

Commercial excellence in the pharmaceutical industry

Delivering superior value to your customers in challenging times

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Letter from the authors

For a while now, pharmaceutical companies have been faced with a multitude of difficult challenges. Financial pressures, regulatory changes and increasingly active stakeholders have put the industry's sales growth and profitability to an ongoing and demanding test.

In the past, many companies reacted to these obstacles by simply restructuring and downsizing their sales forces. Yet many onlookers now consider this approach to be outdated. If companies want to succeed – and generate results that will satisfy their shareholders – they must look further and focus on a whole new approach: **commercial excellence**.

This study paints a landscape of the key commercial trends across the industry and gives a detailed insight into commercial excellence. This report follows on from the publication which Roland Berger Strategy Consultants last year dedicated to sales force effectiveness and for which we received praise from throughout the industry. It is based on a survey conducted at the eyeforpharma Sales Force Effectiveness Europe 2007 conference. Additionally, we interviewed executives and managers from more than 40 pharmaceutical companies throughout Europe. Furthermore, we incorporated our own global experience into this study, gained through the wide range of marketing and sales projects that we have concluded for pharmaceutical companies.

We trust that this study will attract as much attention as its predecessor, and provide companies with a framework to develop their own strategy for the achievement of commercial excellence.

We would like to express our sincere gratitude to all our interview partners and respondents. Without their valuable knowledge and insights, this study would not have been possible.

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Executive summary

These are challenging times for the pharmaceutical industry. In their bid to ensure continuous sales growth and satisfy shareholders, companies must completely rethink their conventional approach to marketing and sales – and strive for a whole new level of **commercial excellence**.

Commercial excellence goes far beyond the activities of the sales force, embracing all commercial interactions with customers. Ultimately, it aims to optimize impact by maximizing profit contributions on all levels. Commercial excellence as we understand it comprises three dimensions: sales excellence, customer excellence and new business models.

Whereas sales excellence focuses on improving the performance of the traditional pharmaceutical sales model, customer excellence seeks to maximize the impact of interactions with an ever larger group of customers and stakeholders. New business models require more work than the other two dimensions, but also promise the greatest impact.

Our study reveals the major trends and obstacles in each of these three aspects. Although there have already been continual efforts to achieve **sales excellence** in the past, our interviewees believe that further improvements will remain beneficial. That explains why the majority of companies are still investing heavily in this field, focusing on targeting, call quality, performance and people. At a time when governments and other payors, health providers and patients are becoming increasingly dependent on each other, the participants of this study believe that only a holistic approach to **customer excellence** can succeed. The executives we interviewed identified three areas as having high priority: customer strategy/CRM, customer-centric organizations and optimization of the promotional mix. In this context, it is vital to note that the relative significance of stakeholders is changing. National authorities and specialists are becoming increasingly important, whereas our interviewees believe that general practitioners will lose some of their influence in the years to come. Consequently, companies are no longer organizing around their products, but around their customers – and shifting resources to match the changing relevance of their stakeholders. As they adopt this more "surround sound" approach to marketing, the promotional mix beyond the sales force is becoming more varied. Innovative channels are amplifying the traditional sales force, and the mix is increasingly being driven by individual preferences. As a result of the dramatic changes currently taking place in the healthcare environment, pharmaceutical companies are developing new business models in an

attempt to improve their customer focus and maximize profitability. A vast majority of industry executives expects those **new business models** to be rolled out over the next two years.

Roland Berger Strategy Consultants has developed a holistic consulting approach that helps pharmaceutical companies address the obstacles they are facing today. We help them develop and implement the right moves towards commercial excellence by diagnosing the need for change, formulating a strategy and helping them execute it in preparation for the future.

We have identified six key trends that are driving the emergence of new business models in the industry. These trends form the basis of the innovative **Roland Berger Business Model Mixer®**, a framework for commercial excellence. The framework enables a company to assess its individual strategy and competitive situation and defines the basic infrastructure of its new business model.

It goes without saying that adopting a new business model is a long-term strategy that requires careful evaluation of both the dimensions of and potential for change.

Yet the time has come to take action. And if companies want to safeguard their future, they must be aware that the time to define their individual commercial excellence footprint is now.