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Using ROI Data for Effective Decision Making in Pharmaceutical Marketing

The pressure to measure marketing return and effectiveness has never been stronger, but traditional ROI measures alone can be misleading

by Dr Andrée K Bates



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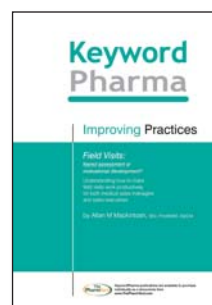
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Using ROI Data

for Effective Decision Making in Pharmaceutical Marketing

Dr Andrée K Bates

Executive summary

The pharmaceutical industry is under significant pressure to consider its costs very carefully. Since marketing budgets often represent a major proportion of a company's cost base, they can easily become the target of budget cuts. Although marketing investments are profitable, in the main, returns are now under intense scrutiny, with all budgets being squeezed. The pressure to measure marketing return and effectiveness has never been stronger.

Currently, much budget is spent despite marketers being unable to identify which combination of activities has the greatest growth potential, and without knowing what specific effect individual activities are having on market share. Because of this drive for marketing accountability, return on investment (ROI) metrics have become the focus of much attention and are frequently used to guide decisions on budget allocation. Unfortunately, many of these techniques are limited to historical analysis and history does a poor job of pinpointing the way forward in an ever-changing marketplace.

However, approaches are now available that *can* help a company determine where and how its marketing activities can work together and which synergistic combinations will deliver profitable value growth. This review examines the different techniques and optimal approaches available.

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Introduction



Pharmaceutical marketers are understandably preoccupied with measuring marketing performance. The challenge is how to make the most of a limited budget with a programme that demonstrates measurable return on investment (ROI). The difficulty is how to distinguish the specific returns of individual programmes and the synergistic effects that exist between programmes to provide even higher return. If perfect ROI information was available then the task would be easy – but this appears to be elusive for many pharmaceutical executives.

In the past, much marketing mix allocation was determined using a combination of performance data, statistical modelling and human judgement. Although this has its value, subjectivity usually ends up playing a more significant role, with decisions often being made based upon marketers' experiences, gut feelings and what they think their competitors are doing. The result is that the anticipated results are not achieved. Without rigorous systematic marketing measurement techniques it is easy to overlook key variables that can affect the results of the analysis and the impact of marketing on sales and profit.

A host of tools are now available to help marketers achieve more rigorous analysis of activities. However, despite all the advances in ROI analysis techniques, many companies would be hard pressed to *prove* which of their marketing activities are working to impact brand sales and which are not – and by how much. Why? Because, used as a marketing effectiveness measure, these techniques are often insufficient to guide effective decisions about where and how to spend to deliver real growth. Many of these techniques rely on historical analysis that is fundamentally flawed in today's environment. In addition, they do a poor job of accurately pinpointing the bundle of activities that will generate the most profitable revenue and growth in the future.

This report will examine the different techniques being used and the optimal approaches available today, and how some of these obstacles can be overcome.

Dr Andrée K Bates

January 2006

About the author

Dr Andrée Bates is the Managing Director of Campbell Belman Europe. She works with top-tier healthcare companies to create measurable marketing ROI, accountability and effectiveness advantages. In this capacity, she has given presentations at 36 conferences over the past 5 years in the USA, Europe and Japan, and has been invited to lecture on ROI for the pharmaceutical MBA programme at INSEAD Business School. She is currently involved in collaborating with two university pharmaceutical marketing senior lecturers in the ROI field.

Andrée's career has encompassed academic, clinical and pharmaceutical positions internationally. She has gained wide recognition within the international healthcare industry for ROI and marketing effectiveness measures in pharmaceutical marketing, and is the author of many publications on this topic in peer-reviewed journals (including the *International Journal of Medical Marketing*) as well as the author of several chapters in books on this topic (including *Medical Marketing Manual*, *Marketing to Win Market Share*).

Campbell Belman Europe provide mathematical tools and processes for measuring the sales impact of specific sales and marketing mix components. They offer fact-based analyses that combine current market activity (not simply historical data) with current sales and spend data, using analytical modelling to quantify the real sales impact of specific activities and what needs to change to measurably impact market share.

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Edited by Paul Higham and Peter D Stonier

Published by Euromed Communications

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