

WHITE PAPER.

Sales force effectiveness in a changing world.

By

Christopher Leibfreid, Practice Director

Michele Tittle, Manager

Jeroen Kwist, Manager

Unisys Life Sciences CRM, North America

With continuing market shifts and evolving customer dynamics, the role of pharmaceutical and life sciences sales representatives is changing—though not disappearing. To increase sales force effectiveness, companies must combine the high-tech and high-touch, and re-think how they serve each customer segment.

> Consulting.

> Systems Integration.

> Outsourcing.

> Infrastructure.

> Server Technology.

UNISYS

Imagine it • Done •

SALES FORCE EFFECTIVENESS IN A CHANGING WORLD.

A Unisys life sciences white paper.

Abstract.

The great sales force expansions of the last few years have delivered mixed results for pharmaceutical and life sciences organizations. The growing influence of managed care and increasing physician resistance to the traditional detail are just a few challenges limiting ROI. Contrary to the beliefs of some industry observers, sales reps aren't being replaced by technology, but their efforts are being complemented by e-detailing, brand Web sites, targeted campaigns, and multimedia call centers, each of which will play increasingly significant roles in a diverse marketing mix. Sales force effectiveness is no longer the sole responsibility of the reps, and shouldn't be thought of simply in terms of productivity or efficiency issues.

Once they have a clear understanding of how well their sales operations are performing and who their customers are, pharmaceutical companies must examine how they market, as well as when and to whom. As they re-think how to effectively target each customer segment, it's likely that leading pharmas will start marketing earlier (during clinical trial phases), and continue marketing later (through life-cycle promotion capabilities available with closed-loop CRM programs).

After years of being a primary driver for revenue growth across the industry, today's pharmaceutical sales representatives face a set of daunting challenges. Consider what they are charged with accomplishing:

- ▶ Prioritizing their time for maximum productivity while being forced to keep more accurate and detailed records about sampling and other activities covered by PDMA requirements, the PhRMA Code of Ethics and OIG compliance;
- ▶ Increasing their interactions with physicians, who are increasingly closing their doors;
- ▶ Forging close relationships with the physicians who will see them without free lunches, golf outings and tickets to ball games;
- ▶ Establishing greater influence over prescription decisions even as managed care organizations limit physicians' options;
- ▶ Adopting sophisticated technological tools and keeping up with the latest research in complicated medical fields without the benefit of extensive training;
- ▶ Targeting the most valuable and high-potential customers without easy access to complete or current data about physicians, correlated formularies or the competition;
- ▶ Acting as the customer-centric face of their companies without knowledge of all the interactions those customers have had with other channels.

These challenges and the underlying market shifts make it easy to empathize with reps, and they help explain why revenue per rep has been falling in recent years, and will likely continue to fall in the near future. The decrease in sales force effectiveness is particularly disturbing in that it's occurring as pharmaceutical organizations seek greater returns on their huge investments in sales personnel and technology.

So what is the right response for companies looking to sustain the glorious growth rates of the past? There are no easy answers, of course, despite what some software vendors, consultants and lobbyists might say. Complex problems call for deep strategic thinking, followed by common sense implementation, an unyielding focus on execution and a commitment to continuous improvement. This white paper will touch on several critical issues impacting sales force effectiveness, and highlight short- and long-term changes that pharmas can make to get the most out of their sales forces.

High-tech + high-touch = high performance.

The reports of the demise of the pharmaceutical representative have been greatly exaggerated. Barely two years ago, Rayna Herman of Health Strategies Group predicted that, “In the long term, you’re going to see pharmaceutical companies replacing representatives with technology.” At an industry training conference, Peter Lynch declared that pharmaceutical sales professional jobs would “soon be irrelevant,” replaced by the Internet. Meanwhile, in the real world, pharmaceutical companies have begged to differ, expanding their sales forces to unprecedented levels in recent years, with approximately 90,000 reps on the streets today. Obviously, as physicians take more control of their time, technology will take pressure off the reps, but the human element will be an important component for many years to come.

In seeking to increase the productivity and effectiveness of their sales reps, pharmas should seek a mix of the high-tech and the high-touch. Because healthcare is the ultimate high-touch industry, it’s fitting that sales force effectiveness is to a significant degree a function of human interaction. The physician-rep relationship has been a key driver of revenue growth in the last decade, and many in the industry believe that will never change. The reasoning is that physicians are notoriously reluctant adopters of technology and prefer to receive information and samples from individuals whose names and faces they know. For better or worse, these truisms are changing. Doctors are surely (if slowly) adopting technology—especially e-mail, Internet access and handhelds—for the exact same reason that professionals in nearly every other major industry have already embraced it: to boost productivity and save time. It may take another generation or two before PDAs become as common as prescription pads in lab coat pockets, but there is simply no denying that doctors will capture, store and share more information electronically in coming years.

The high-tech component isn’t necessarily about new gadgetry, but rather about driving more value from existing systems. It’s about improving the quality of existing data and using it more effectively. As is the case with other operational challenges, integration is necessary to provide the front lines (as well as back-office management) with the applications and information to make better decisions, faster. For reps, that means having the ability to share the right message with the right physician at the right time and organizing their day for maximum efficiency. Integration is key to productivity.

According to a recent Pace Productivity Report, sales reps spend only 23% of their time actually selling. The balance is spent searching for the information (prescriber histories, competitive positioning, product information, etc.) necessary to sell. Providing reps better tools and remote wireless access to

Sales reps spend only 23% of their time selling – Pace

that vital information will help them focus on value-added tasks. Some companies have already invested in those tools, but because of insufficient training or lack of integration, they haven't realized the expected benefits. Maximum sales productivity can be achieved only through a combination of mobile technology, integrated data and skilled reps.

Mastering the high-touch doesn't necessarily mean more reps will spend more time with more doctors. The challenge of gaining "face time" is likely to become insurmountable as more physicians restrict access. In fact, as market dynamics continue to shift, reps will be re-directed away from traditional physician details and toward building and strengthening relationships with payers. They will spend more time with MCO executives, formulary administrators and corporate benefits managers. This has been the trend in Europe the last several years and is likely to become more prevalent in North America. And when they do call on doctors, reps will find themselves providing more information and services to nurses, physician assistants and office managers.

Technology underlies a company's ability to personalize the sampling process and overall customer experience.

High-touch can also mean using technology to provide more personalized services, like immediately recognizing doctors when they call an 800 number or visit a product Web site. Recognition is the prerequisite for personalization, which is the ultimate in high-touch and a proven driver of sales success. Technology underlies a company's ability to personalize the sampling process and overall customer experience. As you can see, there is no separating high-touch and high-tech when it comes to life sciences sales.

From here to there: Increasing sales force effectiveness.

Because modern pharmas are complex organizations, sales force effectiveness requires concerted efforts across a variety of fronts. What to do first—integrate or update technology; streamline or re-direct the sales force; further medical education efforts; analyze the promotional mix; implement targeted campaigns—depends on where your company is today. Smaller or mid-sized life sciences firms have been ratcheting up their marketing efforts in recent years and that trend seems likely to continue. They may look to adopt a best practices-based approach, which includes seeking larger partners for co-promotion. The key is to build efficient processes and solid organizations now, so that sales and marketing operations can be scaled effectively as growth occurs. Big pharma may focus on optimizing current sales and marketing processes, integrating existing systems or re-organizing sales operations. European firms face a different set of challenges and thus have a different set of priorities than their counterparts in North America and Asia/Pacific. A few high-level recommendations apply to nearly all geographies and industry sub-sectors and reflect the changed reality of life sciences sales. They are:

- ▶ Ask the right questions to assess current sales operations
- ▶ Adopt the hybrid sales force
- ▶ Establish information superiority
- ▶ Expand the customer strike zone
- ▶ Segment for maximum value
- ▶ Extend the marketing lifecycle and integrate into overall CRM strategy
- ▶ Train, train, train

Asking the right questions.

To understand what to do next in achieving greater sales force effectiveness, pharmaceutical companies must first understand where they are, what they're doing well and where they can improve. Tomorrow's leaders are asking themselves these urgent questions today:

Information Superiority: Do our reps have the ability to share the latest clinical research data, formulary changes, FDA updates and other relevant information physicians want? Do we personalize product literature and the sampling process based on region and specialty?

Service Superiority: How quickly and easily do we recognize our customers when they interact with us? Is it easy for our customers to find information about products whenever they want it? Do we know which physicians are using which channels? Do our customers experience the same high levels of service across all channels?

Customer Intelligence: Do we know who our most valuable customers are? Is our sales force trained and equipped to gather information about interactions with physicians and other customers? Are there systems in place so that this information may be quickly added to customer databases or data warehouses? Can we leverage customer intelligence across the enterprise?

Compliance: Does our sales force have adequate controls and tools to comply with the most recent PDMA provisions, OIG guidance as well as the PhRMA Code of Ethics? Does the home office staff have the tools they need to track and measure compliance? Are our current sales and marketing strategies in line with our HIPAA privacy policy?

Multi-channel Communications: Are call center scripts, brand Web site content, advertising and sales messages working in concert, or do customers receive different information depending on which channels they choose? How easily can a campaign be shared with and executed by sales? Can marketing receive real-time feedback on the campaign effectiveness to fine-tune messages during or after campaigns?

Operational Integration: Are sales efforts aligned with medical education, R&D, discovery, regulatory affairs and IT? Do sales and marketing executives interact with clinical staff early and often enough to help translate the science to the market? Could we assign more resources to strengthen our relationships with MCOs, governmental regulatory authorities and other payers?

Sales Force Organization: Are saturation and mirroring strategies working in the market? Are we attempting to call on physicians who don't want to see our representatives? Do individual reps have responsibility for the right number of products? Do we have a clear strategy for identifying and establishing strong relationships with key opinion leaders (KOLs)?

The new hybrid sales force: Integrating high-touch & high-tech.

Today, pharmas are represented by both humans and various forms of technology, including Webcasts, Web sites, e-details, electronic campaigns and call centers. These technological advancements and new sales channels will work as complements to the roles of traditional reps. Again, these activities are all part of the same idea: selling more products and driving increased revenue. The mutually beneficial relationship between pharma and physicians will be based on easy, flexible and personalized communications across several channels, and giving physicians the ability to choose the channels they prefer. As Gartner Group says, “By 2004, companies that cannot leverage the Web, contact centers, and selling organizations in an integrated, multi-channel selling solution, will find themselves losing share.” Human reps will be available for the individual detail, but call centers, e-detailing and Web sites will be available as an additional outlet to help reach hard-to-see prescribers.

“By 2004, companies that cannot leverage the Web, contact centers, and selling organizations in an integrated, multi-channel selling solution will find themselves losing share” – Gartner

A recent Gartner report made evident that e-detailing “is not a sales force substitution, but rather a technique for improving sales effectiveness,” complementing the traditional detail. The adoption of e-detailing is inevitable, but “issues with trust, bandwidth, content management and the difficulty of integrating data with other customer relationship management applications will slow adoption.” E-detailing will have a “a high impact on life sciences sales processes,” allowing “pharmaceutical firms to be more selective in the physicians that they target for face-to-face interaction, as well as to reach ‘no-see’ physicians.” Pharmas that are hesitant to adopt e-detailing should consider that:

- ▶ physicians spend an average of 23 minutes in an e-detail, as opposed to a few minutes for in-person calls, according to a 2002 Scott-Levin study;
- ▶ e-details are up to 100 times less expensive than traditional calls, and can be up to 400 times more efficient, according to Gartner.

For e-detailing to be successful, pharmas should understand which physicians have the inclination and technological capacity to participate. They must also ensure that they define the customer touch strategy, balance educational and promotional messages and make those messages consistent with other channels (field reps, Web sites and/or DTC campaigns). Also, scheduling is key, as studies have shown that most doctors access on-demand information after regular office hours.

As doctors turn to electronic channels, call center reps will begin to act more like sales reps. Leading pharmas are already preparing for this shift. Reps will no longer simply collect physician information to distribute samples or send out basic product literature, but they’ll need to ask the right questions to elicit information from physicians, and share details on the latest research. The Meta Group’s Steve Bonadio says, “Technologies are going to enable agents not skilled in sales and marketing ... One of the bigger issues is going to be, how do call centers re-architect to support sales?” Call center reps will need access to the most effective messages, which need to be consistent with the messages shared in the field. Physicians must encounter the same compelling and differentiated stories about products no matter how they interact with your company.

Pharmaceuticals need to concede that some doctors are finished with traditional details. The well-known stats around physician access seem to support the skeptics. No physician contact occurs on about half of all detailing calls, and 87 percent of details are under two minutes. The message that doctors are collectively sending by limiting reps access is, frankly: you're not providing sufficient value for me to spend time with you. If reps were providing value, it stands to reason that doctors would make themselves available. And new regulations haven't helped either; some companies estimate that PhRMA guidelines and OIG compliance have reduced physician access by up to 25%. So how do sales reps—and therefore the companies for which they work—change the perception and establish relationships with physicians and other customers who are reluctant to enter into those relationships? That's where information superiority comes in.

Information superiority: Overcoming physician resistance.

Doctors have continually stated on surveys that the most effective reps are those who provide reliable, timely and accurate data.

From the physician perspective, outstanding service is primarily about information. Doctors have continually stated on surveys that the most successful reps (the ones that they are willing to see) are those who provide reliable, accurate and timely data about clinical research findings, FDA updates, formulary changes and other valuable information. The subtext is that reps who can help doctors more effectively treat their patients will be granted access. Pharma-sponsored compliance support programs that send email reminders to patients have proven successful both for treatment outcomes and for improving relationships with doctors. The personalization of samples and product information based on specialty and region is another best practice that pharmas are aiming to adopt.

Information superiority is a two-way street. Reps should be focused on collecting data, as well as distributing it. Somewhat paradoxically, as individual details become fewer and briefer, the data from and about them—particularly which messages resonated—becomes more valuable. Reps need the tools (and incentives) to capture that data for storage and mining in the future. One upside for pharmas in the increasing automation of customer interactions is that the most effective messages and best practices are easier to identify and distribute.

Expanding the customer strike zone.

What other services can reps provide physicians to energize the detail calls? Many industry observers have suggested that reps might spend more of their time with nurses, PAs and office managers. Reps can help with a variety of tasks, from sharing research and treatment information, to assisting with managed care paperwork. As nurses and PAs take more responsibility for treatment, it's natural that reps should spend more quality time with them, discussing patient compliance. By ensuring that nurse and other office staff are aware of the Web sites, e-mail reminders and other tools pharmas have developed to improve patient outcomes, reps will foster customer (both doctor and patient) loyalty. In the process, they may also help counteract the increasingly popular misconception that pharmas care only about sales and profits, and not about patient health.

As the control of the healthcare systems shifts towards consumers, regulators, MCOs and other payers, pharmas will have to demonstrate their value to each of these groups. And it's possible to imagine a world where more reps serve as an extension of medical education staff and call on corporate benefits managers. According to a recent issue of *Pharmaceutical Executive* magazine, European pharmas "are a bit more advanced in terms of giving reps more customer types to call on."

One last thought about traditional sales calls: physicians are practically inviting pharmaceutical companies to communicate with them regarding new direct-to-consumer ads. Not only are reps hurt when the doctors are blind-sided with questions from patients who have seen advertising about new medications, but the return on massive investments in print and television campaigns also suffers. As beneficial as consumer awareness is to product launches, the ire of physicians is a real risk for pharmas. Several recent surveys have shown that the vast majority of doctors (including both the 15 percent who are favorably disposed toward DTC advertising and the 85 percent who are opposed) would appreciate knowing about the campaigns before they run. This is another area where pharmas can start to mitigate physicians' negative perceptions about them through proactive sales and marketing activities and by leveraging key opinion thought leaders.

According to a recent issue of *Pharmaceutical Executive* magazine, "Physicians not only appreciate receiving advance notice of DTC campaigns, they are also more likely to support patient requests resulting from those ads when they know what's coming. By giving doctors advance notice, companies may be able to mitigate the negative feelings that some physicians hold toward consumer advertising." For those offices that don't prefer electronic communications, reps can visit with specific information to share: when and where the new campaign will run, the target audience it will speak to, and the rationale behind new and differentiating messages in the campaigns. Pharmas may even consider involving doctors in the development of DTC campaigns, either through focus groups or by playing specialty advisory roles. In addition to helping spread the word about what's coming, early involvement will help physicians to feel more empowered and engaged with the DTC movement, and, on a more practical level, more prepared to deal with patient questions. It remains to be seen whether or not physicians will make more than the typical one minute available to a rep to hear such a message, but nurses and PAs make a potentially receptive audience to these messages. Again, pharmas would be well-served to establish both human and electronic channels for the distribution of this information.

***"By giving physicians advance notice of DTC campaigns, pharmas may mitigate the negative feelings some physicians have toward consumer advertising."
– Pharmaceutical Executive***

New audiences, new tasks.

The role of reps is changing and in the foreseeable future, they will be providing new services to new customer types.

New Customers

- ▶ MCO executives and formulary managers
- ▶ Government agencies
- ▶ Corporate benefit administrators
- ▶ KOLs
- ▶ Nurses, physician assistants and office managers
- ▶ Pharmacists

New Tasks

- ▶ Identifying KOLs and clinical trials participants
- ▶ Collecting data about messaging, attitudes, prescribing habits, etc.
- ▶ Complying with PDMA and PhRMA guidelines
- ▶ Notifying doctors and nurses of DTC campaigns and compliance support programs
- ▶ Sharing pharmacoeconomic data with payers
- ▶ Assisting with managed care paperwork

Segment for maximum value.

To drive further sales force effectiveness, most pharmas need to become more proficient in customer segmentation. It starts with complete, accurate and up-to-date information about prescribing histories, geographic information and practice data, but increasingly needs to include information about doctors' attitudes toward pharma and reps' visits, openness to participate in clinical trials and readiness for multi-channel sales and marketing activities. *Pharmaceutical Executive* summed it up succinctly: "For a particular product, for example, one segment might consist of price-sensitive physicians, another might include doctors loyal to a given manufacturer's brand, and a third may include those unfriendly toward reps.

Since it's not possible or desirable to create relationships with every physician, pharmas must recognize which physicians are worth pursuing, and the most effective way to pursue them. Reps will not only be selling to physicians, but trying to gather customer intelligence data about the physicians to determine their overall value to the organization. And that data will include more than just past prescribing habits and volume level. Segmentation paves the way for the highly effective sales forces of tomorrow's market leaders. Those pharmas will learn to generate more revenue with fewer reps, while at the same time increasing the dollar contribution per rep. It's pretty clear that the days of endless sales force expansions are over.

Extend the marketing timeline.

Reps are selling the company's medical expertise and patient support systems, not just medicines.

Sales force effectiveness starts long before reps go into the field. In fact, more and more pharmas have recognized the value of marketing during early clinical trial phases. With shorter product lifecycles and more pressure on the development cycles, pharmas must maximize revenues while they can. One way to do that is to spread the word about a product's progress to physicians in the relevant specialties through early clinical trial phases. Medical journals will continue to play a role, but reps, Web sites and call centers can also support that effort. The earlier you can introduce physicians and formulary managers to the benefits of new drugs, including pharmaceconomic data, the more likely they are to be receptive when those drugs are launched. That means ensuring that sales literature and samples are ready to go before the FDA grants final approval. That means ensuring that an integrated marketing strategy is in place and communication plans are shared, so that call center reps have the answers when doctors or consumers call with questions. As many successful product launches have shown in the last few years, improving interaction between clinical and marketing staffs earlier in the development cycles helps ensure market success.

Sales force effectiveness is also determined a long time after samples are distributed and prescriptions fulfilled. Many pharmas have adopted sophisticated CRM systems but not necessarily integrated them with sales and marketing initiatives. Strong call center support and CRM programs give reps something else to sell as they visit both traditional and new customers. Reps are selling the company's medical expertise and patient support systems, not just medicines.

Train, train, train.

The business case for training should be based on enhanced return on technology investments and increased sales productivity.

Pharmas typically do an excellent job of initial sales training for the bright, young people they hire, but typically they do not do as well in follow-up or continual training of existing reps. Training needs to be conceived of as an ongoing part of sales operations, and a high-priority one. Technology and medical research are changing too fast for reps to keep up on their own. And reps are asked to assume new responsibilities, it makes sense that training (and compensation) are likely to change, too. Annual or semi-annual group training, including both reps and district managers, can help improve morale and provide a valuable forum for sharing best practices. Refresher courses in proven sales techniques—like maintaining target account lists, prioritization and time management—never hurt either. The investment in current training programs for reps, in both clinical knowledge and selling/communication skills, will pay off as therapies grow more complicated and the slight differences between them more technical. Upper management often considers training a soft expense; building the business case for training in terms of increased return on technology investments and increased sales productivity should help overcome cynicism. And sales managers should understand the importance of mentoring and coaching, especially since pharmas have added many relatively inexperienced reps during the last few years.

Conclusion.

The subtext for these recommendations is that the key function of sales reps (to share product information with physicians, form relationships with them and influence their prescribing decisions) will be handled in new channels. Physicians—as well as other, increasingly important customer segments (formulary managers, pharmaceutical benefits managers, hospital and managed care organization administrators)—will dictate how they form relationships with pharmas. Some doctors will simply not be interested in dealing with reps, the human face of pharmaceutical companies, but will prefer to use technology to communicate on their own terms and schedules. There may be doctors who place such huge barriers in front of reps that it may simply be impossible to establish relationships with them.

Though pharmas face many challenges, all the market turbulence of the last several years does provide some good news, specifically the realization that sales force effectiveness is no longer solely a function of rep productivity. Sales force effectiveness starts in the clinical trial phase, with preparations for a successful product launch. It is supported through the integrated efforts of the medical education, regulatory affairs and IT groups. The groundwork for future sales success and customer loyalty is laid by effective call center and CRM programs. That's what will enable the scenario much on the minds of sales and marketing executives these days—greater revenue generation with a smaller sales force.

For further information, visit www.unisys.com or contact Unisys Life Sciences at 1-800-874-8647 x348.

**For further information, visit www.unisys.com
or contact Unisys Life Sciences at
1-800-874-8647 x348.**

Specifications are subject to change without notice.

© 2004 Unisys Corporation
All rights reserved.

Unisys is a registered trademark of Unisys Corporation.
All other brands and products registered herein are
acknowledged to be trademarks or registered trademarks
of their respective holders.

Printed in U S America 2/04



4136 4035-000