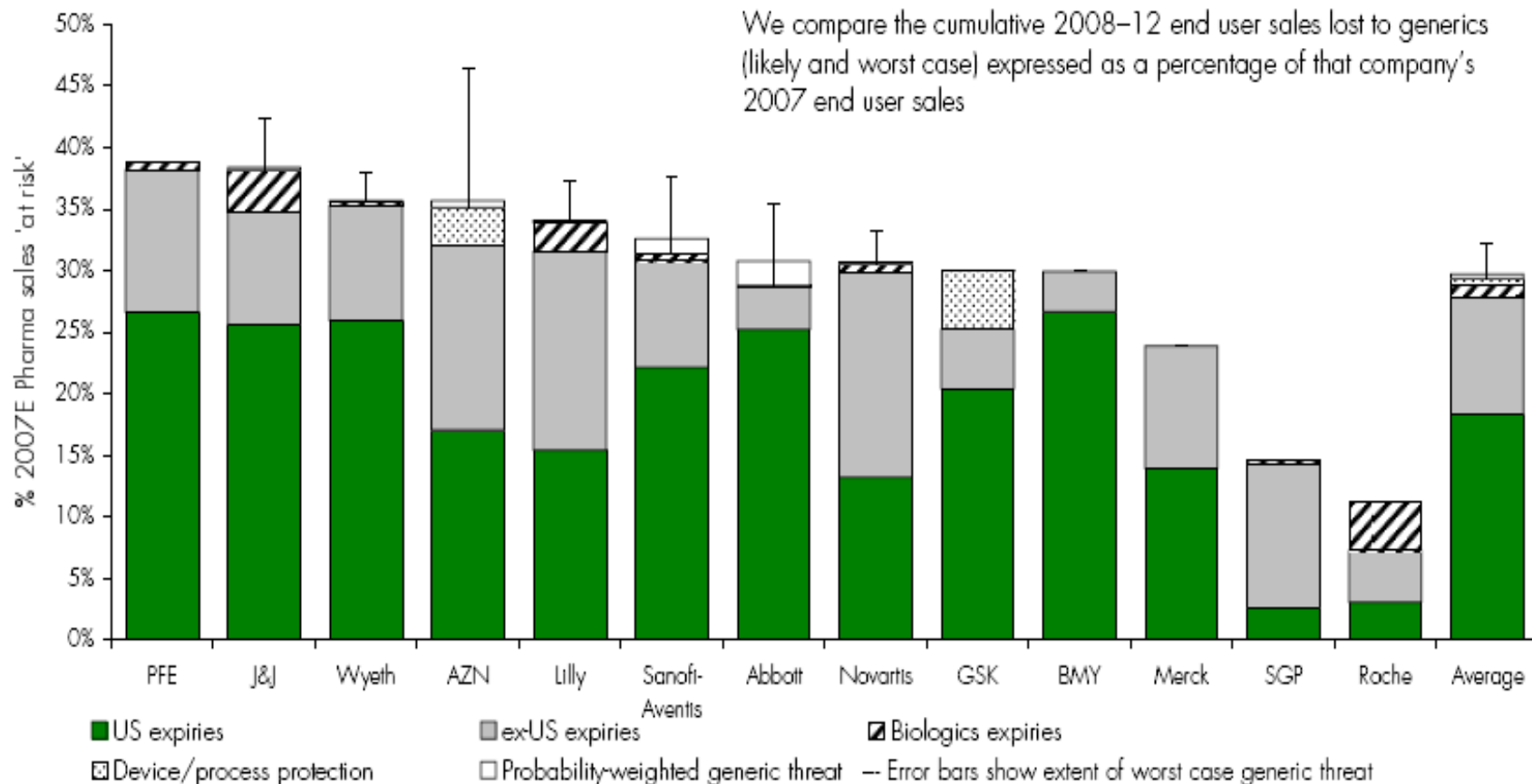


Patent Expiries are the Key Drivers of Slowdown



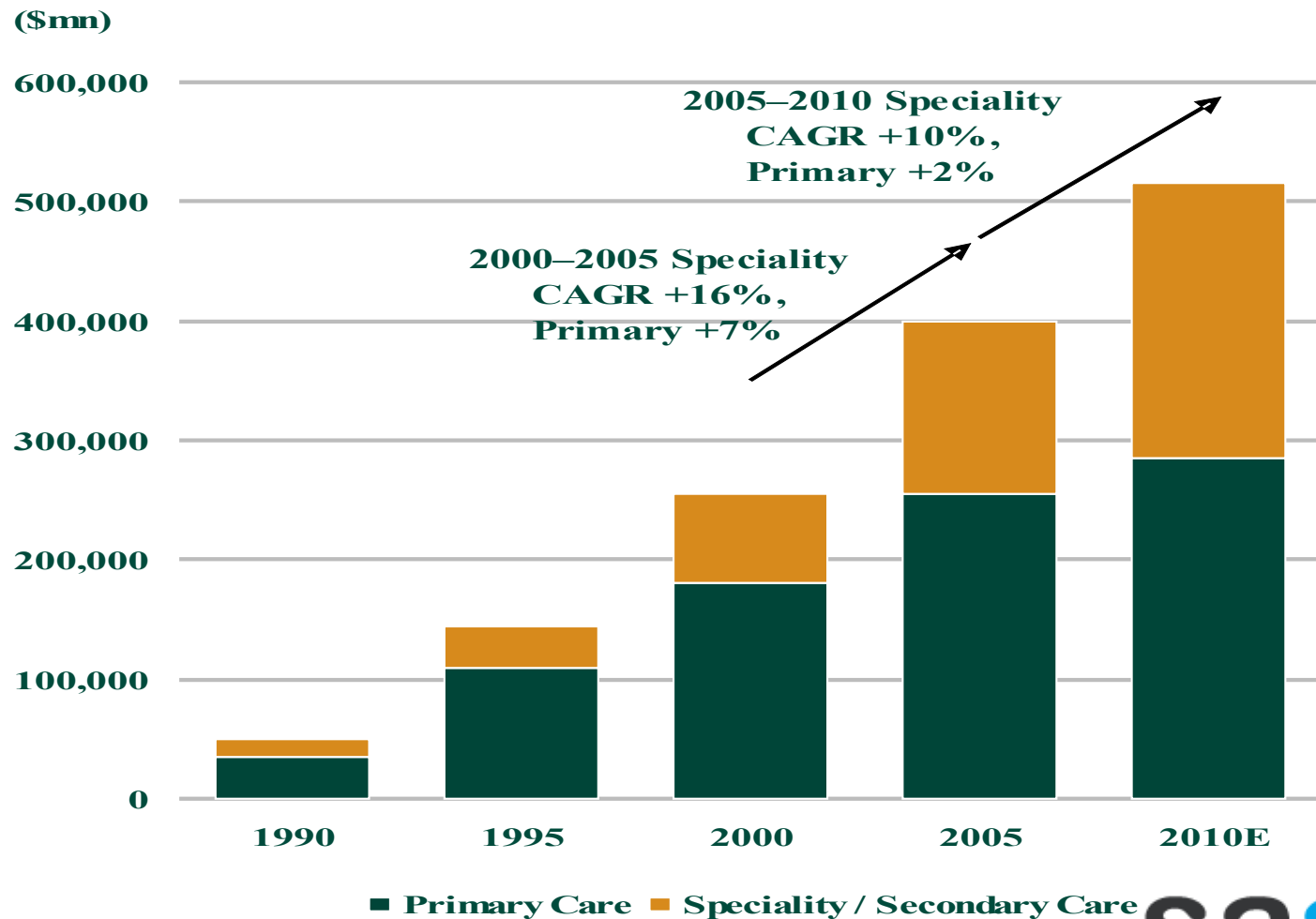
Source: Lehman Brothers Pharmaceutical Research

Sales at Risk from Generics 2008-12E as % of 2007E Sales



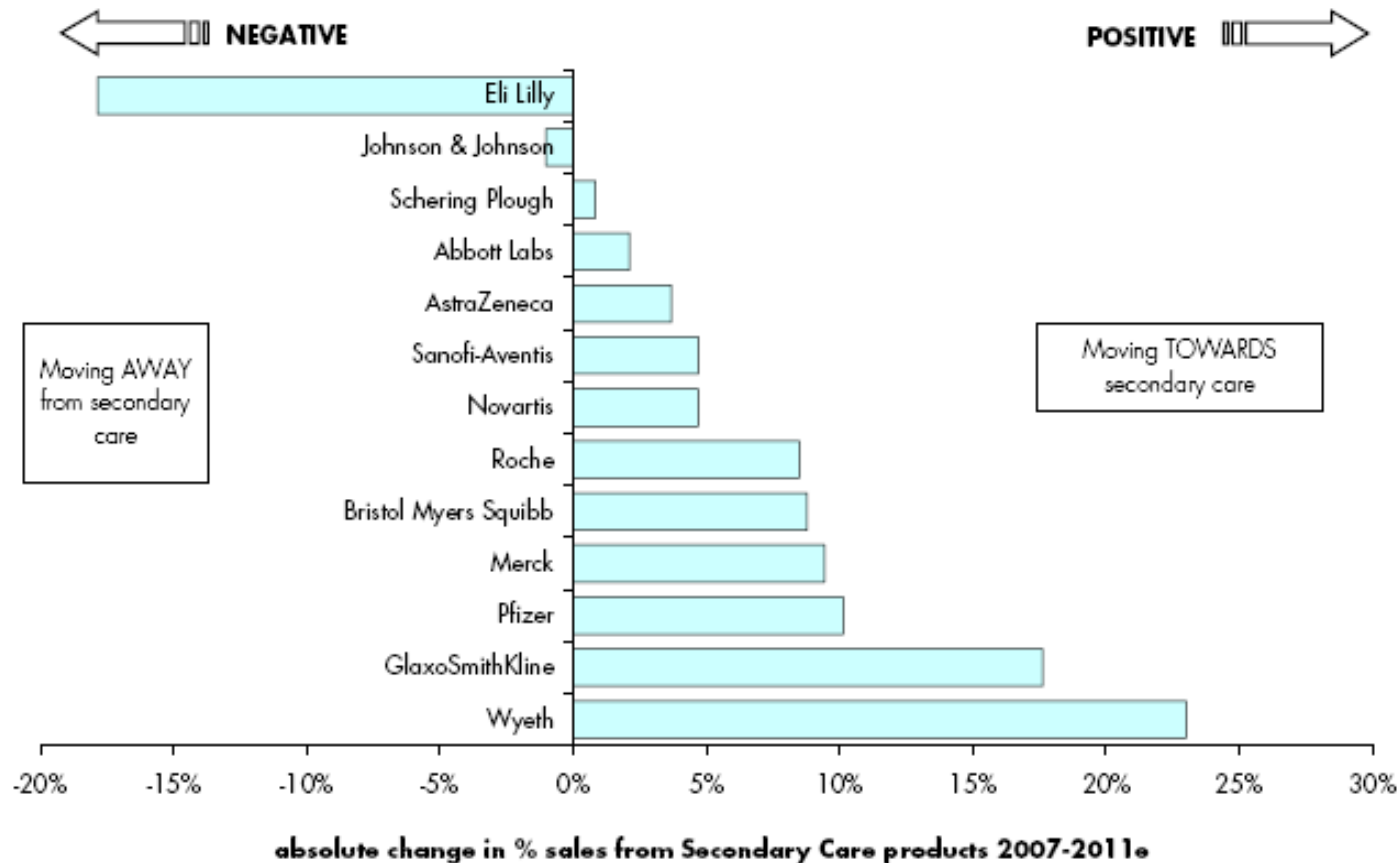
Source: Lehman Brothers Pharmaceutical Research

Specialty/Secondary Care is Key Driver of Growth



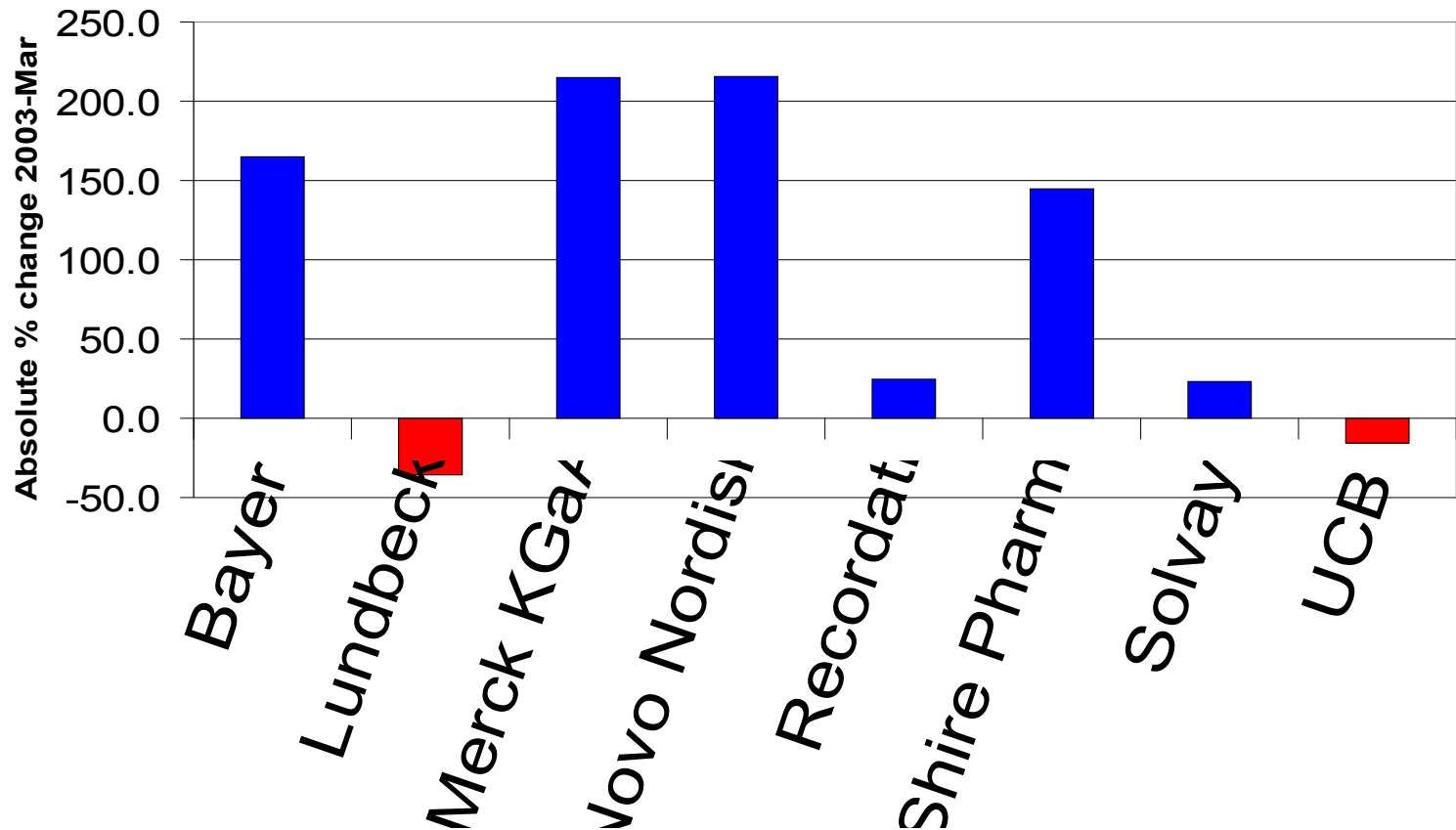
Source: Lehman Brothers
Pharmaceuticals Research

Most Companies' Product Mix is Shifting to Specialty/Secondary Care

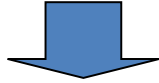


Source: Lehman Brothers Pharma Pipelines analysts

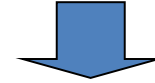
But Specialty Pharma Has Performed Well



Big Pharma vs Medium Pharma



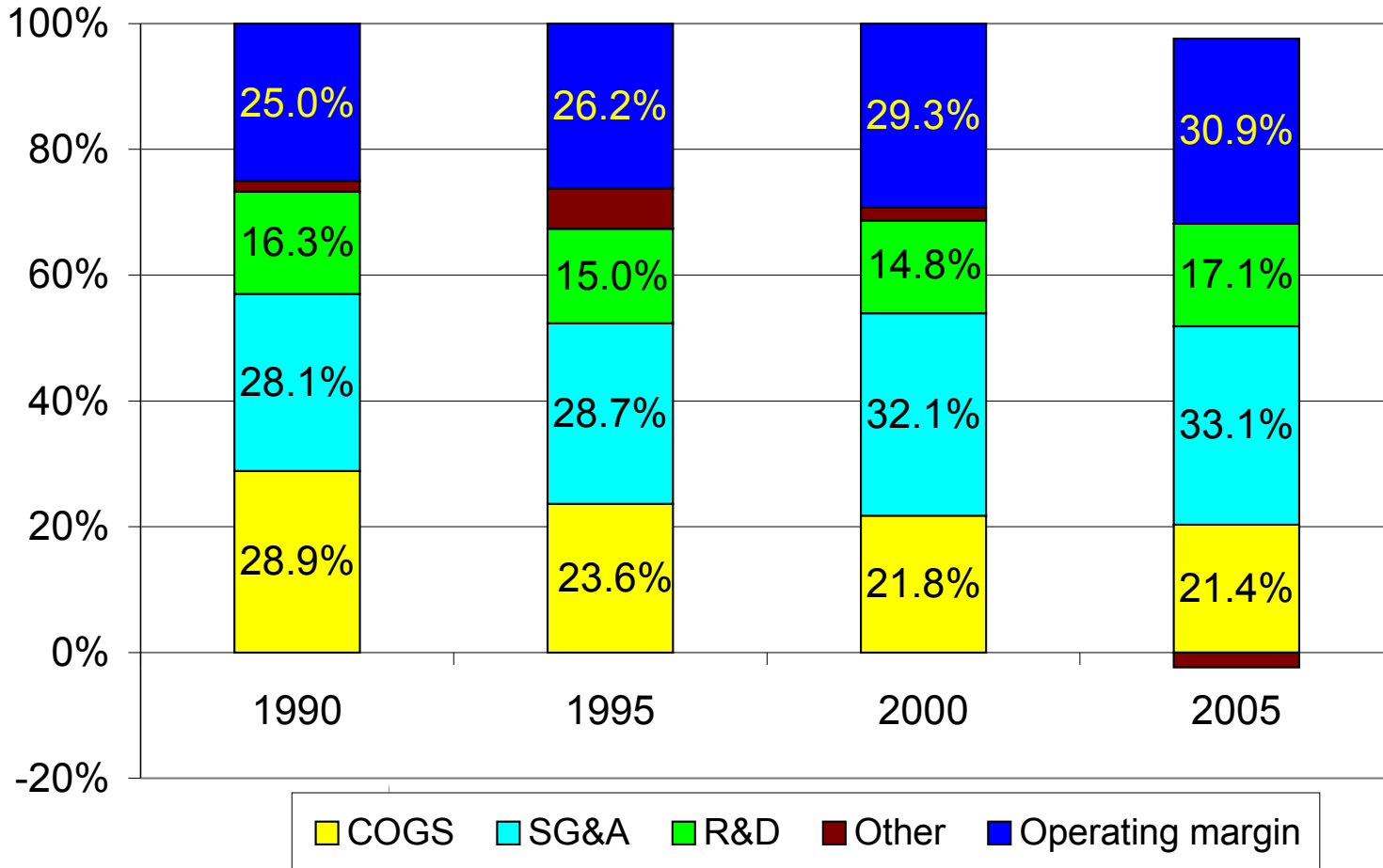
- Primary care biased
- Patent exp. timebomb
- Poor R&D productivity
- High
- Global
- Cost focus
- Multiple
- Low/poor morale



- Specialty care biased
 - Niche markets
 - Device protection
- Good R&D productivity
- Focused M&S
- Regional outlook
- Growth focus
- Multiple opportunities
- Good morale/Can do attitude

Big Pharma is in trouble

SG&A is the Largest Driver of Cost for the Pharmaceutical Industry



Source: Annual Accounts, 14 selected US & European Pharma companies 10



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Why Is Improving SFE and Marketing ROI Important?

- Sales and marketing spend is the largest cost driver in the industry
- Competitors have fewer new products and must focus on maximizing what they have
- Improving Sales Force Effectiveness and Marketing ROI are two of the remaining levers of competitive advantage

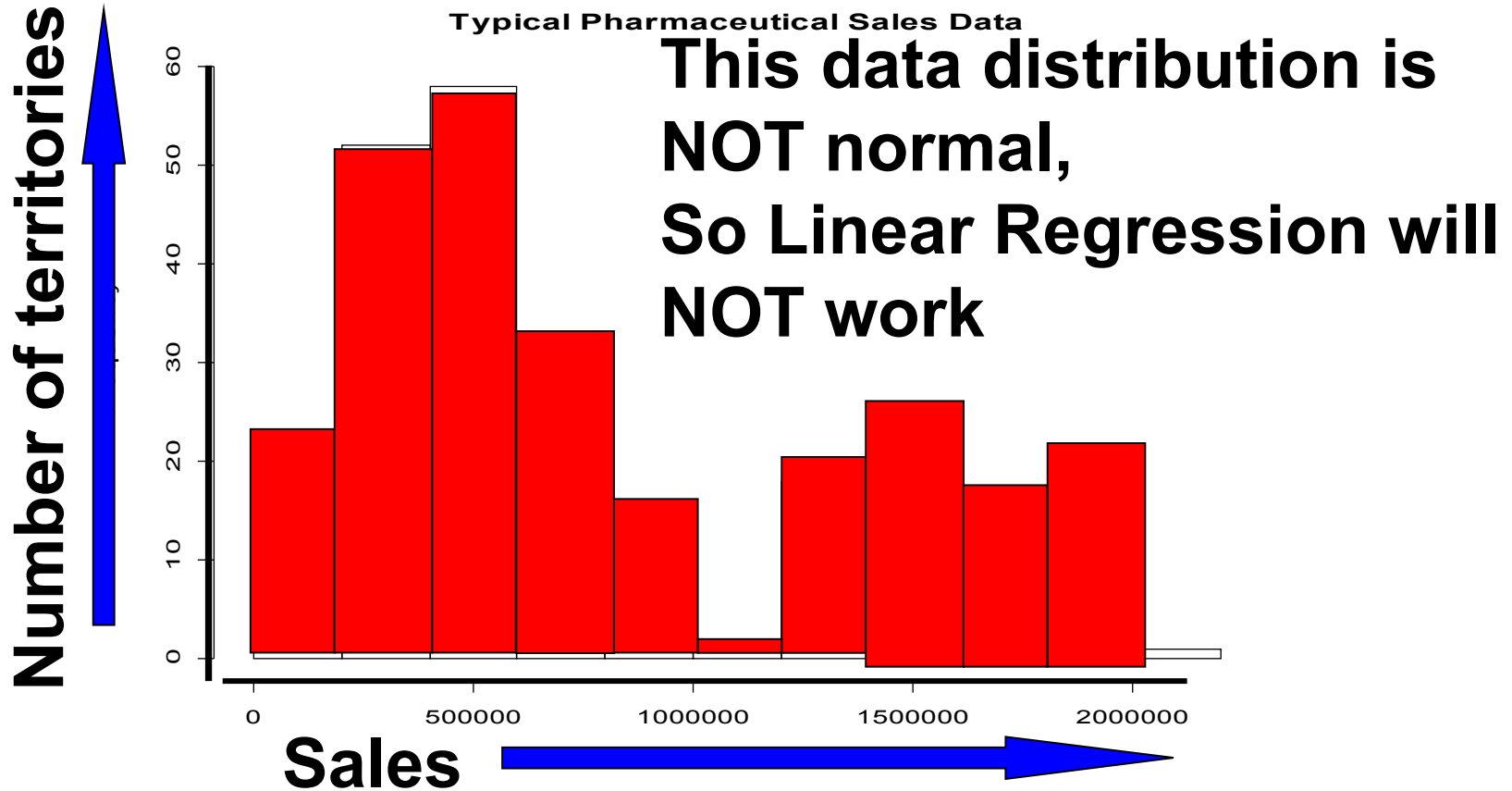
Marketing and Sales - In an Ideal World

1. Measure relative effects of promotion to provide the means to practice zero budgeting
2. Measure regional effects of promotion (not just national averages) to provide the means to calculate ROI at a "regional" level providing the means for FLMS to manage their "bottom line"
3. Measure individual strategies allowing teams to identify and adopt the most effective strategy in their area.

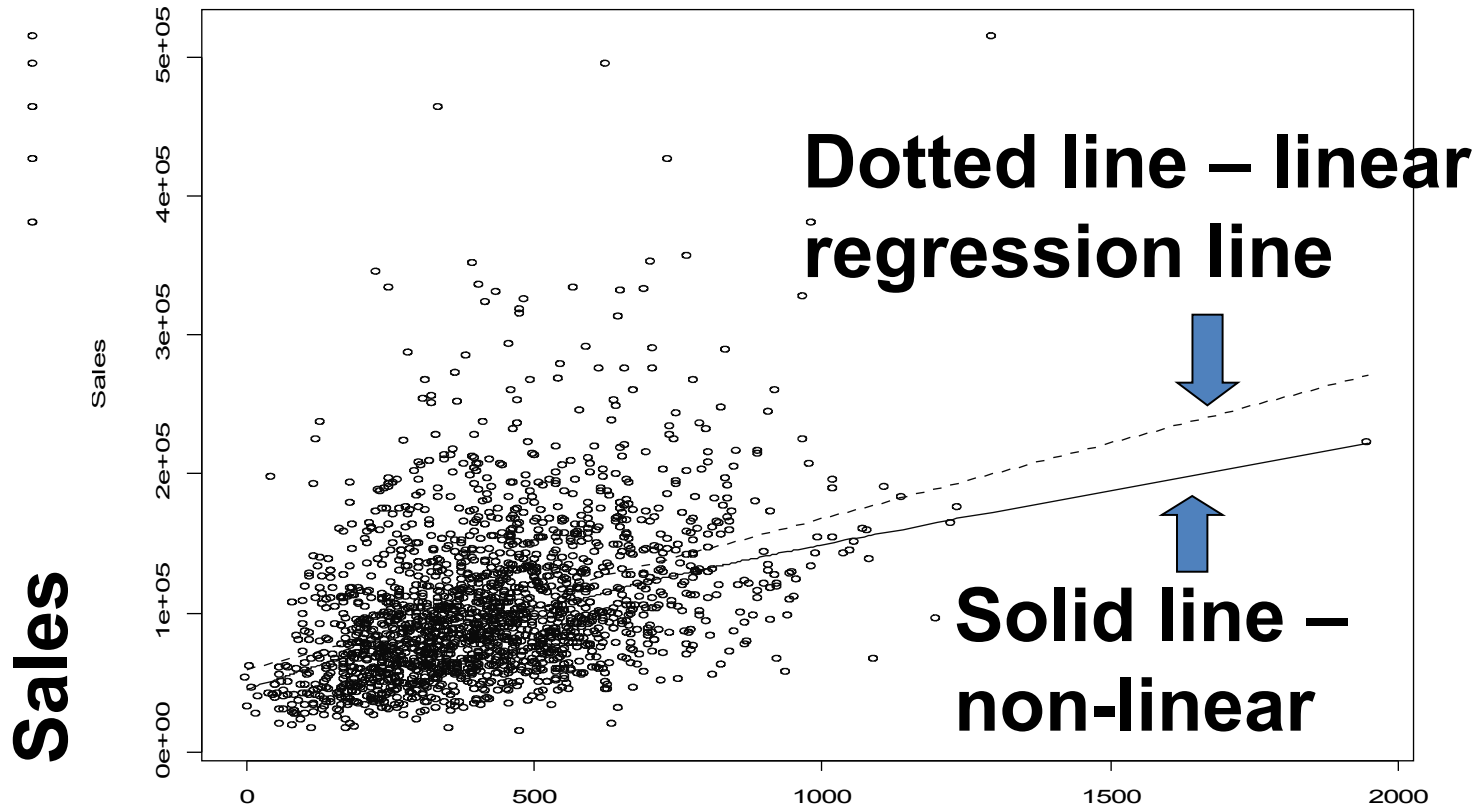
Be Careful with Linear Regression Models

- Data must follow normal distribution
- Relationship between variables should be linear
- Data should be equally spread about the regression line
- Each observation must be independent of all other observations

Typical Pharmaceutical Sales Data



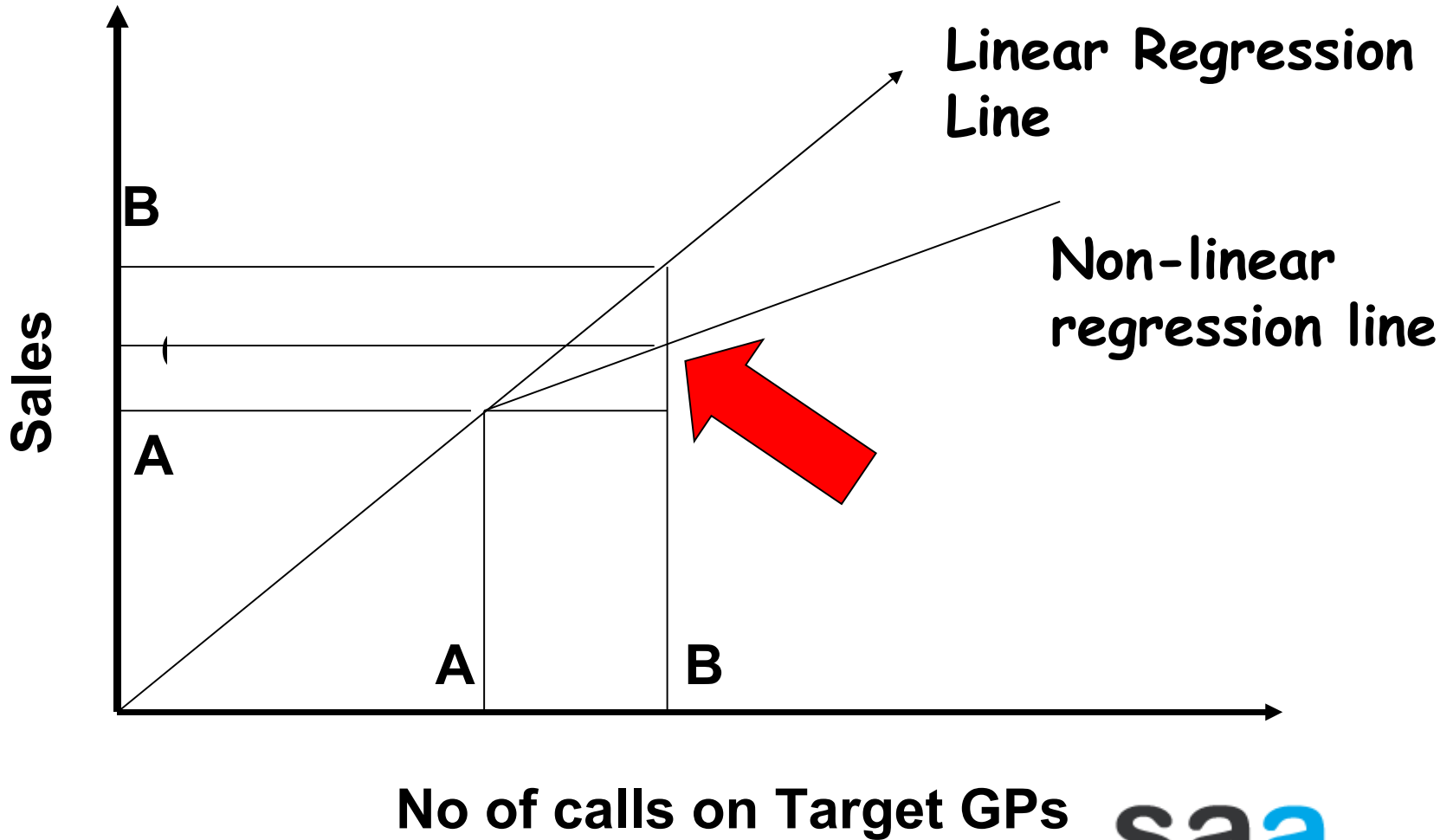
In this Example LR Underestimates No of Calls Needed to Deliver Sales



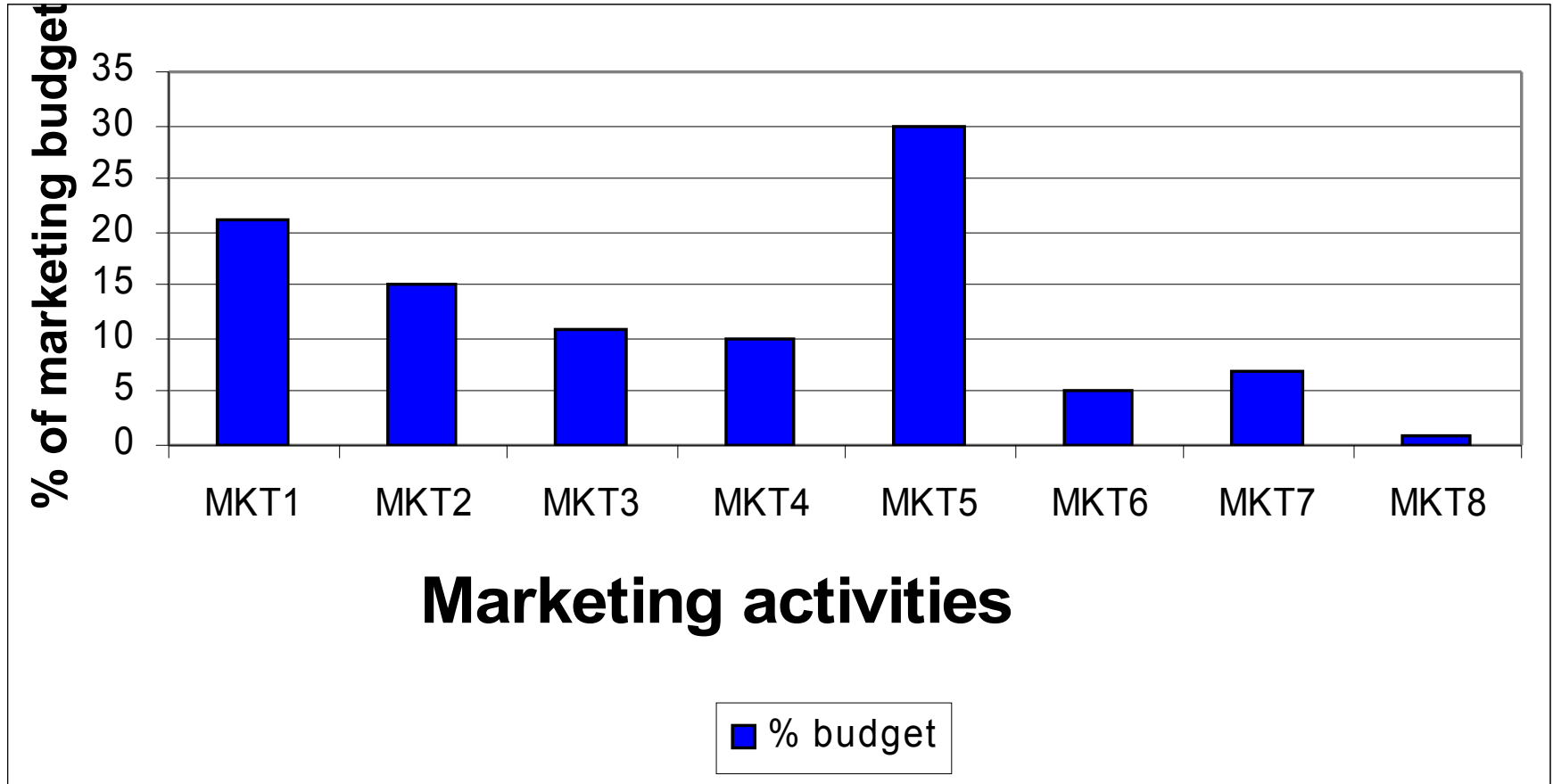
– No of calls on Target GPs



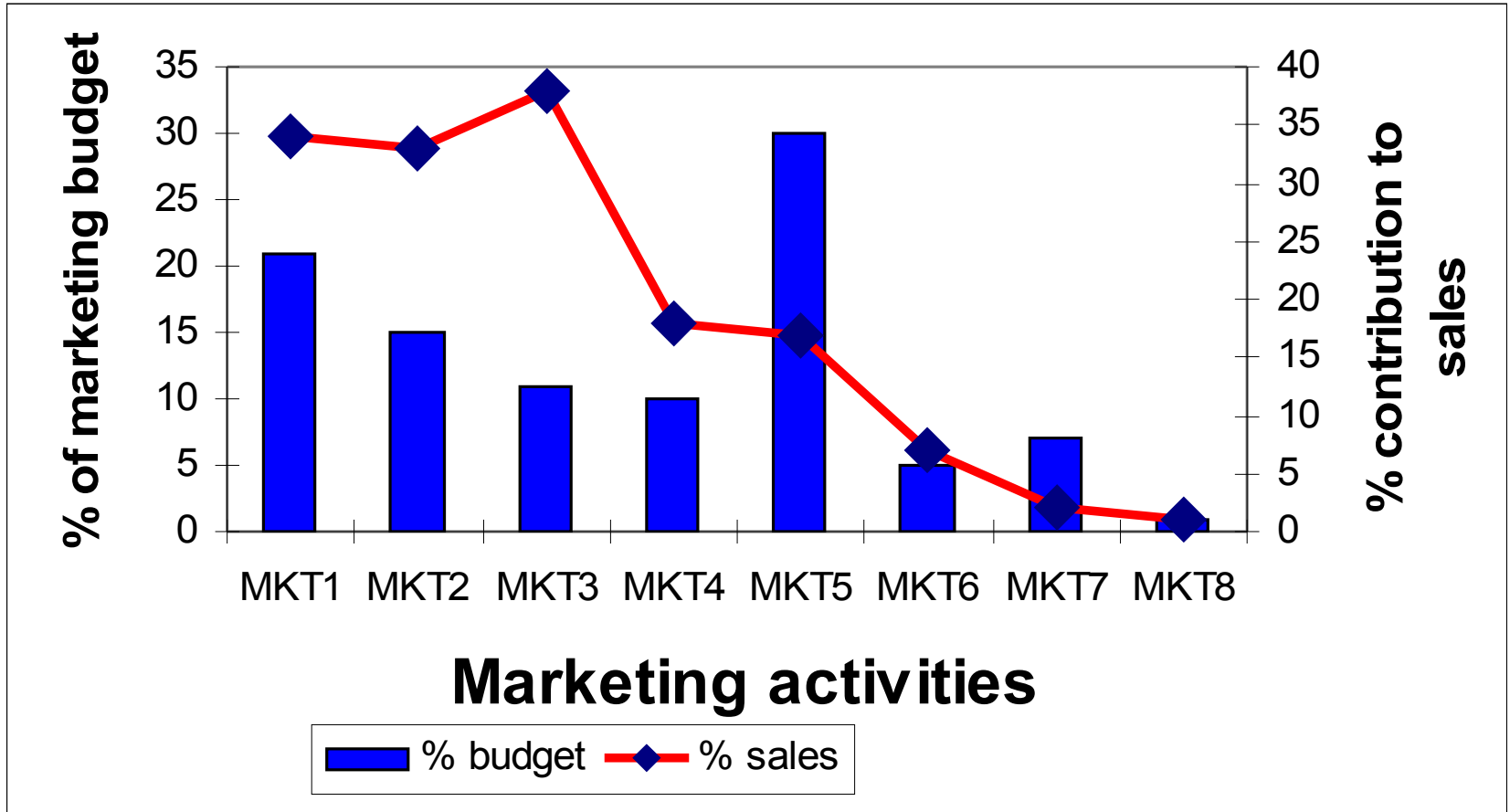
Linear Regression Could Lead to Disappointment



You Know Your Cost Breakdown

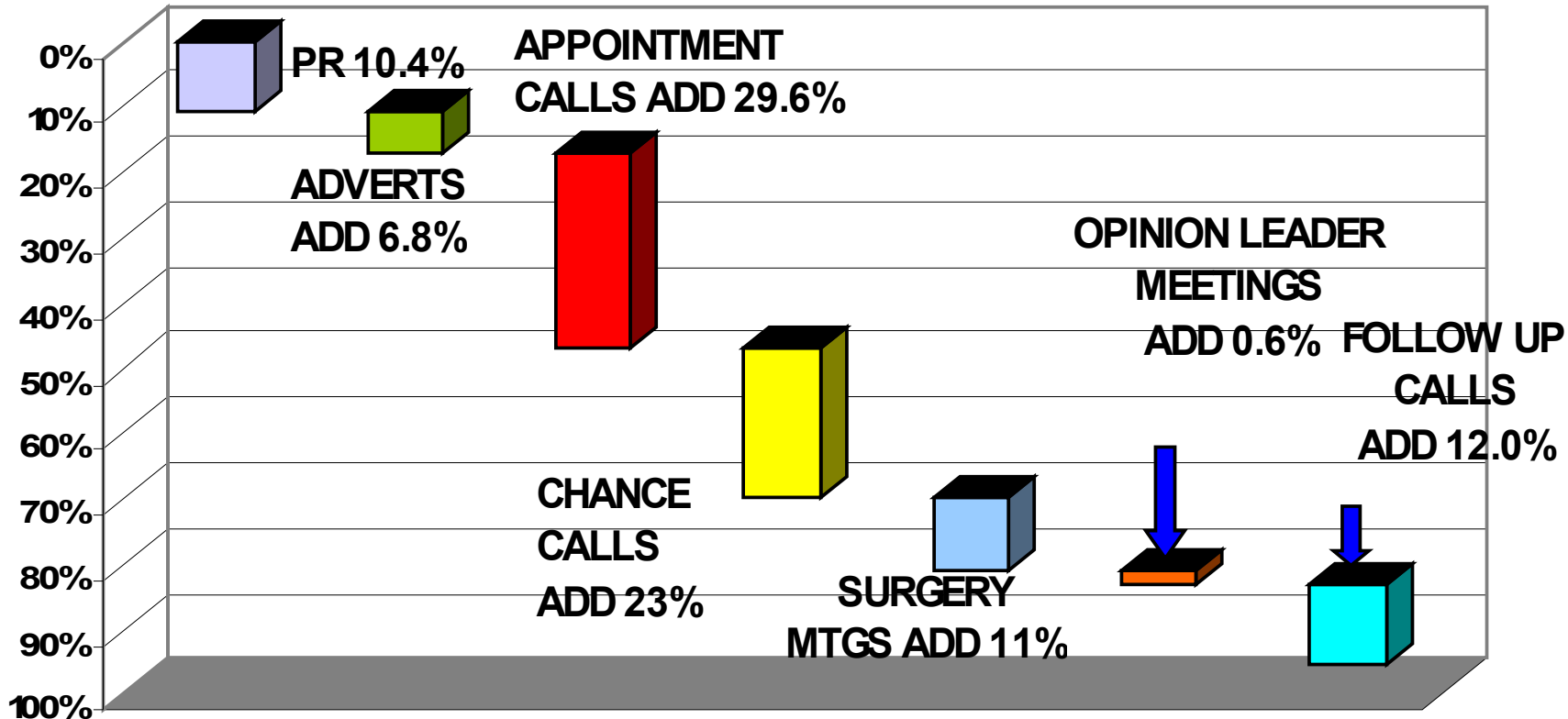


But Do You Know Their Contribution To Sales?



If Yes, Then You Can Build A Promotion Response Model

Typical promotion response model for chronic use primary care product



Sales Force Strategies

- We ask sales forces to follow a sales plan - our intended strategy.
- But people differ in attitude, previous experience, education, aptitude and fall into different general ways of working.
- As a result most sales forces actually implement 6 to 8 different realized strategies.
- The most effective strategy can often deliver 30 to 50% higher sales than average

Strategies Followed (*Choices Made*) by Sales Reps Every Day

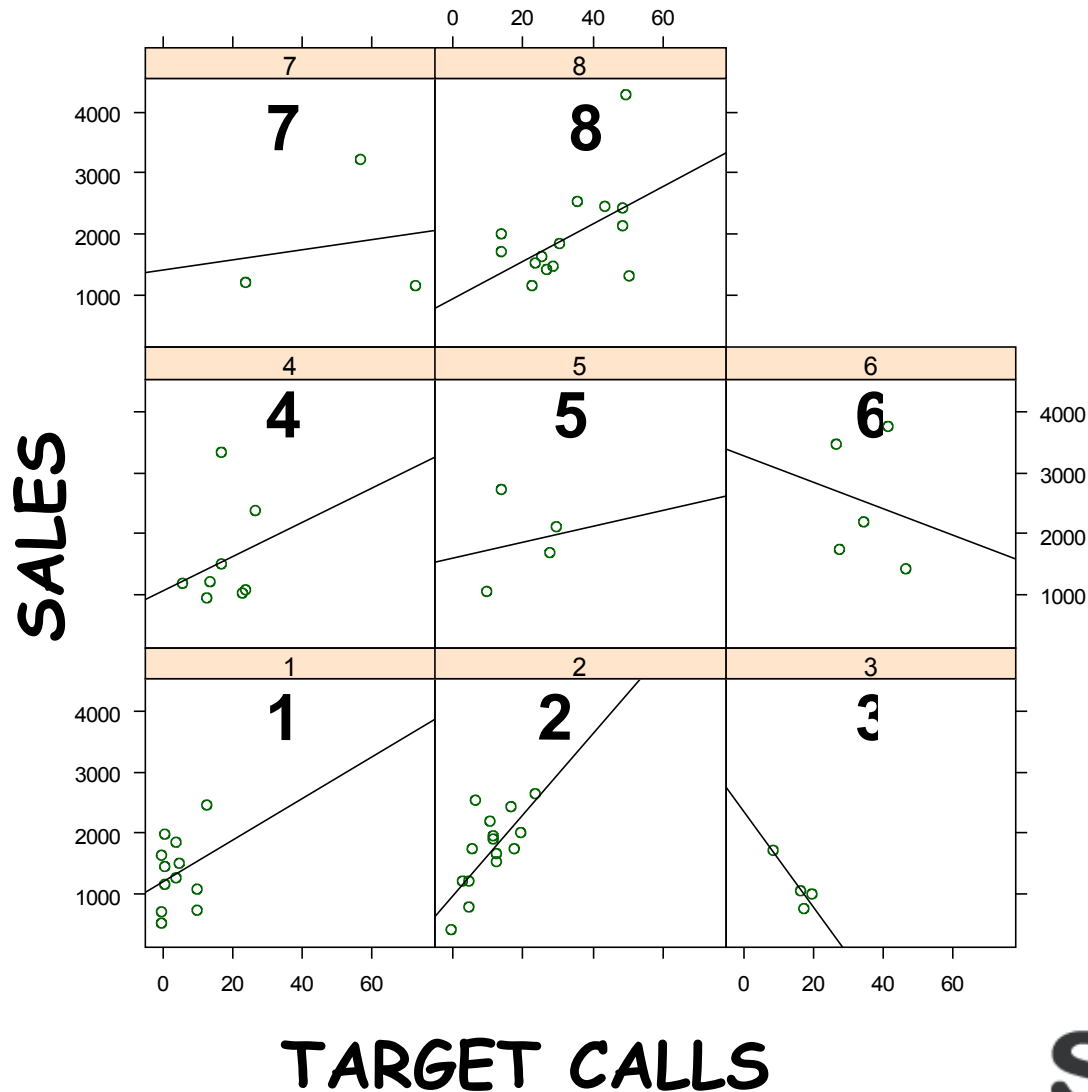
- Area choice within Territory
- Target or Non-target call
- Appointment call or "walk in" call
- Surgery meeting
- Follow up call
- Opinion leader call
- Etc etc

Different Strategies Can Be Identified From the CRM or ETMS

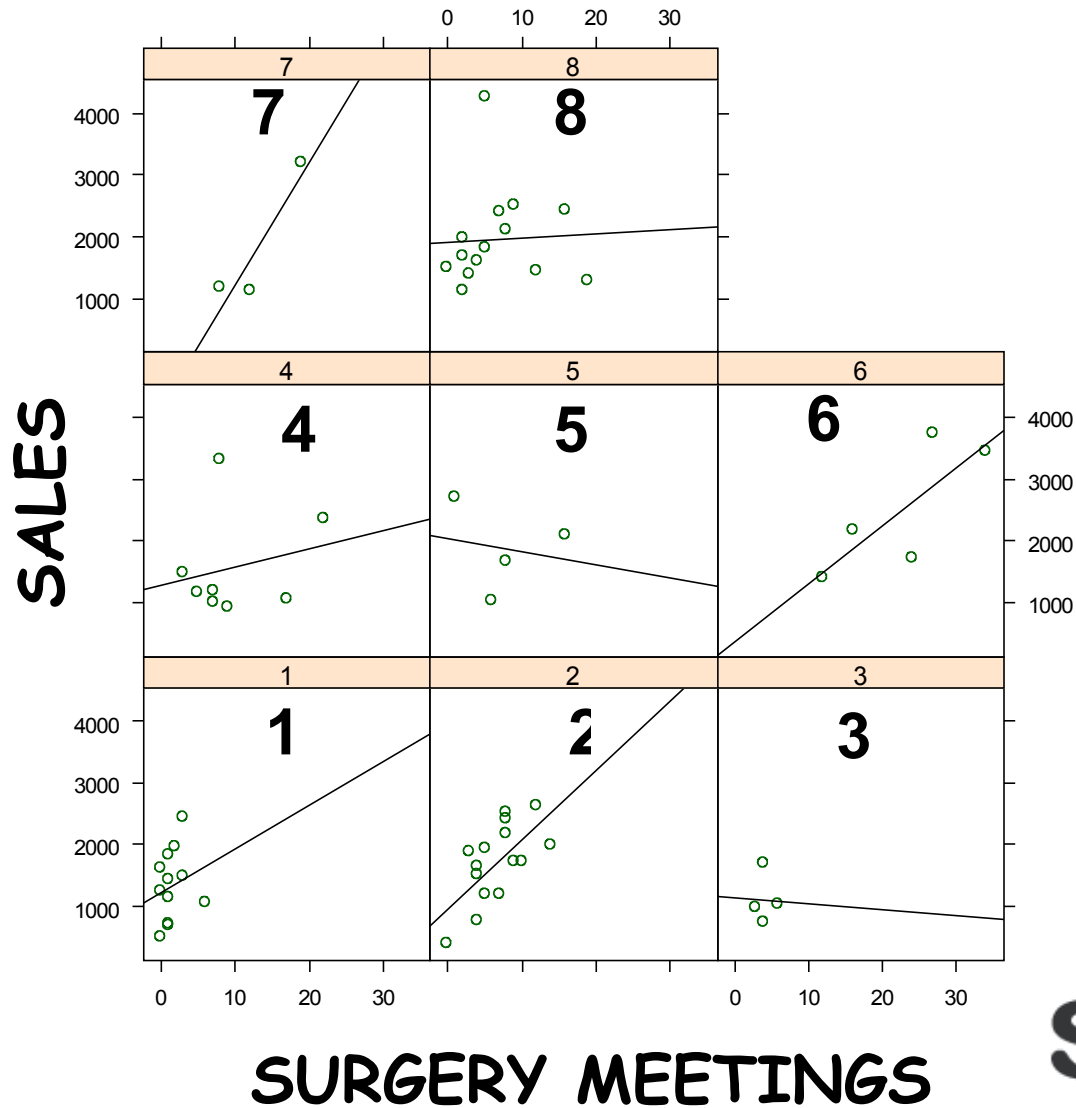
Choice of Field Force Strategy Greatly Influences Results



Examining Strategies in Detail

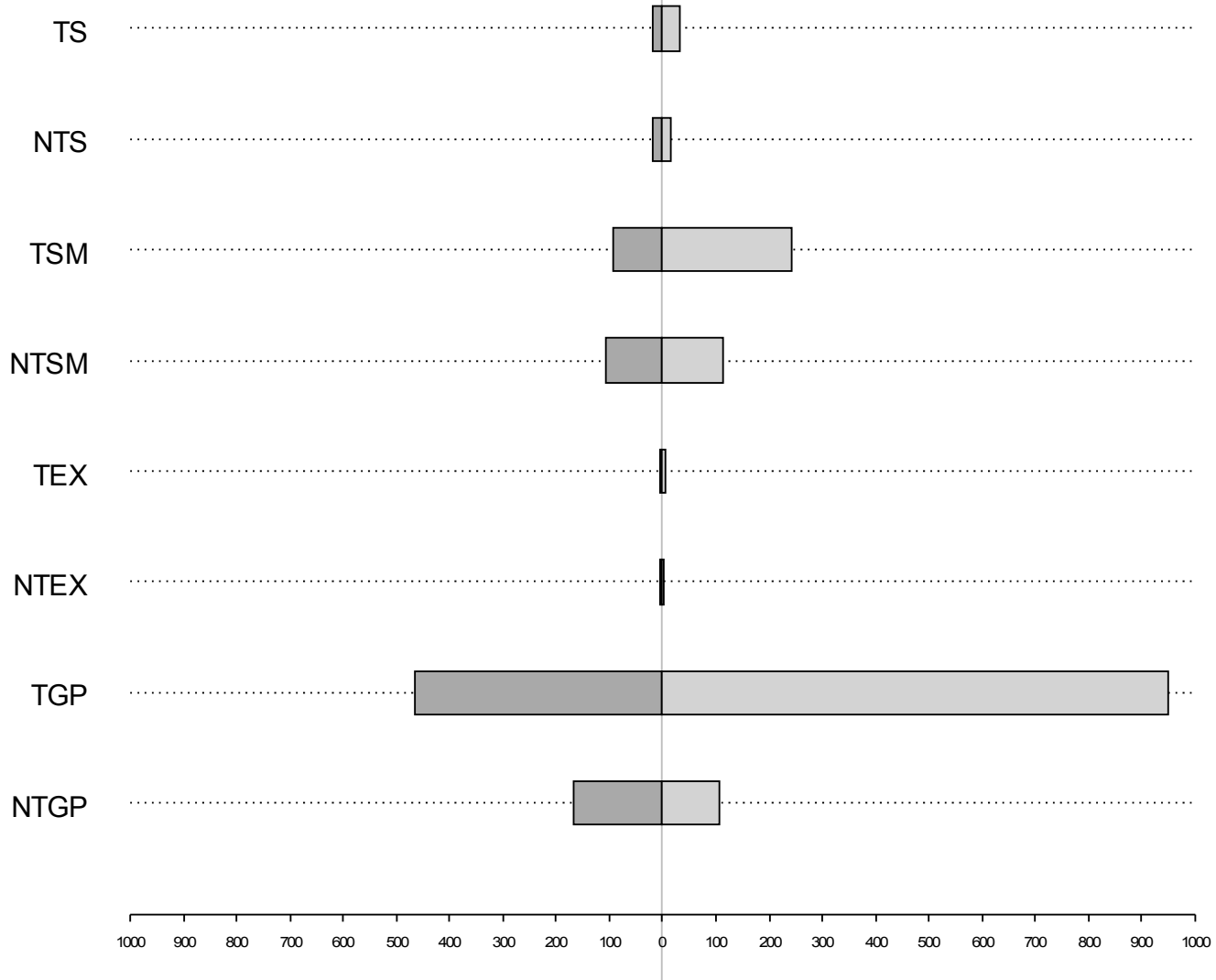


Examining Strategies in Detail



Most Common Strategy

Most Effective Strategy



Strategy 1

Strategy 2

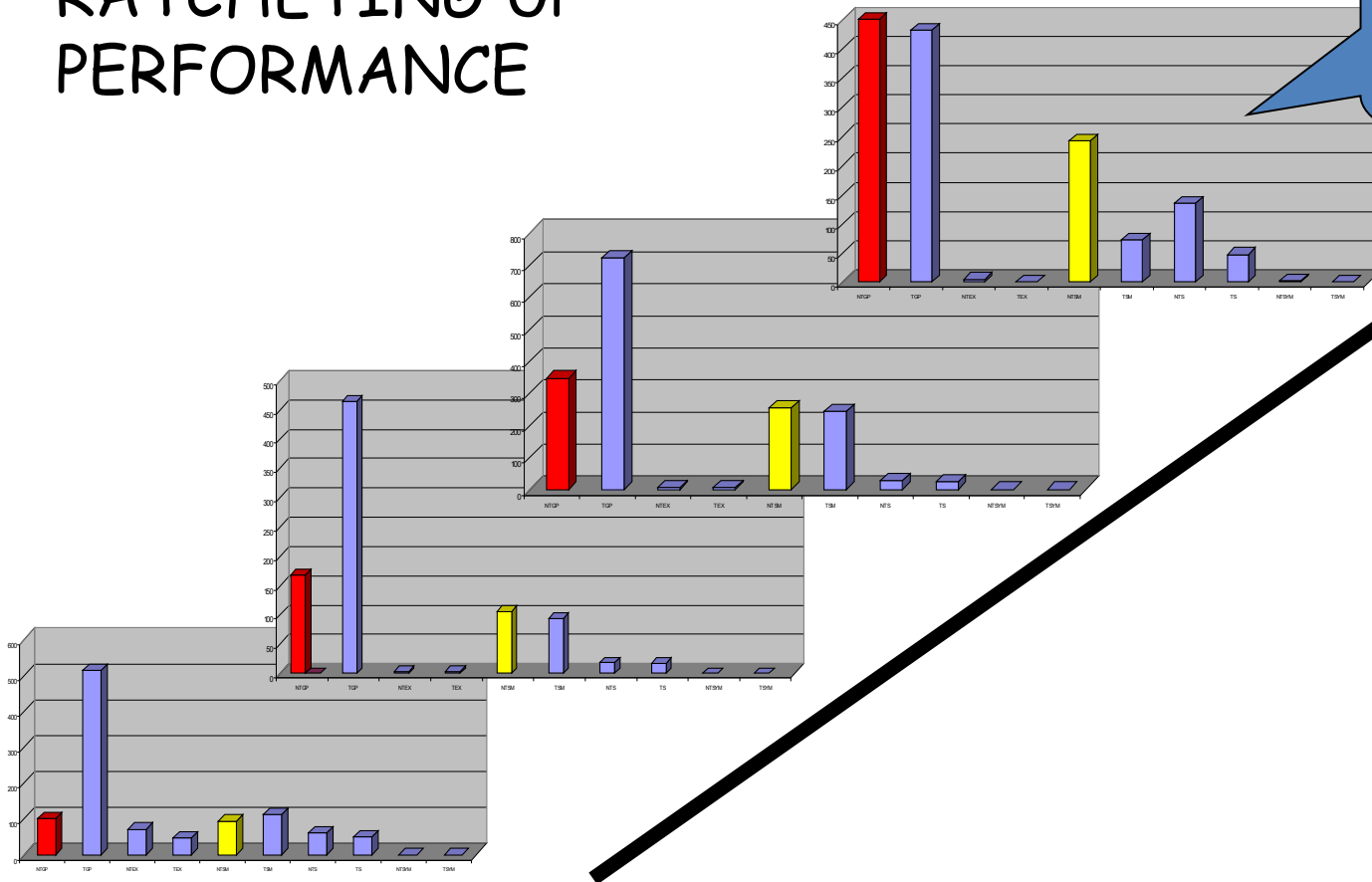
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Strategy Templates Can Be Used To Improve Performance

RATCHETING UP PERFORMANCE



Strategy 2 is the winner!

In Conclusion

- Big pharma players are struggling with downsizing and re-skilling field forces
- Mid-size pharma players are more flexible in approach
- SFE and marketing ROI tools are available and can have a powerful impact on growth and profitability

Mid-size pharma can gain significant competitive advantage - using robust, accurate and valid ROI analytics!