

# The European pharmaceutical industry: Delivering sales excellence in turbulent times

A roadmap for getting the basics right and exploring the future

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## Introduction

For the European pharmaceutical industry, the time has come to think again.

In the past, most companies adopted a pure "size sells" strategy. Ever-growing armies of sales representatives seemed to be the fast track to higher sales. Sales force volume, it seems, was the only thing that mattered. The outcome is that, today, marketing and sales expenditures at drug companies can account for over 30% of revenues – far more than R&D spending. While expansion of some 10% annually over the past five years has pushed the European pharmaceutical sales force above 100,000, statistical evidence from the USA suggests that it may after all be possible to buck the trend. In America, the number of sales visits to doctors fell by 13% in 2005.

In Europe too, size is evidently no longer the all-important issue. Instead, a different factor is gradually emerging as the new secret of success: sales force effectiveness (SFE), or sales excellence. Aware of this, more and more pharmaceutical companies are reviewing their existing sales models in an attempt to answer one central question: Do we still see the right customers at the right intervals, communicating the right message and using the right promotional mix? As the industry grapples with dynamic development, weak product pipelines and pressure on margins, some of the traditional answers just don't seem to fit any more.

Our study highlights the challenges and opportunities that arise from this development. It gives pharmaceutical companies a platform from which to review their own sales models. The study is based on a survey conducted by Roland Berger Strategy Consultants at the eyeforpharma Sales Force Effectiveness Europe 2006 conference in Barcelona. More than 200 managers took part, representing the world's leading producers of ethical drugs, generics and OTC products. These companies were split into two size categories: large companies (with global revenues upward of USD 15 billion) and midsized companies (USD 1 to 15 billion).

To gain a more detailed insight into the trends and challenges facing the industry, we also discussed qualitative issues in a series of interviews with selected industry experts across Europe. Our own global project experience naturally also came to bear on the study. Roland Berger Strategy Consultants has completed a wide range of marketing and sales projects for pharmaceutical companies in the past, and the industry remains a strong focus for our daily work. We trust that the study will fuel discussion of the most important aspects of SFE and help readers identify how best to achieve sales excellence in their own sphere of influence.

Our sincere thanks go to all respondents and interview partners. Without their valuable knowledge and input, this study would not have been possible.

Stephan Danner

Aleksandar Ruzicic

## Executive summary

These are exciting times for the European pharmaceutical industry. A wide range of external and internal challenges need to be tackled, all of which are exerting pressure to make sales forces more effective.

Regulatory changes, growing financial pressure and changing buyer behavior present serious external challenges in the healthcare market. At the same time, internal issues such as weak product pipelines and costly product withdrawals only add to the challenges currently confronting the industry.

Anticipating the difficult times ahead, some companies have abandoned their traditional "size sells" strategy and started to downsize their sales force. One recent study found that the number of sales visits to doctors in the USA fell by 13% in 2005. However, counter to this trend, pharmaceutical sales were up 7% to USD 602 billion in 2005. Thus, as one pharmaceutical executive puts it: "The days when armies of sales reps in the field drove revenues are over. The focus is now shifting to the productivity and performance of those sales staff who remain."

Some pharmaceutical companies have already started to work on sales force effectiveness by activating levers focused on change, customers, the company, employees and IT. Setting priorities is a vital issue, of course. Here, the Roland Berger survey found that companies expect improved targeting to deliver the most quick wins. Training and call quality are regarded as the most important aspects for long-term benefits. Survey participants nevertheless identified a number of potential obstacles to SFE, complaining about significant problems with sales and marketing interactions, as well as with IT and metrics.

Drawing on extensive project work, numerous interviews with senior industry experts and copious desk research, Roland Berger Strategy Consultants spotted a number of Europe-wide trends in sales force effectiveness. First and foremost, pharmaceutical companies are trying hard to get "back to basics" – and to get the basics right. In the past, they invested heavily in expensive and often excessively complex CRM systems. Now, their attention is turning to superior targeting, compliance with efficiency benchmarks and more effective sales activities. Investing in call quality is one aspect of this shift of focus.

In addition, several new trends are appearing on the sales force effectiveness horizon. Pharmaceutical companies are increasingly experimenting with innovative approaches to both external and internal challenges. Not all these ideas will be appropriate to every industry player,

however. There is no "silver bullet". Drug companies must therefore identify which approaches are most suitable for them.

For example, some companies are seeking to distinguish between more expensive, superbly qualified and highly trained sales specialists and less costly sales reps who have less training. The idea is that the latter could be replaced over the next five years by more cost-effective communication media. At the same time, carefully targeted programs are being set up to appropriately address groups of stakeholders and opinion leaders whose significance is growing, such as payors and (in the UK) nurses.

As pressure on pharmaceutical companies' margins continues to grow, the industry will also be forced to explore new, more cost-effective promotional channels for physicians (such as direct mailing and e-detailing). This will require systematic ROI measurement if the promotional mix is genuinely to be optimized. Once pharmaceutical companies have improved transparency, they should also be able to synchronize the promotional mix across all channels. New, more flexible organizational options for sales and marketing, such as the strategic use of contract sales organizations (CSOs), could also feature in this revamped constellation.

In the immediate future, though, the key challenge to the pharmaceutical industry remains executing the basics of SFE properly while gradually piloting some of the more innovative sales models. Focusing on the basics, such as pragmatic and easy-to-use principles, tools and processes, should enable the pharmaceutical industry to increase sales excellence quickly in the short term. Integral transformation programs must first be established to accelerate execution. Unlike in the past, most of these programs will be conducted and managed on a pan-European level. SFE is no longer the responsibility of individual countries. Instead, it has become a key platform for cross-border learning and standardization. While all this is happening, pharmaceutical companies should also explore and learn about new trends and innovative sales models. This will give them a competitive advantage as first movers when proven models are ultimately rolled out.

As with most management topics, there is no patent recipe for sales excellence. Each company must plot its own SFE roadmap in light of its own individual strategic context. To help companies master this challenge, Roland Berger Strategy Consultants has developed – and successfully executed in practice – a comprehensive modular strategy. The first step is to stake out a customized SFE model for the company concerned. Key principles and best practices are then defined for each selected lever. Validation in the field enables the organization to build momentum for change by securing and communicating quick wins that have a measurable, demonstrable impact. Finally, enterprise-wide roll-out drives change throughout the local sales and marketing organizations.