
ABSTRACT



E U L A R I S

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With the ever increasing pressure to ensure maximum return on investment, sales force effectiveness (SFE) is becoming a high priority area in the global pharmaceutical industry. Sales force represents the largest spend in sales and marketing and yet study after study shows that the returns gained from this spend is not particularly strong and one recent IMS report found that pharma sales force effectiveness declined by 23% in the recent period of 2004 to 2005. Better metrics must be used to measure both the effectiveness and financial impact of SFE for this very significant budget.

The startling discovery that this comprehensive report uncovers is that the very metrics currently being used to assess sales force effectiveness are in fact themselves aiding its decline. Traditional pharmaceutical organizations are rigorously tracking and managing sales activity, but still falling short. Data emerging from the research concludes that current metrics are more focused on efficiencies than effectiveness - and do so to their own detriment.

This report dissects current SFE metrics and their limitation for the pharmaceutical industry in the United States, Europe and Japan. The report then discusses appropriate metrics to solve these problems and goes on to demonstrate implementation methods and issues.

Sales force effectiveness is a difficult concept to measure, but doing so can push pharmaceutical companies past today's hurdles and into increased productivity and sales.

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SECTION 2:

Assessment: Current Metrics Used and their Contribution to the Problem



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Most pharmaceutical company teams already rigorously track and manage sales activity. Unfortunately, despite much measurement, the sales force effectiveness problem remains. Could this be due to the fact that the currently used metrics are inappropriate, insufficient and often counterproductive? Many companies accurately diagnose that the problem is sales force effectiveness but miss the solution, due to using the wrong metrics. But how can a pharmaceutical company measure the effectiveness of its sales team?

To truly grasp the problem, we look at current metrics used, along with their limitations.

Sales Force Size and Share of Voice

Until recently, the pharmaceutical industry was typified by its ever growing sales staff, hiring new sales reps at a rate that outstripped the rate of new physicians (which has remained at a constant rate of modest increase) and far outstripping the rate of new drugs released on to the market (which has fallen dramatically over the last decade)⁷. This strategy continued even in the face of falling profits by pharmaceutical companies.

For most of the 1990's, increased sales force numbers tended to correlate with increased market share. However, with the high level of competition, falling returns and squeezed margins which are now features of the pharma market, the approach of increasing sales force size has definitely passed the point of diminishing returns. Indeed, a recent industry survey⁸ reported that, while 44% of executives responded that they had increased their sales staff over the last two years, only 9% of executives thought they would be hiring more sales staff over the next two years. As a result of such trends, to maintain market share and profitability, pharmaceutical companies are now placing more and more pressure on their sales force to perform effectively within an increasingly fixed marketing budget.

Several industry experts still claim that the only proven solution to accelerate sales has been adding reps^{9 10}. But is this really still true? The industry is finally seeing that larger is not better in all cases. The industry as a whole is aware that the current model is not working optimally and the sales force 'arms race' is showing signs of subsiding, with the 'size sells' mentality now being abandoned across the industry. The main reasons for this approach not working any more seem quite clear:

- The dramatic increase in sales reps since 1997, detailed above, has led to younger, less experienced sales forces.
- Pharmaceutical companies have ramped up their innovation and time to market. In the 1970s, the period without competition for a certain therapy lasted an average of seven years. Today, this time without competition only lasts 0.1 years¹¹.
- Increases in targeting technologies in the United States have allowed reps to call upon those physicians with strong market volume potential. But everyone has the same targeting data. These physicians are receiving so many detail calls that they are saturated and unable to find time for quality calls with the reps. Doctors report feeling inundated by sales force (a by-product of the sales force arms race) resulting in the average time spent with physicians decreasing. Of more concern: the physicians do not see this decrease in time with reps as a problem.

7) Goldberg & Davenport 2005.

10) Hamilton 2005

8) Ruzicic & Danner 2007.

11) Skelton 2004

9) Lenskold 2004

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- Access to physicians is decreasing. Sales people are not able to count on even scheduled appointments to result in an actual call any more. Many physicians have closed their doors to sales reps completely and turn to eDetailing, peer-to-peer interaction and journals for information. Statistics suggest that for every 100 sales reps, only 20 meet with the physicians. Additionally, 78% of phone calls to physicians last two minutes or less. Most calls result in simply a 30-second detail and a sample drop.
- Related to this, the number of personal details received by office-based US physicians in the US declined by 13% in 2005¹³ following seven years of increases. IMS reported that this was seen across the majority of the major pharmaceutical companies and was not entirely due to physicians closing their doors. In this number, 27% were influenced by blockbusters going off patent, and 22% were due to withdrawals of Vioxx and Bextra and the relative shortage of new launches in the primary care space. Two thirds of new launches were in the specialist areas, meaning there was limited need for additional representatives. Different therapy areas also were found to decrease in detailing volume, with 33% decline in detailing volume for the erectile dysfunction category, 22% decline in the proton pump inhibitor category, and 9% decline in the lipid lowering agents category. Although these changes account for some of the decline in numbers of details, others came from the fact that some companies (including Pfizer and Wyeth) altered their sales structures and removed mirroring from their field forces.
- On top of this, physician attitudes around pharmaceutical sales force are also changing. Where previously they may have welcomed new data and discussion with sales reps, now fewer than 40% of physicians feel the pharmaceutical industry is trustworthy¹⁴. Physicians actively provide barriers to sales reps. In 2003, the number of doctors reporting intentional limited access for sales reps totalled 60%¹⁵. Only 43 percent of reps get past the receptionist at any given sales visit.
- Lastly, the number of follow up actions required or requested as a result of each sales call and promotional activity translates into 10,000 follow up actions per working day and many companies do not have the resources to capitalise on all the leads they create.

Sales force size and share of voice are really not key metrics to examine when attempting to improve sales force efficiency. You can throw more mud at a wall, but unless it sticks it is a waste of money.

Sales Calls per day

One of the most common methods of measuring sale force effectiveness revolves around frequency of calls made by sales reps to target physicians. The underlying assumption is one that does not hold up in today's environment: higher numbers of sales calls will generate greater product sales.

13) IMS Intelligence 2005

14) Harris Interactive and IMS Health Survey 2004

15) Schmukler and Mack 2005

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One of the lures of the 'frequency of calls' metric is the ease of use. Such data is relatively easy to collect and can be measured directly against sales and market share data. A sales rep assigned to a particular territory with falling sales volumes might then be encouraged to work harder, increasing his or her frequency of sales calls to drive the numbers back up.

Unfortunately there are a number of problems with this sort of metric:

- Focus on call frequency could encourage inappropriate or non-optimal behaviours in sales staff. Irrelevant calls to non-target physicians or non-prescribing staff, while doing nothing to further the company's goals and sales, can still be counted. Since career success is built on meeting company standards, sales reps are encouraged to focus their behaviours towards metrics¹⁶. But measures counting the number of calls to a physician or the number of minutes spent with a physician are encouraging quantity over quality. Sales reps may do well when it comes to bonus or yearly review time, but the company is pushed down the path of decreasing productivity.
- By focusing on sales call quantity, reps are encouraged to make as many calls a day as they can to meet their targets. The focus becomes accessibility of physicians rather than their value as a target. Accessibility is indeed an issue, as the industry becomes more competitive and physicians limit or block access to sales reps¹⁷. But contact should be about more than access. Consider this: IMS reported that decile analyses in Europe often find little difference in the call levels achieved by high-decile doctors and low-decile doctors. This means reps will spend time with doctors who are easy to see, rather than those who will actually provide value and generate sales. The result is the calls do not seem effective and yet the calls per day target is being met or exceeded.
- Focusing on sales call *quantity* necessarily means less focus on sales call *quality*. A sales call merely to enquire over the physician's golf handicap, or the state of health of the physician's loved-ones, is clearly not going to result in a product sale. Likewise, sales call frequency measures favour irrelevant contacts, such as physicians who might be easy to talk to but do not actually have many patients who fit the profile of the drug being marketed.
- By focusing on sales call numbers, the company implies that the only sales tool worth considering is the sales call. When it comes down to actual sales, this is often not the primary method of success. In this highly competitive environment, a physician might be faced with a veritable barrage of requests for "just moments of their time." While good working relationships between the sales rep and customer are vital, much can be gained by adequate back-ups to the sales call, such as call centres and websites. Thus, actual sales of a drug might not necessarily be directly related to the amount of calls made.
- Sales call frequency measures encourage sales reps to focus on the calls at the expense of all else, including those activities that may assist them in the performance of their job. It becomes difficult to justify taking time away from sales calls in order to take advantage of opportunities for training, or participating in medical conventions or conferences. But as we saw in the previous chapter, the majority of today's sales

16) Lenskold 2004

17) Gardner

SECTION 3:

The Problem with Sales Tools



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Pharmaceutical marketers spend a lot of time and money planning and creating messages, sales aids for use in the sales call, technological tools to assist the sales force (including CRM), and training for salespeople. Unfortunately, for many of these categories, it's quite difficult to measure return on investment when using the majority of measurement tools available.

However, tools to help promote sales are a necessity for sales forces. Consider the current state of sales forces²¹:

- *The American Marketing Association reports that up to 90% of what marketing creates for sales support goes unused in the field. This is backed up by our analysis from literally thousand of pharmaceutical brands' field force activities.*
- *ASTD journal reported a study demonstrating that salespeople forget 85% of content and skills within four weeks of training.*
- *B-to-B Online reported results of a survey in which 70% of marketers give themselves a "D" or "F" for the quality of sales support.*
- *The CMO Council found that salespeople spend 40% of their time creating their own messaging and tools.*

These are disturbing statistics, especially considering that the sales force is one of the largest spends in the marketing budget in a pharmaceutical company, second only to R&D. Sales forces are tasked with supporting the company's productivity and bottom line, but they aren't getting the support they need.

What is going wrong? Here are a few areas that appear to be problematic:

- **Sales reps are responding to the needs of the physician. The content of the messages and tools they have been given do not adequately reflect these needs.**

"My physicians want me to help them with increasing their knowledge so they can better manage their patients - or in some cases, assisting them managing their practice. They don't like to feel I am selling to them. The materials I use should be researched properly so they reflect the key brand messages in terms of the customer needs before the marketing team give them to us to use or otherwise they won't be effective or used." - Sales Rep

Comment: To ensure firstly usage of detail aids, as well as 'effective' usage of detail aids, messaging must be based on the physician's most pressing patient or practice objectives and challenges, and must lead into how your brand can help address that need. Pharmaceutical companies must understand their customers' perspectives and then map how to best respond to their needs.

In an illustrative example, I remember seeing something extremely interesting on the Internet in Japanese about 5 years ago about Viagra. It was very clever but in a different context. It was aimed at patients and was created to assist them in obtaining Viagra from their doctor. It started with something to the effect of

21) What's Your ROI on Sales Tools? T Riesterer 2007

SECTION 7:

The Right Metrics to Solve the Problems



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improvement is not easy. It requires excellent change management, continued focus, and persistent effort from all levels of the sales organization.

Effectiveness Measurement: Moving Beyond 'Recall' and 'Intent to Prescribe'

How does this change happen? Behaviours are key. There are core sales and marketing behaviours that correlate with sales performance. Behaviours that drive prescriptions in one type of therapy category aren't necessarily going to be successful in another. In addition, behaviours that drive prescriptions in early life cycles aren't necessarily going to be successful in mid or late lifecycle. Finally, this will also be different for primary care practitioners versus specialists. Sales management needs to understand what sales and marketing behaviours are really influencing different types of doctors to prescribe one brand over another. The bottom line is they need to know what works and what does not during sales calls.

Measurement of sales force behaviours has been limited to numbers of calls, building on the assumption that enough calls will yield sufficient prescriptions to drive the pharma company's success. But this won't do. To find out if a rep is effective, the best way is to move beyond static call metrics and analyse physicians' minds. Of course, much market research is devoted to uncovering whether the physician recalled a pharmaceutical product message, whether the physician 'intends to prescribe', and what the physician thinks they think. All of this, while useful and interesting, is very superficial if we are trying to get to the core of the real influencers. Physicians do not necessarily know why they do what they do. Many factors come into play in the decision process - many they are not consciously aware of but they are influencers. We need to know what is influencing them, even if they do not. What matters is finding out how a rep can provide the most perceived value and influence the physicians' prescribing decisions.

Although this is not a precise science, there are tools that are accurate in assisting sales managers to do this task with a high degree of confidence. Eularis (www.eularis.com) has developed just such a tool - the Sales force 94.8 Analytics Tool. This metrics system helps companies know how much their sales force is contributing to their brand growth and overall company growth, as well as identifying territories with the highest business potential. It also helps analyse what messages and what rep behaviours have positive financial impact, and how these behaviours and messages should be time-allocated in a sales call. This tool collects vast quantities of data from physicians and then validates this data against prescribing to uncover real, rather than perceived, influencers. Then powerful analytics are applied that help sales managers identify what is needed and how to change for maximum sales growth.

This type of analytics is critical to ensuring that sales force efforts actually increase sales and market share, and demonstrating sales force return on investment. By limiting metrics to those that measure only call volume, calls per day and market share, companies are limiting the provable results and return they will achieve with their sales force.

Sales Force Resource Optimisation

Real sales force optimisation will only happen when companies successfully integrate efficiencies and effectiveness to provide an approach that improves strategic planning, as well as sales forces productivity and measurable financial return on individual activities. To really succeed there needs to be more focus on ensuring the right