Conference Insights

Pharma Marketing ROI

in-depth report from the eyeforpharma
6th Annual European Pharmaceutical Congress
held in Amsterdam, 23–24 October 2006

by Dr Barrie G James
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Executive summary

Caught in a tightening vice between declining new product introductions and accelerating patent erosion, the pharmaceutical industry has been cutting back spending across the board to improve profits. Conversely, marketing spend is at an all-time high and is now the single largest pharmaceutical company business expenditure. Inevitably, this has triggered a growing management emphasis on accountability and on value for money for its marketing investments. Pharma marketers’ response has been to explore and implement approaches that improve return on investment (ROI).

The 6th Annual European Pharmaceutical Conference, Pharma Marketing ROI, held in Amsterdam on 23–24 October 2006, discussed the challenges that the industry faces and its implications for a healthy financial future, together with some of the measures and practices that could deliver increased ROI in pharma marketing.

The conference raised two burning issues: first, do pharmaceutical companies possess a solid bedrock of marketing expertise in terms of best practice processes and procedures? If not, the expectations of enhanced marketing ROI may not be realised. Second, how many companies have processes in place that can identify, track and allocate marketing expenses? Without these systems it is impossible to calculate an accurate ROI. The evidence presented suggests that very few companies are well positioned in this respect.

Addressing these issues will be critical for the future. It has been projected that global industry growth will continue its unbroken decline from 2000 and will slow to 5–6% growth in 2005/6, down from 6–7% in 2004/5. Reduced growth inevitably increases the level of competition throughout the industry, which will only add to the pressures on those companies that are unable to maximise their marketing ROI.

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Day one

Chairperson: Stewart Adkins, Consultant, Stewart Adkins Advisors

Forecasting & finance

What skills, experience and attributes will Product & Marketing Managers need for the pharma industry of 2026?
Sean Davies, General Manager, Ferring Pharmaceuticals

Industry challenges seen through a financial analyst's eyes
Stewart Adkins, Consultant, Stewart Adkins Advisors

Managing the diffusion of innovation to drive ROI
Baba Awopetu, International Product Manager, EMEA, Stryker

Strategise for initiatives that favor long-term success over a short-term ROI
Guenther Illert, Vice President Life Sciences, Capgemini

Take advantage of connecting strategy to shareholder value
David Impey, European Director of Marketing, Eisai Europe Ltd

Tradeoffs to increase shareholder value - how BI UK optimises its strategic and brand planning
Ollie Mitchell, Head of Marketing, Boehringer Ingelheim

Marketing intelligence and analytics

Optimising promotional spend across countries and across brands - unique methodologies for assessing ROI
Paul J ones, EMEA Practice Leader, Promotional Management, IMS

Marketing the science through the science of marketing... building global brands
Ian Talmage, VP Marketing, Bayer Healthcare

Gain the competitive advantage by visual and interactive data analyses!
Jakob Peterssson, Senior Consultant, Business Analytics, Spotfire

Measuring, managing and maximizing return from promotional activities
Graham Leask, Strategic Planning Director, formerly Astra Corporate

Panel session: Enhance the use of your tools: what can you do differently to generate extra sales?
Moderator: Fonny Schenk, CRM Director, J ansen-Cilag
Panellists: Kai Bruns, Senior Market Research Director, Lilly
Mark Bard, President, Manhattan Research
Menno Vis, Senior CRM Manager, Amgen

Lifecycle marketing

“The satellite navigation problem” - choosing the best route
James Macdonald, Marketing Director, Ferring Pharmaceuticals

How to increase your ROI in late-stage lifecycle marketing
Marty Groen in ‘t Woud, Commercial Director, Astellas Pharma

Panel session: Know which marketing strategies to use at different stages through the product lifecycle

Day two

Chairperson: Keith Foster, Business Development Director, Archstone Consulting

Regulations, research and development

Learning & development: building the foundation for marketing excellence
Edward Nathan, Senior Director, Wyeth

Understanding the key regulatory issues pharmaceutical companies across Europe are currently faced with
Thera Adam, Senior Associate, Life Sciences Group, Simmons & Simmons

Market research: throwing good money after bad?
Trevor Acreman, Head of Pharmaceutical Practice, Millward Brown

Integrate and measure multi-channel marketing

Powerful practices that achieve cohesion through the channels
William Benn, EVP Sales and Marketing, Intuitive Group

How to measure marketing activity affecting factors
Roberto Sani, Marketing Director, Dompe Pharma

Multi-channel marketing - where should you allocate your resources?
Manos Christodoulakis, Market Analyst, Sanofi-Aventis

Do physicians truly understand your key messages?: implement techniques to increase your sales and ROI
Morton Hjelmso, Founder and Managing Director, Agnitio

Closed-loop marketing - sales & marketing working together to increase ROI

Marketing & sales: towards customer centric selling
Wolfgang Walter, Regional Business Director, Altana Pharma

A holistic view on pharma [marketing and sales]
Marc Sluijs, Business Consultant Pharma, Agile Software Corporation
About eyeforpharma

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Introduction

Marketing return on investment (ROI) in the pharmaceutical industry has evolved within a decade from a somewhat ethereal pursuit by marketing science groups towards a divining rod for resource allocation. The 6th Annual European Pharmaceutical Congress, Pharma Marketing ROI, organised by eyeforpharma and held in Amsterdam, 23–24 October 2006, indicated that companies have embraced the concept of ROI and many have gone beyond the hype of early practices and procedures. Certainly, they are beginning to focus on more realistic expectations and on more effective approaches.

The conference emphasised the overarching demand by pharma management for better ROI, improved marketing investment decisions and more effective performance measures. ROI was also explored from perspectives such as shareholder value, time-frames and the diffusion of innovation. A range of issues were addressed, including:

- the connectivity of ROI with the financial community
- lifecycle marketing
- brand and customer loyalty
- regulatory issues
- multi-channel marketing
- sales and marketing integration

There were two underlying themes. The first centered around whether pharmaceutical companies were sufficiently marketing oriented. It was pointed out that, at several major pharma companies, marketing training had become a victim of management demands to cut costs. There was a general consensus that marketing excellence was crucial to the delivery of superior results, and that it would require a greater emphasis on training to improve the quality of business-critical decision making.

The second theme was based on the pharma company as a customer-centric organisation. Much emphasis was placed on the need for organisational adjustments to meet changes to the competitive environment and the demands of the financial community. Significantly, there was little emphasis on satisfying customer needs. ‘Superior satisfaction leads to superior profits’ is a common mantra within companies that deliver exceptional results across all industries. This suggests that the marketing ROI for pharma needs to have a broader focus. It needs to move away from concentrating solely on improving efficiency to embracing effectiveness in the quest to improve overall customer satisfaction to drive superior performance.

Dr Barrie G James
January 2007

About the author

Dr Barrie G James is internationally recognised as a leading-edge pharmaceutical thinker, for his consulting in pharma strategy, futures, ethics and evidence-based marketing. He manages Pharma Strategy Consulting in Huntingdon, UK, which specialises in creative and pragmatic solutions to fundamental strategic, ethical and marketing problems in the pharma industry.

Earlier in his career, Barrie held executive positions at Ciba-Geigy, Merck & Co., Syntex, Biogen and Schering-Plough in strategic planning, marketing, operating management and business development.

His books and reports on the pharma industry have become standard industry references and his work has been cited in Business Week, the Economist and the Financial Times. His latest publications are The Little Black Book of Pharma Marketing and PharmVision 2015: A Short History of the Future.

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Conference structure

The 6th Annual European Pharmaceutical Congress, Pharma Marketing ROI, held in Amsterdam, 23–24 October 2006 and organised by eyeforpharma, was divided into six sessions. The first day provided different perspectives on the industry’s future, the key inputs from marketing intelligence, the analytics for improving insights and views on lifecycle marketing, and brand and customer loyalty that can be used to enhance marketing prospects.

Workshops were used to highlight how different techniques can be implemented to improve the management and measurement of ROI, and focused on topics such as:

- measuring marketing effectiveness to optimise promotional ROI
- getting compliance for key promotional messages
- improving the use of business information.

Day two looked at how development of the marketing function, an understanding of regulatory issues and the application of market research could enhance the practice of marketing. The session ended with pragmatic presentations on integration and measurement, marketing in a multi-channel environment and closing the loop between marketing and sales to improve ROI.

Presentations were supported by a number of interactive roundtable sessions. These focused on improving the understanding of a variety of techniques and approaches that can be used to address the increasing importance of ROI in pharma marketing.

Forecasting and finance

The proceedings began with a challenge by the Chairperson, Stewart Adkins (Stewart Adkins Advisors), who said that understanding the pharma environment was central to the task of forecasting the future of the industry.

Change, he said, was likely to be dynamic, with customers demanding value-demonstration studies that will change what and how pharma markets. Likewise, as the customer base becomes aggregated, this will impact on how pharma markets and to whom.

Although the environment will be in transition for the next 5–10 years, Adkins advised that managing marketing tactics will become a crucial task. He noted that pharma’s sales and marketing model had barely changed over the past 25 years and that companies are largely doing the same jobs they did in 1980. Although there have been changes – better data capture, greater emphasis on pharmacoeconomics and more representatives per doctor – the sales and marketing

![Fig. 1. Sales and marketing investments have increased dramatically and are now the leading corporate expense. Reproduced with permission from Stewart Adkins (Stewart Adkins Advisors).](image-url)
task, and the tactics deployed, have remained largely unchanged.

But has pharma marketing become more effective over the past quarter of a century? Although the industry has been able to increase the speed of market penetration by quickly ramping-up sales, this has been achieved at a very high cost. SG&A (sales and general administration) expenditures have risen significantly, from around 28% in 1990 to 33% in 2006. Without cuts in the cost of goods, the share spent on sales and marketing would have been even higher (Fig. 1).

This level of sales and marketing spend, said Adkins, is unsustainable. And it is this need for change that is driving management to press for significant improvements in sales and marketing ROI.

Marketing skills, experience and attributes

In a spirited presentation, Sean Davis (Ferring Pharmaceuticals) looked at the skills, experience and attributes required by outstanding marketing people in the pharma industry in the next decade. He pointed out that the pharma industry has few, if any, marketing champions, and that even fewer marketing people have their names attached to highly successful product introductions, which appear to be the province of scientists. Few stand out as marketing ‘aces’ in contrast to Chief Executive Officers (CEOs) who have frequently become industry figureheads. Why is this? Well, Davis claims that much of it is due to the highly conservative, and often secretive, nature of the industry, which permeates the way pharma companies operate.

Furthermore, whereas the pharma industry has traditionally valued its pipeline, its R&D operations and its manufacturing facilities, little value has been attached to the pharma industry's greatest source of wealth - its human assets. Whereas pharma managements promote, and financial analysts pass judgement on, a firm's R&D prowess, there is, he said, very little focus on “those that make it happen”.

Many pharma companies are now dominated by ‘group think’ and by reward systems that avoid risk taking. The proof can be found in the fact that innovative products are increasingly found in small start-ups in which cultures have been created to allow brilliance to shine through and where people are encouraged to learn from their mistakes.

Davis also raised concerns that the pharma industry’s image may also be contributing to the industry’s failure to attract and retain top talent. If this is not dealt with effectively in the short term it could, it was pointed out, have a serious effect on the industry’s future prospects.

Marketing, he said, is as much an art as a science, and creating a culture based on experimentation and the adoption of best practice is fundamental to improving the skills base. This, said Davis, is crucial to the use of advanced ROI techniques and programmes.

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Industry challenges: the financial analysts’ perspective

Adkins suggested that several key environmental trends would have a significant impact on the industry within the next decade, and would overlie a new set of challenges in an already difficult and complex operating environment.

In key country markets, the greying population, particularly in Europe and Japan, will drive change in the way in which drugs are funded and paid for. Already, countries are experiencing severe problems in funding healthcare, which is beginning to force choices not only in drug selection and pricing but also in their availability. In the future, he said, companies will be forced to demonstrate value for money and raising prices will no longer be available as a tactical response to poor sales.

The USA has traditionally been the engine of pharma sales and contribution growth. However, sales increases in China, India, South Korea and Russia in the past few years have produced as much incremental growth as the US market. This swing suggests that the industry will have to change its traditional resource allocation model away from mature, developed markets if it wants to capture a share of this incremental growth.

The development of new techniques that will facilitate the identification of specific patients and more predictive outcomes, enhance delivery and reduce adverse reactions will transform the quality of drug efficacy and provide a greater level of transparency-boosting pharmacovigilance. While this is good news for industry prospects, the sector will no longer be able to use traditional pricing strategies. Social issues, particularly the low level of the industry’s reputation, are having a negative influence on the attitudes of its stakeholders. To avoid censure, pharma companies must formulate effective social and communications strategies that become part of the industry’s business model.

Fig. 2. Understanding pharma marketing ROI becomes a source of competitive advantage. Reproduced with permission from Stewart Adkins (Stewart Adkins Advisors).
With fewer new products, growing pricing constraints, and the emergence of mergers and acquisitions (M&As) activity among the small and medium-sized European and Japanese companies, the competitive landscape will become much tougher. Those companies that focus on improving their ROI performance during the transitional phase will, concluded Adkins, be best placed to capitalise on the inevitable marketing model change (Fig. 2).

### Favouring long-term success over short-term ROI

A key management dilemma is that the drive for short-term returns powered by ROI is beginning to compromise strategic initiatives that favour long-term success. Guenther Illert (Capgemini) used the findings from a futures study on healthcare to indicate that healthcare outcomes must be at the top of the pharma company’s agenda in the evolving healthcare model (Table 1). Illert pointed out that the traditional roles of patients and payers are beginning to change and become more influential, whereas the role of the physician is on the decline. This suggests that the stakeholder focus will need to change in order to realign the pharma company’s resource allocation. Even more important is the fact that healthcare outcomes require patient-centricity, which will have a massive impact on the pharma value-chain.

Radical innovative solutions in healthcare technologies such as targeted therapies, nanotechnologies, telemedicine, molecular diagnostics and eHealth all offer opportunities to assist the move towards outcome management in healthcare systems. However, Illert stressed that the really tough investment decisions will come from managements that do not show an immediate, short-term, gain in ROI. Pharma companies, he said, need to adopt a much broader perspective on ROI to help cope with rising uncertainty (Fig. 3). What’s more, individual product marketing initiatives need to be evaluated in the light of risk-adjusted return and whether they contribute to building the brand value proposition.
Illert presented an interesting patient management concept for an innovative treatment of a chronic disease. The concept was designed to trigger additional revenue, extend the lifecycle and make a contribution to overall brand perception (Fig. 4). The assessment of risk-adjusted return in terms of new patient gain and treatment awareness, maintenance of existing patients, the growth in usage per patient and greater long-term compliance, and the risk issue from this project – better cost-benefit positioning – were considered positive due to their strategic fit with the brand’s value proposition.

The future will bring fundamental changes in financing healthcare that will lead to a shift in decision-making authority. Patients will demand more involvement in healthcare decision making, and competition among payers will increase dramatically. In the future, payers will become proactive managers of health as they play a larger role in decision making. As a consequence, providers’ freedom to decide will be more limited. In the final analysis, healthcare outcomes will become an increasingly important tool with which to maintain a stable healthcare infrastructure.1

**Strategy and shareholder value**

Two presentations focused on different aspects of shareholder value, from its conceptual link to strategy to its application in the real world at the operating company level. Creating shareholder value has become a management mantra over the past decade. However, David Impey (Eisai Europe Ltd) questioned whether there was a connection between shareholder value and company strategies. He indicated that there is an indirect connection between the two in that good, well-executed strategies deliver improved sales and profits, which enhance the value of a company. However, this may not be reflected in the company’s market capitalisation.

According to Impey, the cardinal sin for marketing is to submit to management pressure to construct strategies that are solely designed to consider the reaction of the investment community. Effective marketing strategies are based on a solid bedrock of market analysis with the aim of achieving pre-set objectives, on global marketing input to bring value to the pipeline, on local marketing activity designed to realise that value, and on the level of the marketing skills that the company hones. Abrogating responsibility for marketing to third-party vendors is not a solution for poor marketing skills.

Marketing, said Impey, has become the crucial asset in the contemporary pharma company. Pharma relies on in-line sales to fund its R&D efforts, and it relies on marketing to create a critical mass to attract potential licensing or co-promotion partners. The bottom line is that ineffective marketing strategies damage both the present and future fortunes of the pharma company.

**Ineffective marketing strategies damage both the present and future fortunes of the pharma company**

R&D is the future of most pharma companies, Impey continued, and most current M&As are driven by opportunities offered by the merger of pipelines. Nowadays, most R&D is dominated by specialist products that are not only beginning to take a larger share of new chemical entity (NCE) introductions but offer the prospect of much lower marketing costs. The promotional costs of specialist products are now less than 10% of sales compared with primary-care brands, for which the promotional spend ranges from 25% to 45% of sales.

Shareholder value is derived from dividends or the movement in share value, and reflects a company’s performance. However, the key investment issue is for shareholders to manage their cash flows. When company performance diverges from expectations this is reflected in a drop in share value. This provides a performance/investment conundrum in that outputs from marketing campaigns take 6–18 months to show up, whereas investors like to see returns in 3–6 months.
Adding to the problem is the fact that share value in the pharma industry has been steady for some time, allowing little opportunity for arbitrage.

From an investor’s viewpoint, pharma has a number of in-built problems that management needs to address. Heavy investments are made in R&D but the output is random rather than cyclical. Sales forces are an expensive asset, and marketing costs have risen in response to government, managed care and patient pressures. As a result, the stock is underperforming the market.

Bridging the gap between these investor perceptions and the reality of operating in the complex pharma market is the CEO. Although his/her principal role is to generate shareholder value, the risk is that the CEO represents the investor to the detriment of the company. This has resulted in short-term measures such as the ballooning of the sales force, the escalation of SG&A expenses and actions that have brought the pharma industry into disrepute.

The future promises to raise additional problems. The collective wisdom is that consolidation will be necessary to change the industry’s cost structure. Diversification strategies have not worked, larger-scale players will be favoured by a concentrated payer base and the industry’s excess capacity in selling, distribution and manufacturing infrastructures is only slowly being addressed. Reconciling the differences between investors and management is difficult, particularly as investors are beginning to see pharma as a cyclical low-margin commodity business similar to the oil and airline industries. In reality, pharma is a high-margin, cash-rich, non-cyclical business.

Marketing has a key role to play in this reconciliation. But to prosper, it must set achievable, challenging objectives and timelines, and stick to these plans to avoid the quick fix that will mortgage the future. Marketing needs to challenge the CEO to ensure that shareholder perceptions are managed appropriately.

Marketing intelligence and analytics

This session focused on various approaches and the tools available to pharma marketers to enhance marketing performance.

In a marketing masterclass, Ian Talmage (Bayer Healthcare) demonstrated that a large part of the success in making Astra’s Losec into a blockbuster brand was down to the application of a centrally driven strategy based on a clear, reasoned approach by marketing professionals. Key factors in its success were:

- attention to detail
- a pragmatic interpretation of the opportunities
- a robust response to competitor counter moves and exposed positions.

Paul Jones (IMS) indicated that steadily declining market growth since 2000 and poor operating results from many of the major pharma companies have forced management to focus attention on marketing spend and how this can be improved not only to increase efficiency but also to drive revenue growth.

In both the USA and Europe, the growth in detailing productivity – the key metric of performance in the major marketing channel – is on the decline. In Europe, data from tracking sales of newly introduced brands 2 years post-launch suggest that the traditional marketing channel – the sales representative – contributes to less than 10% of revenue. The industry is responding to the challenge with smaller field forces, a higher frequency of calls on key prescribers, account-based selling and a virtual end to mirror-image field forces. However, the response is complicated by the growing use of a number of new promotional channels that have gained traction over the last 5–6 years. These new channels include:

- disease awareness
- direct-to-consumer marketing in certain markets for specific therapies
- direct-to-patient promotion
- e-detailing
- digital television
- on-line media portals
- continuing medical education.

These new channels are beginning to complement the traditional marketing channels. Unfortunately, said Jones, this broadens the influence map, complicating the selection of the most appropriate promotional vehicles for the phama marketer. This is further hindered by the fact that few companies have systems in place that are designed to track promotional allocation and ongoing spend. Even fewer have programmes that actively measure the actual return on these investments. Consequently, ROI measures to aid promotional resource allocation have become an essential tool for the contemporary pharma marketer.

Building on the IMS presentation, Graham Leask (Aston University) suggested that ROI is the next lever of competitive advantage in pharma marketing. However, Leask pointed out that the application of ROI to pharma marketing is slow for a number of reasons:
budgetary approaches are rarely zero-based and are preoccupied with last year’s success
big marketing teams are great for the ego
the analyses that are frequently used are often wrong.

There is also confusion about the measurement of ROI (Table 2).

Competitive advantage now hinges on how well you utilise information. Although the industry produces vast amounts of data, the key is how to draw the right information out and use this to build competitive advantage. To illustrate, Leask showed examples of two common techniques: linear modelling and data mining.

In linear modelling, a myriad of different types of regression and the transformation of the art of the possible using massive computing power often produces false-positives and worthless results. In data mining, results are often an artefact of the method: people are very good at seeing patterns that are not there, and without a prior theory any results are open to subjective interpretation.

To improve ROI, Leask concluded that two synergistic strategies are therefore appropriate – concentrating spending on high-return activities while cutting low-return activities, and improving realised strategy within the field force.

The most easily implemented productivity improvements stem from changing the realised strategy implemented by the field force where there is often ‘low-hanging fruit’ (i.e. a few changes can result in significant improvements right to the bottom line). In fact, there is a significant ROI opportunity within the sales force. Most sales forces deploy six or seven different ‘ways of working’ which can impact sales by up to 50%. Knowing the different ways in which the sales force is deploying its energies allows a company to shift emphasis and capture up to a 30% increase on the sales line. These valuable data are often routinely captured but are not considered for analysis (Fig. 5).

Many companies take the previous year’s promotional budget as the template for the current year’s promotional budget without contemplating fully what the numbers are, said Leask. On the basis of knowing the promotional tools that are most effective, companies can decide which to employ through an understanding of how they work. Knowing what works helps the marketer tailor budgets to maximise competitive advantage and ROI.

At the heart of ROI is the practice of zero budgeting, a method of budgeting in which all expenditure must be justified each new period as opposed to only explaining the amounts required in excess of the previous period’s funding.
What can you do differently to generate extra sales?

 Fonny Schenk (Janssen-Cilag) moderated a lively interactive panel session supported by panellists Kai Bruns (Lilly), Mark Bard (Manhattan Research) and Menno Vis (Amgen).

 Using the PowerVote system, the audience was invited to respond to a number of questions posed by the panel. The overall responses suggested that customer relationship management (CRM) still had a long way to go to meet its promise. This is partially due to the hype surrounding CRM as a ‘tool for all seasons’, which has obscured some of its shortcomings, as well as too many companies choosing to use CRM. For example, a large number of respondents (81%) indicated that they viewed CRM only as somewhat successful, whereas 57% felt that the marketing team was not satisfied with the ability of CRM analytics to perform effective marketing and customer analyses. This implies that companies have not supported CRM to the level required to optimise the value of the system.

 This is borne out by the fact that 53% of respondents did not think that the quality of customer profiling data collected by their sales forces was high enough to be used for effective targeting. In contrast, 47% agreed, but added the proviso that they must be complemented by external data. The fact that 53% of respondents are not trying to assess the promotional responsiveness and channel preference at the individual customer level, or using CRM to perform marketing mix analyses, indicates that pharma companies have a long way to go to optimise their not inconsiderable CRM investments and to provide solid data on which to improve ROI decision making.

 Lifecycle marketing

 All products pass through a series of stages from development to introduction, growth, maturity and decline, which are associated with changes in the marketing situation impacting marketing strategy and the marketing mix. Lifecycle marketing refers to marketing throughout these stages. This session concentrated on the use of lifecycle management to boost ROI performance. Illert indicated that a number of key industry forces were driving the need to improve current lifecycle management practices in the pharma industry. Weak pipelines in the short- to mid-term in many companies will increase the importance of ‘making the most of what you have’ through lifecycle management. With a growing level of uncertainty in the market scenario, contingency strategies are increasingly used, and there is growing investment in a much broader range of lifecycle tactics. Intense cost pressures are leading a greater focus on cost-reduction as well as sales growth-directed tactics. This is also contributing to an increasing use of portfolio approaches to lifecycle management, including more prioritisation and selectivity. The declining level of market exclusivity has resulted in earlier, as well as parallel, decision making and a re-emphasis on key competencies such as reducing time-to-market and driving peak sales earlier and higher, as well as maximising launch effectiveness.

 Collectively, this has increased the importance of excellence in execution. This approach involves:

 - a strong commercial focus on capabilities
 - the alignment of strategy with budgets
 - transparent leadership and clear governance
 - cross-functional collaboration
 - a continuous improvement
 - Kaizen culture
 - rigorous implementation
 - the performance measurement of lifecycle management.

 Illert said that the employment of integrated lifecycle management models provides companies with the opportunity to understand and optimise the key drivers of lifecycle profitability. For example, accelerating the time to peak sales helps to optimise speed to value, maximising peak sales during the growth and maturity phases optimises product commercialisation, and extending the patent life and reducing the impact of patent expiration supports value creation in the post-patent phase.

 Figure 6 indicates how lifecycle management best practices can be applied at both the strategic and tactical levels, whereas Table 3 details leading practices that have bottom-line impact.

 Marty Groen in ’t Woud (Astellas Pharma) discussed the significant opportunity available to improve the longevity of products in the mature phase of their lifecycle. As a brand reaches market maturity, companies frequently lose sight of the fact that operating profit is very close to gross profit – an important element being the marginal cost of production, which tends to decline in line with volume growth. Consequently, maintaining sales levels for mature brands can be extremely profitable.

 Although lifecycle management is often champion-driven there is a growing need to adopt team approaches that combine capabilities to better drive the lifecycle process in complex organisations. Adopting economies of scope, in which a broad range of marketing capabilities are employed both sequentially and simultaneously throughout the lifecycle, is critical to achieving earlier and larger critical mass as well as a longer period of profitability. It was also suggested that complementary products and supply chains are key strategies that can add brand value.
Lifecycle strategies

Illert moderated a panel session, supported by James MacDonald (Ferring Pharmaceuticals), Davies and Groen in ‘t Woud. Answers to questions put by the panel to the audience tended to follow similar levels for each of the rankings, suggesting that the responses tended to reflect a large variation in the position of companies.

The management of lifecycles within companies showed some interesting differences. Many pharma companies have relied on their R&D pipelines to fuel growth and have had little need until fairly recently to explore the opportunities. Significantly, audience members from smaller companies indicated that they had been utilising lifecycle management as a routine process, since they had more limited access to new products and had to grow largely with what they had. All expected that the larger companies would have little option but to follow smaller companies as pipelines narrowed and became shorter. Opinion was almost unanimous that although marketing tended to be the ‘home’ of lifecycle management, in many pharma companies more than half the participants believed that the level of cooperation between lifecycle teams brought together from sales, marketing, medical and R&D was poor. Although the participants were split over whether responsibility for lifecycle management should lie with product management or with R&D, there was strong support for the idea that expertise should be legitimised by senior management and given the status within the organisation that equates with its importance to the contemporary pharma company.

Two other views were endorsed: that to be really effective lifecycle management had to start as early as possible, perhaps in phase II, and that a dialogue must be in place to bring together the different functions to develop point programmes driving product lifecycles forward, which encompass all the activities that build an ongoing brand value proposition.

To be really effective lifecycle management has to start as early as possible

It was suggested that lifecycle management has been difficult to inculcate as activities have been linked to intellectual property perceptions rather than to brand value propositions; the former taking the view that the end of a patent life spells market demise, whereas the latter is concerned with the company’s domination of a space in the marketplace. Consequently, many companies face a paradigm shift and a change in their business ethos to make lifecycle management a reality.

Brand and customer loyalty

In an engaging presentation, Paul Marsden (LSE) suggested that pharma had a lot to learn from customer marketing approaches and techniques. One approach, variously termed word of mouth, buzz and viral marketing, is becoming increasingly important across all sectors of advertising. Message overload, media fragmentation and savvy customers who increasingly ignore what is being promoted to them demand new ways of reaching customers.

Although studies have found that there is no link between customer loyalty levels and sales, one question remains the single most important influence on product choice: ‘would you recommend this product?’ Brands have been classified by the level of customer recommendation, or net promoter score, which is a predictor of revenue growth. Brands with high net promoter scores typically grow 2.5 times faster than industry averages, whereas the highest-scoring companies show growth rates four times as fast. Significantly, word-of-mouth detractors, or brand assassins, can impact brands negatively at a level of three times that of the industry average. Brand advocacy plays a critical role in the take-up of new
brands where brand experience plays an important part in creating new customers.

Brand advocacy is driven by three factors:

1. Expectations – beating customers’ expectations creates advocacy. Delivering an experience that beats a customer’s expectations counts more than meeting needs.

2. Cult psychology – offering customers instant gratification, simplifying the therapy area, product use or benefit, creating a sense of comfort.

3. Engaging customers – hooks such as authority, majority, celebrity, scarcity, reciprocity and consistency have all been used successfully to drive word-of-mouth advocacy by engaging customers.

The most important aspect of marketing is that it has moved away from a command and control model of ‘we talk, you listen’ and ‘we make, you buy’, to one where marketers have to connect, collaborate and co-create with their customers. Highly successful consumer companies no longer market at, they market with their customers. The key to creating sales, said Marsden, is to create brand advocacy.

**Regulation, research and development**

This session focused on three areas: marketing training, regulatory management and market research. While these are crucial elements in supporting the improvement of marketing ROI they are often overshadowed by activities that are deemed to be of more importance.

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### Table 3. Leading practices in lifecycle management have demonstrated direct bottom-line impact. Reproduced with permission from Guenther Illert (Capgemini).

<table>
<thead>
<tr>
<th>Leading Practice</th>
<th>Improvement</th>
<th>Example impact</th>
<th>Applies to</th>
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| **Lifestyle portfolio management** | • Focusing investment on highest-value lifecycle management opportunities across portfolio  
• Identification of new lifecycle opportunities | • 2–3 new/better lifecycle opportunities identified over 5 year period  
• High-value opportunities accelerated through increased focus & resourcing | • Whole portfolio |
| **Improved lifecycle planning** | • Earlier, more effective planning and execution of lifecycle strategies | • Key lifecycle extensions (e.g. new indications) introduced 3–9 months earlier | • Individual products |
| **Accelerated clinical development** | • Faster time-to-market for key trials | • Incremental value of 3–9 months extra sales at higher margin | • Individual products |
| **Product launch excellence** | • Faster, simultaneous launch  
• More impact from launch (better segmentation of physicians, more mobilised sales force) | • Peak sales hit 3–9 months earlier  
• Peak sales 5–10% higher | • Individual products |
| **Sales channel optimisation** | • Adoption of lower-cost sales channels in late lifecycles | • 50% lower sales costs for last 5 years of product life | • Individual products |
| **Supply chain/distribution optimisation** | • Adoption of a variety of measures to reduce supply chain costs (e.g. supplier partnering, VMI with distributors) | • 5–10% decrease in supply chain/COGS | • Whole portfolio |
| **Product rationalisation** | • Removal of unprofitable products from portfolio | • 5–15% decrease in operational costs (at price of 0.5–1.5% decrease in sales) | • Whole portfolio |
| **Key enablers to deliver improvement** | • Commercial focus and capabilities  
• Strategy & budgetary alignment  
• Clear governance and leadership | • Cross-functional collaboration  
• Performance measurement of lifecycle management | • Continuous improvement culture  
• Rigorous implementation |

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### Marketing training

Training is often the first casualty of cost-reduction programmes since results are not immediate and are often difficult to measure. Wyeth has made a major commitment to an on-going programme of training to develop a cadre of marketing professionals. Edward Nathan (Wyeth) presented a case study on Wyeth’s commitment to building and developing a world-class training approach. The programme is driven by a ‘global council’, based on input from the leading 15 markets to set the training and development vision, including the competencies and skills requirements.

Figure 7 illustrates the approach used by Wyeth to support its global learning strategy. To support marketing excellence, Wyeth has built an approach around three core marketing training programmes:

1. **product management**
2. **lifecycle management**
3. **product portfolio management with a simulation model**

This has been combined with a series of support programmes covering market research, forecasting and finance for non-financial personnel. Wyeth uses a variety of adult learning methodologies ranging from discussion, case studies and practical examples, to gaming and simulation. Simulation forms a significant part of the company’s approach to training and learning. Whereas there are different types of simulation – role playing, gaming and computer-based simulations to name a few – the objectives, namely the application of skills learned in technical courses, driving an alignment with business objectives and compressing time, are similar.
Although most e-learning simulations capture quantitative decisions regarding spending, allocations and investments, Wyeth EMEA has selected a unique simulation model, Marksman, which captures qualitative decisions involving positioning, targeting and clinical planning. Marksman covers a 3-year period with three in-line products and a new launch product. The 4-day simulation includes a 2-day planning phase and a 2-day implementation phase. Marksman has helped Wyeth to move beyond the traditional ‘show and tell’ approach to marketing training by creating a better understanding of team dynamics, helping participants to learn from their mistakes and successes. It has also helped Wyeth develop an appreciation of organisational interconnectivity as well as the importance of rigorous planning and of calculated risk taking. The proof of the pudding, said Nathan, is in the eating.

Training Magazine has included Wyeth in the top 100 training organisations worldwide across all industries for 4 years in a row, and Wyeth was ranked 7th in 2006 and first in pharmaceuticals.

**Regulatory management**

The pharma industry has become a minefield of national and supranational rules and regulations. Thera Adam (Simmons & Simmons) drew attention to the need to manage marketing activities to balance promotional needs with regulatory demands.

Although European Union Directive 2001/83/EC and Articles 86–100 regulate pharma promotion, the directive, said Adam, is not directly enforceable and there is a need to respond to national codes of practice developed by industry associations and to country-specific legislation. Whereas all national legislation is moving towards stricter rules and higher levels of surveillance and control, there are important local differences in approaches to:

- prior vetting
- competitive complaints
- pre-authorisation communications
- comparative claims
- gifts
- payments for participating at scientific meetings
- free samples
- the internet.

The minefield can be circumvented by building a shield with a compliance plan, creating standards, policies and procedures, clear lines of responsibility, appropriate training and monitoring, and auditing promotional activities. Adam said that often the best approach is to develop a global programme that can be supplemented by local needs. The shield approach will not only help to reduce the risks of non-compliance but also serious penalties, which could significantly impact the ROI from promotional activities.

**Market research**

Our understanding of the effectiveness of promotion has changed little in 100 years. Lord Leverhulme, in 1900, admitted that 50% of his advertising was wasted but he did not know which half. The best estimate today is that around 37% of all advertising is wasted – and we still do not know which 37%. Trevor Acreman (Millward Brown) suggested that resource allocation decisions are still heavily biased towards gut feel and hunches rather than fact-based marketing. Compounding the problem is the proliferation of channels. In 1900, Lever had to contend with some three–four channels. Today’s
A marketer is faced with over 40. Since all channels can be influential, the number one marketing question today is: ‘which channels should I use to get the best ROI?’ For pharma marketers, the answer is made up of a number of subsidiary questions (Table 4).

Millward Brown conducted a study among a small group of psychiatrists in the UK during the middle of 2006 to illustrate the complexity of, and opportunities involved in, understanding approaches to the question of which channels provide the best ROI. The study focused on responses to drug selection decisions made at the pre-prescription (Rx) preference point, as well as those made at the point of Rx to gauge both the long- and short-term influences of channels on Rx decisions. The objective was to identify those channels that had influenced image association and how image association impacted the Rx decision.

The results provided some interesting insights into channel influence (Fig. 8). Previous experience, trust and familiarity, in both the long and short terms are not necessarily the most important influences. Acreman pointed out that printed information from a sales representative was rated more important than actually talking to a representative, whereas information derived from events appeared to be a strong influence. At the bottom end of the scale, not shown, was the very low level of influence gained from medical education on the internet, samples and visiting company or product websites.

These channel influence levels are important as they can be used as the basis on which to compare expenditure to obtain an ROI for that promotional activity. However, as the conference participants indicated during an earlier session, few, if any, companies appear to have a complete data set. Acreman was unequivocal: if you do not know where you are spending your money, recognising the best channel is irrelevant, as you have no comparator. For example, if you have a complete and accurate breakdown of promotional expenditure which showed that 60% of expense went on the sales force but only 16.5% of the Rx influence was derived from the sales force, you have the ability to either switch spend to activities that provide greater influence or identify those activities that need to be changed in the field force (i.e., changes in targeting, call rates, training, message and incentives, among others).

Knowing where the money goes and which channels are the most influential enables the marketer to simulate the best allocation of resources for a given budget to maximise ROI among a mix of channels.

The final part of the study looked beyond today to gauge the study respondents’ perception of which new channels would be more or less important in the future. Online journals were rated highly, whereas internet search engines and continued medical information on the internet were all viewed as having a future. In contrast, company and product websites, and promotional e-mail were expected to experience major declines in use. Significantly, online discussion forums were also expected to decline in use.

Acreman concluded by stating a key priority for the contemporary marketer: ensuring that management perceives marketing as an investment, not a cost.

Table 4. Pharma channel selection questions.

<table>
<thead>
<tr>
<th>Question</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are healthcare professionals influenced by advertising?</td>
<td>71</td>
</tr>
<tr>
<td>Do we have too much invested in sales representatives?</td>
<td>41</td>
</tr>
<tr>
<td>Which channel gets the best overall ROI?</td>
<td>37</td>
</tr>
<tr>
<td>Is e-marketing an effective channel?</td>
<td>59</td>
</tr>
<tr>
<td>Which channel is best through which to communicate trust?</td>
<td>20</td>
</tr>
<tr>
<td>How does it differ by drug, therapy area or country?</td>
<td>41</td>
</tr>
<tr>
<td>Which channels will healthcare professionals use more of in the future?</td>
<td>41</td>
</tr>
</tbody>
</table>

Fig. 8. Key influences on prescribing behaviour. Reproduced with permission from Trevor Acreman (Millward Brown).
As such, a major task is to develop and implement metrics that track the allocation of promotional spend so that management is in a position to justify marketing investments on the basis of having allocated spend to maximise ROI.

A key priority for the contemporary marketer is ensuring that management perceives marketing as an investment, not a cost

Integrate and measure multi-channel marketing

This session was built around a number of presentations that looked at various approaches to support ROI improvements. William Benn (Intuitive Group) discussed the use of motivational programmes based on Hertzberg’s hygiene theory to drive ROI improvements. This was followed by practical examples of measuring marketing activity by Roberto Sani (Dompe Pharma) and allocating resources in multi-channel marketing from Manos Christodoulakis (Sanofi-Aventis).

Morten Hjelmso (Agnitio) discussed the huge marketing potential open to pharma simply through improving the quality of its communication to customers. Although pharma has adopted segmentation to focus field force effort, and has markedly increased the size of its field forces over the past decade, ‘face time’ and access levels have fallen substantially. Channels are beginning to narrow, diluting capability and decreasing the time in which to convey complex messages designed to drive decision making.

A key factor in improving pharma ROI will be the capability of companies to communicate more efficiently with their customers

According to Hjelmso, Agnitio has created a lean, mean, marketing machine with a multi-channel sales and marketing tool built around a series of e-solutions. It is designed to simplify the complex pharma communications problem. Most pharma communications are designed around a ‘one size fits all’ concept, using the same approach and material for each physician. The Agnitio approach is based on a customised solution using inputs from CRM systems tailored to the needs of the individual doctor. The tailored solution is flexible and enables:

- e-detailing on a face-to-face basis
- a microsite implemented on top of an existing web structure
- remote detailing
- e-mail campaigns
- print media.

Messages can be constructed to suit the individual physician using simulation, animation, colour and sound. Furthermore, the system enables the user to create reports based on real-time responses to presentations to evaluate strategy and output, and feed the CRM system automatically with unique data sets.

Closed-loop marketing

The final session looked at the pragmatic ways in which marketing practitioners have addressed the organisational problems of getting sales and marketing functions to work more closely together, and of viewing marketing and sales holistically, rather than as two separate components. Wolfgang Walter (Altana Pharma) indicated that all companies had an aspirational goal of putting customers at the centre of their organisations. However, few have managed to translate their aspirations into reality. Walter’s presentation described Altana’s experience, providing important insights into Altana’s development of a customer-centric approach, which integrated sales and marketing.

The starting point was Altana’s perception of future uncertainty over the strength and value of its current portfolio due to huge price decreases in major markets and massive structural change in the delivery of healthcare. Walter identified these as factors that were increasing the complexity and the cost of doing business. There was a belief that something different was required, so Altana constructed a basic formula to explain the issue and guide their response:

Event (healthcare structural change) + response (customer-centricity) = outcome (ROI)

Customer-centricity was felt to be a major opportunity since there was a competitive gap. Little was being done in the area by other companies, and dissatisfied customers not only negatively affected relationships with other customers but switched to competitors. Satisfied customers create more value at less cost, boosting ROI.
However, in creating a customer-centric business there are four basic questions that need to be addressed:

1. What factors should be raised well beyond the industry standard?
2. What factors should be created that the industry has never offered?
3. What factors should be eliminated that the industry has taken for granted?
4. What factors should be reduced well below the industry standard?

Satisfied customers create more value at less cost, boosting ROI

Altana focused on three ‘pillars’ (Fig. 9). The first – marketing investment – was the system driver, in which funds cascaded down from the budget to sales support. The second was built around the ‘front end’ of the business – sales force activity. This delivered the third pillar – company results.

The two rate-limiting steps revolved around two sets of connectivity – marketing investment and sales force activity, and sales force activity and company results. The first area of connectivity was a major challenge since it involved linking two functions that were often in conflict and therefore required a new approach to get staff to work cross-functionally to address customer needs.

Altana created a new group, field force advisors, from among senior field force staff, to act as process drivers. These advisors were responsible for shaping the culture to help to convert marketing investments into sales force activity. For the sales force, the role was designed to:
- explain materials and expectations
- support survey usage
- bolster the impact of materials and programmes
- facilitate the action plan roll-out.

For marketers, field force advisors had a different function. Here, they:
- represented sales force expectations
- helped identify customer needs
- developed, tested and evaluated new materials and programmes.

Communicating through dedicated senior brand managers, field force advisors co-ordinated brand marketing reports using electronic tools to minimise cost and field down time. Customer connectivity depended on identifying customer needs and expectations from both medical and financial perspectives at an acceptable level of profit by developing unique solutions, and segmenting and targeting the right customers. To create an effective customer connectivity, Altana developed a detailed customer planning process (Fig. 10).

In the pharma industry, key performance indicators have traditionally been built around hard results such as sales and market share, gross contribution, and activities such as calls per day, coverage and frequency. Altana combined these measures with a set of soft factors, such as a satisfaction index and customer feedback, to give a more balanced perspective.

In practice, Altana’s customer-centric approach has had a major impact on its business. An example shown at the conference described the introduction of the programme in October 2005 in the proton-pump inhibitor (PPI) market, in which Altana’s Protium brand was languishing. Fine-tuning the plan took 3 months before the sales of Protium responded. By February 2006, Protium had captured the leading market share.

The customer-centricity strategy, based on a well-integrated marketing and sales approach, not only enabled Protium to outperform all other branded PPIs, but also helped Altana’s brand to outperform generic products in a low-priced market environment.

![Fig. 9. Towards customer-centricity to improve ROI. Reproduced with permission from Wolfgang Walter (Altana Pharma).](image-url)
An holistic view of pharma

Marc Sluijs (Agile Software Corporation) rounded out the conference with a presentation that took a proactive view of the issues raised during the meeting. He also provided an holistic approach to pharma, focusing on future challenges and opportunities and ways to capture these opportunities.

Shareholder value was an emotive subject. A recent article in the Harvard Business Review outlining ways to create value suggested that managing earnings, tactical earnings decisions and rewarding senior executives for short-term performance were not compatible with delivering superior long-term growth. The article suggested that many pharma companies need to change their behaviour. Lifecycle marketing, and brand and customer loyalty, said Sluijs, were important and were often unrealised opportunities in pharma. Understanding what your customers need and want, and focusing on brand-building help to leverage brands and exploit opportunities in the customer-base are critical ROI levers. However, the negative publicity that has grown up around the industry over the past half decade has had a serious impact on brand equity among both healthcare professionals and patients.

Understanding what your customers need and want is a critical ROI lever

Sluijs warned that a sea change in corporate culture and reward systems that drive appropriate behaviour is needed to propel the industry forward. However, despite this, the future for pharma is bright. The real challenge for pharma management is how to capture these opportunities. Part of the problem lies in the fact that pharma is reluctant to change itself. To some extent pharma is in a Darwinian situation: it needs environmental pressure to make the industry evolve. Clearly, the pressure has not yet been sufficient to create the stimulus for industry transformation.

Several tools will become important in the effective and efficient management of pharma companies in the future. Alliance management is becoming increasingly important to long-term strategy, given the inability of most large and many mid-sized pharma companies to generate enough NCEs through internal R&D. For many companies, an effective alliance management process will become critical to success.

The management of innovation will also become a dominant issue. Investments continue to rise and output continues to fall, suggesting that new processes offering greater insight as well as those that increase the speed of throughput will be central to future success.

Lifecycle management is poorly performed in the industry. This seems to be a reflection of a number of factors:

- poor understanding of a company’s strategy
- cultural constraints
- incentives not linked to success
- opaque processes
- a lack of actionable information.

Understanding and managing the lifecycle will become a major competitive advantage.

At the heart of successful performance in the pharma industry are three straightforward capabilities. First is a step change in cross-functional collaboration.
This will be aided by better sets of data, which will help people to share information, best practices and successful concepts. Second is a significant increase in the effectiveness of processes. This will give greater consistency, insight and control. Finally, improvements are necessary in strategic decision making, particularly in the areas of programme and portfolio management, much of which will be driven by improved analytical capabilities. In order to achieve these three key capabilities, it will be essential for pharma companies to support the processes with the right tools. Product lifecycle management solutions have been shown to generate considerable benefits for those companies that deploy them effectively, such as:

- reduction in time to market/new product development cycle times
- increase in efficiency of product development
- reduction in product recalls and compliance risks.

Changes of this magnitude will demand executive support, which for some will be courageous, given the revolutionary nature of change and the time frames required for successful change management. Achieving these changes will put the pharma industry onto a new growth curve that will benefit not only the shareholders but, more importantly, in the growing customer-centric world, the industry’s customers.

Conclusions

The 6th eyeforpharma Annual European Pharmaceutical Congress, Pharma Marketing ROI, was extremely valuable, presenting new information, and challenging attitudes, behaviour and mindsets that inhibit the application of ROI to marketing.

Strong emphasis on the changing pharma environment, and the need for companies to transform, highlighted the greater demands that will be placed on marketing to become more accountable and more responsible for the single largest slice of corporate expenditure.

Two rate-limiting factors were exposed. The decline in formal pharma marketing training and the inability of the industry to retain top marketing talent indicates the emergence of a serious skills gap at a time when expertise will be at a premium. The continuing lack of adequate internal systems to record, allocate and analyse channel expenditures at the company level suggests that current ROI measures are not fit for this purpose. This is further underlined by the experimental nature of much of the work inside companies and consultancies to capture and measure output. This needs to be addressed before the emphasis begins to shift away from static historical data to real-time data more appropriate to the decisions that management must take in an increasingly dynamic environment.

The industry, somewhat belatedly, has begun to recognise that it is customers and not technology that drive growth. As such, there were some excellent presentations on harnessing customers and using consumer-marketing approaches to drive growth.

Future congresses must continue to emphasise the importance of transforming mindsets, sticking to the knitting with a bedrock of solid expertise, the discipline of rigorous data collection and analysis, and drawing on non-pharma marketing experience to help inculcate ROI as the mantra for pharma professionals. However, it needs to be remembered that ROI is a function of both efficiency and effectiveness. Soft analytics will be increasingly needed to measure the growing importance of consumer marketing programmes and of companies that place customers at the centre of their organizations.

References

The PharmYard provides instant access to a unique database of specialist information which is particularly relevant to individuals working within the medical and pharmaceutical industries around the world. Titles from a diverse range of independent publishers are available to purchase in electronic document format for immediate access.

Pharma Marketing ROI: an in-depth report from the eyeforpharma 6th Annual European Pharmaceutical Congress

a KeywordPharma Conference Insights review available from ThePharmYard

ThePharmYard product code: kwp014

Access medical and pharmaceutical industry information at www.ThePharmYard.com