Transforming the Value Proposition in Pharmaceutical Marketing
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Pharmaceutical marketing is at a crossroads. For decades the direct-to-physician marketing model worked extremely well for an ever-expanding portfolio of products. Now, at a time when industry fundamentals are already challenging, companies must transform their marketing models to comprehensively focus on value creation, with an emphasis on real-world outcomes. Although some companies have taken steps in this direction, none have undertaken the wholesale reorientation of the marketing mission that is required.

The marketing model of the future will systematically engage a broader set of stakeholders, addressing their requirements and placing the delivery of value at the center of the marketing equation. Successful models will address five key marketing imperatives: re-center marketing on value creation within disease states; take an integrated multi-stakeholder, multi-channel approach; incorporate value creation early in the product development cycle; accelerate reallocation of marketing resources and align capabilities to support future market needs; and effectively measure and manage marketing ROI.
Pharmaceutical marketing has a track record of enviable success stretching back decades. A finely tuned marketing model—with its focus on promoting clinical benefits and product utilization directly to physicians and, more recently, patients—contributed to impressive revenue growth and industry average gross profit margins.

Yet pharmaceutical marketers have struggled to respond to irrevocable shifts in industry dynamics that are challenging the effectiveness of their tried-and-true methods.

As the healthcare industry continues to evolve, the traditional pharmaceutical marketing model will be less and less adequate to support market success. Going forward, pharmaceutical marketing must aggressively promote product value creation to an ever-growing range of stakeholders. The objectives: to reorient the marketing approach around holistic views of diseases, patient and other stakeholder needs, and outcomes, and to present pharmaceutical companies as fully engaged and effective leaders in a sustainable, cost-effective healthcare system.

Going forward, pharmaceutical marketing must aggressively promote product value creation to an ever-growing range of stakeholders.
Challenging Industry Dynamics

For most pharmaceutical companies, the halcyon days of fat R&D pipelines churning out highly profitable blockbuster drugs at regular intervals have passed. These days, pharma executives are more apt to feel beleaguered, as the industry contends with a perfect storm of internal and external pressures.

Gone are the days when clinical effectiveness and price alone determined product success. More than 70 percent of launches in 2007 and 2008 missed their initial analyst sales forecasts and were revised down.

Four drugs recently launched in the U.S. (Effient, Multaq, Onglyza, and Saphris) fared no better. According to Booz & Company analysis, payors significantly delayed adding all four of these drugs to their formularies, and restricted their positions once they did add them.

Payors, under significant cost pressure themselves, are aggressively applying a range of tactics aimed at limiting prescription utilization. In a 2009 Booz & Company survey of European pharmaceutical sales and marketing executives, 77 percent of respondents indicated that unfavorable formulary positioning and other market access barriers (e.g., step edits) for launch products had a negative impact on sales. The challenges faced by pharmaceutical companies are illustrated by the words of one U.S. pharmaceutical benefit manager: “Our goal is not to allow any more blockbusters.”

Pharmaceutical companies’ direct contact with physicians is increasingly restricted. Twenty-four percent of U.S. physicians’ offices now deny access to sales representatives. Additionally, physicians value sales calls less than in the past, in part because they have convenient access to a wealth of credible information and resources (e.g., WebMD).

Meanwhile, consumers—on the hook for a growing percentage of their healthcare costs—are demanding better information on the value of healthcare. In a Booz & Company survey of 3,000 consumers, more than half were not at all or only somewhat satisfied with the cost and quality information available to them about prescription drugs and physician services. Those with greater personal financial responsibility were the least satisfied.
**WELL BEGUN, HALF DONE**

Pharmaceutical sales and marketing executives have begun to move away from detailing products to physicians to focus on a broader set of collaboration partners and value creation in the disease state, as evidenced by changes in their budgeting plans (see Exhibit 1).

More marketing dollars will go to payor collaboration, health economic marketing, key account management, and patient compliance programs, for example, while budgets will be cut for print media advertising in medical journals and the like and for physician-specific marketing.

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**Exhibit 1**

**Pharmaceutical Marketing Budget Plans**

<table>
<thead>
<tr>
<th>Marketing Instrument</th>
<th>Next 2 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising in print media (e.g., journals)</td>
<td>-73%</td>
</tr>
<tr>
<td>Sales force physician detailing</td>
<td>-64%</td>
</tr>
<tr>
<td>Congresses/educational training</td>
<td>-43%</td>
</tr>
<tr>
<td>Advertising in online media</td>
<td>-34%</td>
</tr>
<tr>
<td>Mature product/brand management</td>
<td>-33%</td>
</tr>
<tr>
<td>E-marketing (e.g., e-detailing, e-mailing)</td>
<td>-14%</td>
</tr>
<tr>
<td>Medical marketing (e.g., studies)</td>
<td>-13%</td>
</tr>
<tr>
<td>Direct-to-patient marketing/information</td>
<td>-10%</td>
</tr>
<tr>
<td>Homecare teams</td>
<td>-7%</td>
</tr>
<tr>
<td>Patient compliance programs</td>
<td>-5%</td>
</tr>
<tr>
<td>Key opinion leader management</td>
<td>-4%</td>
</tr>
<tr>
<td>Key account management</td>
<td>-3%</td>
</tr>
<tr>
<td>Payor collaboration (e.g., contracting, risk sharing)</td>
<td>-1%</td>
</tr>
<tr>
<td>Health economic marketing (e.g., cost/benefit studies)</td>
<td>-1%</td>
</tr>
</tbody>
</table>

**Source:** Booz & Company European Marketing & Sales Survey, November 2009
Pharmaceutical companies have begun pursuing targeted tactics to enhance their value in the eyes of key stakeholders, especially powerful payors. For example, in response to market interest in “actual” patient experiences, one pharma company has renamed one of its research facilities the Real World Research Center.

Additionally, branded pharmaceutical companies have worked with payors in Germany and the U.K. to create new pricing structures, including compliance-based reimbursement, overall spending caps, and clinical-outcomes-based contracting, which links payments to treatment success. For example, Novartis agreed with two sick funds in Germany—which cover roughly 30 percent of the nation’s uninsured—to refund the cost of its osteoporosis drug Aclasta if treatment fails.

Companies are also working to differentiate their products with other nontraditional stakeholders. They have partnered with pharmacy benefit managers and other intermediaries to raise awareness of appropriate target populations for new products. They have built patient support programs, such as Novartis’s BP Success Zone Program, around challenging diseases. Teva has created Shared Solutions in the U.S. to provide a range of support services for multiple sclerosis patients on Copaxone; Merck Serono, Bayer, and Biogen Idec also have created patient support services for their MS patients. These centers support patients’ use of medications, thereby increasing efficacy and compliance.

These tactics illustrate marketers’ growing awareness of the changes that are needed, enhance their understanding of stakeholders’ evolving interests, and have been reported by marketing and sales executives to modestly increase sales. However, they do not amount to the paradigm shift in marketing that is required—from product selling to value creation.

The targeted tactics now being pursued by pharma companies do not amount to the paradigm shift in marketing that is required.
The pharmaceutical marketing model of the future will systematically engage a broader set of stakeholders in an integrated manner, addressing their requirements and placing value delivery at the center of the marketing equation. Every activity—from positioning products in the market to building marketing programs and communicating with physicians—must be squarely aligned with those principles.

Five key marketing imperatives will form the foundation for successful models:

1. **Re-center marketing on value creation within disease states.**
   Almost without exception, traditional pharmaceutical marketing is focused on driving utilization. A concerted top-down effort will be needed to win over the “hearts and minds” of rank-and-file marketing and sales reps whose well-worn playbook has produced great success in the past. Pharmaceutical executives must embrace the notion that profitable growth of products will come from flawlessly executing integrated marketing campaigns and “doing right” by the system overall. It will require deep understanding of the patient’s journey with a disease, how products fit into that journey, where they can add value in addressing disease pain points, and how they can create value in the system.

2. **Take an integrated multi-stakeholder, multi-channel approach.**
   Rather than focusing primarily on detailing to physicians, pharma companies need an integrated marketing plan that targets key value creation opportunities all along the patient’s journey with the disease.

   Specific opportunities will vary by product, product type, and product life-cycle stage, but value drivers can be found in treatment patterns, efficacy, dosage regimes, length of therapy, active side effect management, compliance and adherence, comprehensive patient education and services, convenience aspects of care, access, and affordability.

   For example, one company intended to promote a new prescription pain reliever based on its fewer side effects but realized after engaging payors that this benefit alone would do little to rally payors around the product. (Similar side effects in competitive products were easily treated with inexpensive, over-the-counter products.) With deeper disease- and value-based research, the company discovered that payors, particularly small ones, were underestimating the link between inadequate pain treatment and subsequent surgeries that were not always necessary or effective and were very expensive. It then recalibrated its marketing efforts to focus on aggressive pain management for surgery avoidance. In addition, patients still benefited from taking a medication with fewer side effects.
Pharmaceutical companies bring two unique capabilities that add value to payor and employer aspirations for optimal healthcare: a deep understanding of the disease, including investment in customer research, and a strong ability to engage physicians. Harnessed for value creation in optimizing the treatment of disease, these two capabilities can add tremendous value.

In our recent survey, 71 percent of European sales and marketing executives said that building an integrated multi-channel approach was a high priority in their companies for the next two years. This mission will not be easy. Pharmaceutical companies have for decades relied on their sales forces for detailing physicians. Now they need to marshal and integrate team-oriented capabilities and skills from across the organization—branding, sales planning, advocacy, market access, and more—and go to market in a concerted manner to maximize impact.

3. Incorporate value creation early in the product development cycle. Although pharmaceutical companies have enhanced collaboration among their commercial and R&D organizations when defining long-term target product profiles, these profiles often remain narrowly focused on the relative clinical safety and efficacy of products. Instead, they need to be grounded in a thorough understanding both of the disease state, based on real-world data, and of how care is managed and delivered, with an eye toward creating targeted value for various stakeholders along the way.

Productive, cross-functional collaboration will be enhanced by first establishing a common understanding of the patient’s journey with the disease to identify where value is being lost, where new value can be created, and how the company can best capture that value. This understanding needs to be established early in the product’s development—optimally during Phase II. This common view can also serve as a practical tool for building alignment with payors and understanding their needs and pain points.

4. Accelerate reallocation of marketing resources and align capabilities to support future market needs. The vast majority of the marketing mix is still spent on activating physicians, even though their influence on prescriptions is shrinking. Internal processes such as budgeting tend to drive toward the status quo, leading to inadequate resource reallocation, insufficient ROI on marketing tools, and overspending on traditional sales force resources. Such conservatism also results in underinvestment in capability development for new market requirements such as payor know-how, innovative commercial and pricing approaches, and cross-departmental collaboration.

One top 10 global pharmaceutical company recently completed an analysis of its marketing mix and concluded that 70 percent was still allocated to the sales force and, by definition, to activating physicians. Only about 10 percent was focused on payors. Marketing executives found these results both surprising and dispiriting, as they had made a concerted effort over the past two years to focus more resources on creating and demonstrating value to payors and regulatory authorities.

5. Effectively measure and manage marketing ROI. The high gross profit margins typical of pharmaceutical companies have afforded marketers a degree of spending freedom not enjoyed in recent years by marketers in other industries—notably, consumer products. Going forward, senior management will no doubt increase pressure on marketers to demonstrate the effectiveness of marketing spend. Meanwhile, marketing managers will need to develop a new level of sophistication in how to make mix decisions, define metrics, and analyze mix ROI that is currently not being rigorously applied in pharmaceutical marketing.
The traditional one-size-fits-all pharmaceutical marketing model is under threat. Successful pharmaceutical marketing models must increasingly target the needs of multiple stakeholders via multiple channels, and with a level of sophistication and cross-functional cohesion that few (if any) pharmaceutical companies have yet achieved. Companies will need new organizational structures, capabilities, and skills to meet the biggest challenge they have faced in decades. Senior management will increasingly scrutinize invested resources and demand high productivity and measurable results. Ultimately, the success or failure of individual pharmaceutical companies—and the industry as a whole—will be determined by how well and how quickly they reinvent pharmaceutical value in the eyes of stakeholders.
About the Authors

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Endnote

1 SK&A Information Services, January 2009.
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