



**AN ASSESSMENT OF THE PRESENT SALES FORCE MODEL
ON U.S. PHARMACEUTICAL MARKETING EFFORTS**

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EXECUTIVE SUMMARY

Sales representatives (SRs) are a key component of the marketing strategies employed by pharmaceutical companies in that they are the primary link between the company and the physician. As such, the pharmaceutical industry spends approximately \$9 billion in (estimated 30% of marketing budget) to send SRs to physicians' offices and hospitals to introduce their products, distribute drug samples, and host various events designed to extract doctors from their offices and hospitals and bring them to restaurants, resorts and other entertainment destinations. This paper examines the evolution of the practice of using sales representatives to promote drugs to physicians and the drivers behind this practice. Most pharmaceutical companies believe, or once believed, that marketing to physicians using sales reps has a direct and positive impact on the prescribing habits of the physicians. Therefore, they built massive sales forces to attain appropriate "share of voice" with physicians. The industry doubled the number of domestic SRs in the last five years to over 87,000. The "arms race" in sales force to gain "share of voice" with physicians resulted in a huge economic strain on the industry. Pfizer, for example, has over 38,000 sales reps¹ worldwide and spends twice the amount on sales and administrative expenses as it does on research and development. In addition, pharmaceutical companies sent so many sales reps into the field that it caused tremendous overlap and redundancy in efforts. The large sales force also created a drain on physicians' time while not meeting physicians' real needs. All these factors have resulted in decreasing effectiveness of the sales force model; the ROI on the sales force has been steadily decreasing. This paper explores various challenges to the current sales force model including environmental challenges due to the increased cost of health care,

¹ Pfizer's Funk – Business Week February 28, 2005

which, combined with the shift to managed care, have increased the scrutiny of the pharmaceutical industry as evidenced by the plethora of lawsuits and new regulations.

Finally, we discuss how the sales force model will adapt to these challenges in the future. If the first quarter of 2005 is any indication, firms are beginning to adapt to the challenges.

Pharmaceutical companies will decrease their number of SRs, improve coordination and specialization, and focus on targeted marketing to meet customer demands. They will also put greater resources behind the use of technology such as e-detailing to improve and complement the sales force. As a result, a paradigm shift in the nature of the sales rep's is expected with a focus on building relationships with physicians, as well as office staff, other providers, and nurses.

CURRENT AND PAST PRACTICES

Sales Force Structure

Pharmaceutical companies employ various marketing techniques such as detailing, distribution of free samples, professional journal advertising, and direct-to-consumer advertising (DTCA).

The industry spends over \$25 billion on these combined drug marketing activities. Detailing is a sales call in which the sales rep visits the doctor's office to discuss product characteristics, pertinent indications, and other technical information such as dosage requirements and safety data. It is considered the most critical component of the marketing mix as it is the primary contact between a pharmaceutical sales rep and the physician.

The traditional sales organization is comprised of six to ten sales representatives reporting to a District Manager who oversees their sales activities. The reps are assigned a slate of physicians in their district with whom they correspond and build relationships. These relationships become valuable as physicians need guidance and information regarding indications and the drugs that

address them. Traditionally, physicians view a well-trained and knowledgeable sales rep as an invaluable resource for product information.

Direct-to-physician activities account for the bulk of the marketing spend with 24% of the promotional budget attributed to face-time. This is in addition to the value of the free samples that the sales reps distribute to physicians. The retail value of the free samples was an astounding 63% of the promotional budget in 2003², although one can question the use of retail value as a valid estimate; the true direct cost of manufacturing the samples is nominal.

Pharmaceutical Company's Perspective on Benefits of Sales Force

The POINT survey in March 2000 by Datamonitor suggests that physician detailing has a relatively high perceived return on investment – fully 70% of physicians consider changing prescribing behavior in response to a detailing visit.³ According to a manager at ZS Associates, there is a direct correlation between the number of times a physician sees a sales rep and the expected outcome. This has manifested itself in several studies, and is generalized across the industry. Companies believe that in a market full of “me-too” drugs, a physician will often prescribe the first medication that comes to mind. By increasing the size of their sales force, and by increasing the frequency of contact with physicians, companies believe they are generating positive results.

Pfizer, for instance, has grown a sales force dwarfing the efforts of even its closest rivals. Its strategy of focusing on face-to-face detailing while many of its main competitors shifted their focus to managed care companies has been effective.⁴ In reaction to Pfizer's success, Schering-Plough hired a top-tier consulting firm to evaluate how its sales force was spending its time. The

² Pharmaceutical Marketing and Promotion – PhRMA website

³ “The Pharmaceutical Sales Force Outlook: Structures and strategies to maximize ROI and boost product uptake” REUTERS BUSINESS INSIGHT, 2003

⁴ Driving ROI through best practice in targeting, management, outsourcing and technologies By Steven Seget

consulting company found that Schering-Plough sales representatives needed to be in front of doctors more often. The firm also recommended that the company hire more district managers so that each one manages fewer sales reps. In addition, the study determined that managers spent about seven to eight percent of their time recruiting – valuable hours that could be used for sales calls. "Part of the turnaround is just making sure our sales force is equipped to compete with other sales forces," says one Schering Plough executive.⁵

The industry further argues that direct marketing will help physicians to prescribe the right drug for the right person at the right time. According to research conducted by AC Nielsen HCI, monthly detailing of physicians can increase correct product-message/ message-association by almost four-fold, relative to no detailing effort.⁶ However, there is a common perception that direct-to-physician marketing could also lead the physician to prescribe drugs where no drug therapy is indicated or to prescribe high-cost drugs when lower cost drugs could be equally effective.

Sales Force “Arms Race”

The perceived benefits of high return on investment was a key driver for pharmaceutical companies to increase sales force numbers in an effort to gain “share of voice” with physicians. They more than doubled their direct sales force from 41,855 to 87,892, between 1996 and 2001 (Figure 1). Many of the larger companies in the industry each employ 5,000 or more sales representatives in the US. During the same period, the number of physicians grew at a much slower rate, resulting in a decrease in the ratio of physicians to sales rep from 8.8 to 4.7 (Figure 2)⁷.

⁵ Driving ROI through best practice in targeting, management, outsourcing, and technology, Steven Seget

⁶ ACNielsen Web Site <http://www.acnielsenhci.com/faqs07.asp>

⁷ Millenson, Michael L. Getting Doctors to Say Yes to Drugs: The Cost and Quality Impact of Drug Company Marketing to Physicians. BlueCross BlueShield Association, 2003.

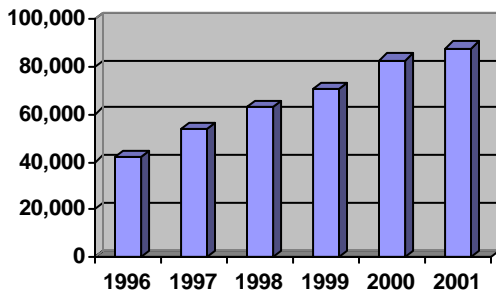


Figure 1: Number of Pharmaceutical Sales Reps

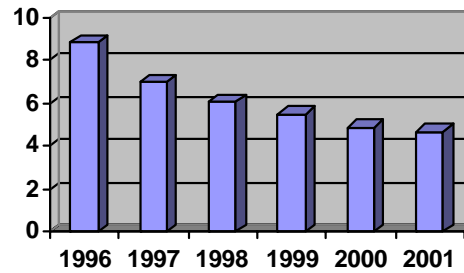


Figure 2: Number of Sales Rep per Physicians.

ISSUES AND CHALLENGES WITH CURRENT PRACTICES

Declining Value of Detailing

US pharmaceutical companies prospered by following a sales model in which multiple sales representatives, confident that at least one of them will gain access, call on the very same doctors. But with an explosion in the number of reps as well as a raft of new pressures – busier physicians, proliferation of new drugs, greater competition among the companies that produce and market them, market shifts and evolving customer dynamics, the growing influence of managed care, and increasing physician resistance to the traditional detail – the ROI on detailing has been declining (See Figure).

Marketing of new drugs often does not have the desired effect on physician prescribing behavior. A recent study of 75,000 physicians prescribing drugs over a 2-year period found that although the effects of detailing and sampling differ across drugs, the effects



Source: Massachusetts Medical Society Environmental Index Report

of the marketing activities on physician prescribing behavior ranged from very small to modest

for each of the drugs studied.⁸ In a study by Accenture, physicians identified the top influencers on their prescribing decisions as peer-reviewed clinical journals (80 percent) and industry associations and meetings (34%) before sales representatives (30 %).⁹ And in a study¹⁰ conducted by Robert Jacobson and Natalie Mizik, results indicated that it would take, on average, from 0.5 to 6.5 more visits by pharmaceutical sales representatives to induce one new prescription. The study also indicated that it would take 6.5 to 7.3 additional free samples to induce one new prescription.

Another important factor that limits the effect of sales representatives is that physicians are able to tap into other sources of information (i.e., physicians are not entirely dependent on sales reps). Scientific papers, advice from colleagues and a physician's own training and experience also influence prescribing practices and most physicians view these sources as far more reliable and trustworthy than salespeople.¹¹

Physicians, reps, and pharmaceutical companies are quickly losing patience with a system that is becoming increasingly inefficient and costly. But, “like cold war enemies, no drug company is willing to be the first to disarm its own troops.”¹² This section “details” the challenges faced by the current sales force model from the perspective of the physician (customer), the organization (sales rep and sales force structure), and the environment (regulations, managed care) that contribute to the declining value of detailing.

⁸ Pharmaceutical marketing tactics hold little sway with prescribing physicians - The University of Washington, uwnews.org, December 7, 2004

⁹ Physicians Seek More Detailed, Comparative and Customized Information from Pharmaceutical Reps, Accenture Research Finds, *Workforce Management* Online, March 2004.

¹⁰ Pharmaceutical marketing tactics hold little sway with prescribing physicians - The University of Washington, uwnews.org, December 7, 2004

¹¹ Pharmaceutical marketing tactics hold little sway with prescribing physicians, *Business*. December 7, 2004.

¹² Scott Hensley, “As Drug-Sales Teams Multiply, Doctors Start to Tune Them Out,” *Wall Street Journal*, June 13, 2003.

1. THE PHYSICIAN

Time Demands of Physicians

A recent study from Accenture indicates that almost half of physicians (48 percent) cited their time and availability as the factor that most influences their willingness to meet with sales representatives.¹³ A manager at ZS Associates says top-prescribing physicians now are often visited by more than 10 reps a day and receive three to five times as many calls from sales reps as they did ten years ago. Far from thinking that companies are trying to build relationships, physicians feel besieged. This, coupled with the demands of managed care, reductions in government reimbursements, and soaring malpractice insurance costs have made office practice more hectic over the past decade. Due to increased time demands, the actual time spent by doctors has not increased proportionally to increased sales force and hence the decreasing returns on sales force.

Physicians' Data Needs

From the physician's perspective, outstanding service is primarily about information. Physicians have continually stated on surveys that the most successful reps (i.e., the ones 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.¹⁴ A survey conducted by Cap Gemini Ernst & Young indicates that 57% of physicians would give more time to reps if the rep provided a greater value proposition, including patient educational materials, scientific information about products/treatments, continuing medical education support, etc.

¹³ Physicians Seek More Detailed, Comparative and Customized Information from Pharmaceutical Reps, Accenture Research Finds, *Workforce Management* Online, March 2004.

¹⁴ Leibfried, Christopher, Tittle, Michele, et al. Sales Force Effectiveness in a Changing World, Unisys life sciences white paper, Unisys Corp, 2004.

Yet according to a McKinsey report¹⁵, physicians feel that they aren't getting the information they need. For example, apart from knowing the clinical attributes of the drug, doctors also want to know what patients think about a drug, how much they pay for it, whether they comply with its treatment regime, what HMOs will pay for, and how HMO formularies (approved lists of drugs) are structured. Another component of the pharmaceutical sales process that differentiates the industry is the need for sales representatives to possess regulatory knowledge, specifically an understanding of regulations and guidelines. However, the reps' knowledge is typically limited to the sales pitches devised by marketers at corporate headquarters.

2. THE ORGANIZATION

Lack of coordination between reps

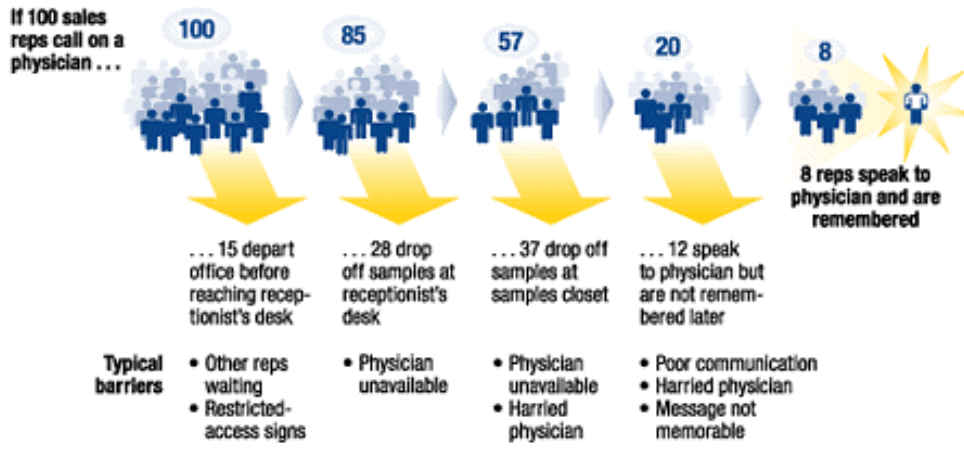
One of the biggest trends in sales force structure in the past five to ten years has been the rapid expansion of the mirrored sales forces. First introduced by Pfizer, the idea was to increase the number of sales reps and have their territories overlap, with more than one rep responsible for a single physician. This arrangement, commonly referred to as the "POD" structure, increases the incidence of contact with the physician, further enhancing the company's share of voice. More often than not, the reps do not coordinate schedules, and end up talking to the same physician on the same day. A doctor quoted in *Business Week* said "We would see three reps from Pfizer in one day." As a result, as shown in exhibit 1¹⁶, only 8% of the reps are able to make a meaningful impression on a physician.

¹⁵ Making more of pharma's sales force, pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon, *The McKinsey Quarterly*, 2002 Number 3

¹⁶ Making more of pharma's sales force. Pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon *The McKinsey Quarterly*, 2002 Number 3

EXHIBIT 1

Reps run the gauntlet



Increasing Job Responsibilities of Sales Rep

Sales reps are increasingly being asked to maximize productivity while keeping more accurate and detailed records about sampling and other activities covered by PDMA requirements.¹⁷

According to a recent Pace Productivity Report, sales reps spend only 23% of their time actually selling. The balance is spent searching for information (prescriber histories, competitive positioning, product information, etc.) necessary to sell their products.¹⁷ Thus, SRs time is not being used productively.

Lack of Training

Leadership is critical in promoting sales force productivity. The district manager is one of the keys in the sales force effectiveness challenge. The primary objectives of the district manager is coaching and developing reps and driving sales performance. One of the greatest challenges for the industry is to help the many inexperienced managers become familiar and educated in their products.¹⁸ Pharmaceutical sales representatives have only a small window of opportunity to

¹⁷ Sales Force Effectiveness in a Changing World, Leibfried, Christopher, Tittle, Michele, et al. Unisys life sciences white paper, Unisys Corp, 2004)

¹⁸ Developing First-Line Pharmaceutical Sales Leaders, Goldberg, Michele. Hay Insight Connections

make an impression with physicians. And yet, many companies are failing to provide this type of training, focusing instead on intensive sales training for newly hired reps.

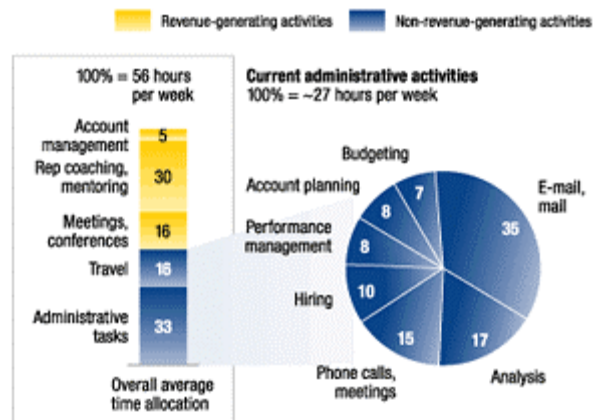
Sales Organization

Studies from a McKinsey report¹⁹ indicate that, with more reps to hire and place and with the constant redrawing of territories, managers have to devote almost half their time to tasks that don't generate revenue (Exhibit 2) and spend an average of only six days a year in the field with each rep. That is not enough to help reps or to evaluate them properly, or even to gather feedback on how doctors feel about the company and its products. Furthermore, there is a level of inefficiency and redundancy in their sales efforts with reps increasingly targeting the same top 10 per

EXHIBIT 2

Where does the time go?

Time spent by district managers on various tasks, percent



Source: 2001 McKinsey survey of 250 district managers; McKinsey analysis

cent of prescribers. This is further compounded by the fact that physicians are not increasing the amount of time allocated to reps, and the time available to meet sales reps is still decreasing.

Sub-Optimal Sales Force Compensation Structure

Compensation structure does not promote relationship building. Sales reps are often paid based on their performance. However, performance evaluation is hampered by the way sales teams are organized. Most pharmaceutical companies divide their geographical target areas in districts, and every district has several district managers, each responsible for a different drug and each

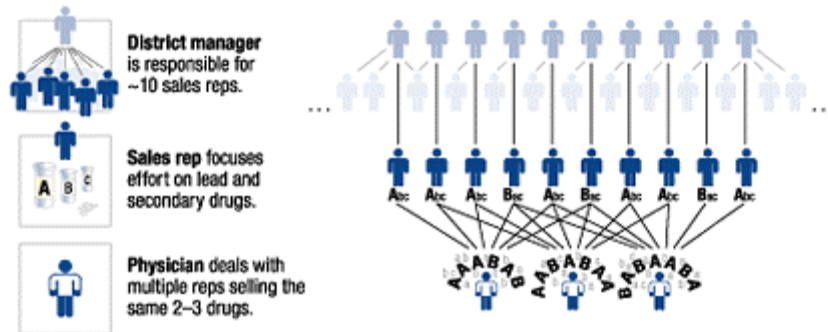
¹⁹ Making more of pharma's sales force. Pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon, The McKinsey Quarterly, 2002 Number 3

supervising, on average, about ten reps who sell it as their lead drug. The district managers are not, however, responsible for contacts with individual physicians, who thus see a string of reps with different managers and different lead and secondary drugs. Coordination therefore becomes a nightmare for the

district manager, and it is also extremely difficult to assess the company's relationship with any individual physician or even to

EXHIBIT 3

A drug-induced headache for physicians



work out which rep is responsible for a sale (Exhibit 3)²⁰.

As a result, sales force incentives are largely ineffective. While managers would like to reward high performers, the current organization does not allow them to pinpoint the star performers.

As a result, the best reps are also unhappy. An analysis by McKinsey & Company shows that at both the rep and the district-manager level, current evaluations do not clearly distinguish between high and low performers and that almost everyone ends up in the middle (Exhibit 4).²¹

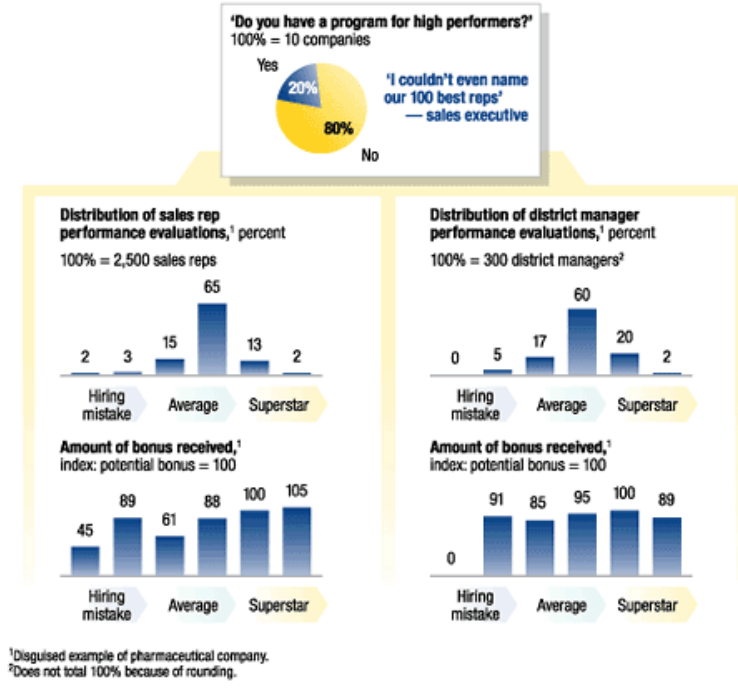
In any event, only 25 percent of a rep's total pay package comes in the form of a bonus; as much as 75 percent is guaranteed—far above the 40 percent that is standard in many industries. And pharmaceutical companies typically cap compensation as well. If they are to compensate high performers properly, they must change that structure.

²⁰ Making more of pharma's sales force. Pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon, The McKinsey Quarterly, 2002 Number 3

²¹ Making more of pharma's sales force. Pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon, The McKinsey Quarterly, 2002 Number 3

EXHIBIT 4

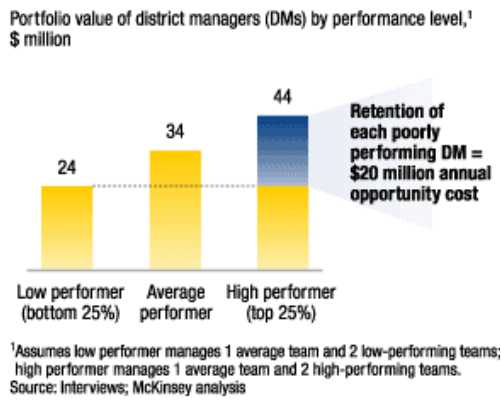
Equal pay for unequal performance



For pharmaceutical companies, the bottom line is that they now see a diminishing marginal return on every additional sales rep. Furthermore, the opportunity cost of retaining a single low performing district manager who runs three average or below-average teams can be as high as \$20 million a year (Exhibit 5).²²

EXHIBIT 5

Lost opportunity



²² Making more of pharma's sales force. Pharmaceutical companies have lost their focus on doctors. The key to higher sales is regaining it. Martin E. Elling, Holly J. Fogle, Charles S. McKhann, and Chris Simon, The McKinsey Quarterly, 2002 Number 3

3. THE ENVIRONMENT

The third challenge to the current structure is its external environment. Whether or not the physician ought to interact with sales reps is a question worthy of ethical analysis. The key public policy issue is the extent to which the industry's promotional tactics lead to an increase in appropriate versus inappropriate use of drugs in a cost effective manner. Empirical data suggests that interactions with pharmaceutical reps increase the chances that the physician will act contrary to duties owed to the patient. In fact, according to a member of ZS Associates, "There is a direct correlation between the sales force and the prescription of a drug." Ideally, a physician might both interact with reps and also do the research necessary to counteract the commercial bias in their messages. But does the physician have the adequate time?

In her book *Truth about Pharmaceutical Companies*, Marcia Angell goes so far as to say that physicians ought to refuse to visit with reps as a matter of both professional integrity and sensible time management. Angell states that the profession does not have effective checks to ensure that the promotion of new products did not lead to inappropriate or wasteful use.

With the release of the Office of Inspector General's (OIG) Compliance Program Guidance for Pharmaceutical Manufacturers and the Pharmaceutical Code of Ethics, sales reps are surely feeling challenged. Pharmaceutical companies are now being investigated and even sued for their illegal continuing medical education, kickbacks, improper consulting arrangements, and illegal off-label promotion practices.²³

Pressure to meet revenue targets can easily affect the reps' sales methods. An evaluation of information provided by sales reps at 13 "noontime conferences" with physicians found that more than 10 percent of statements that reps made were inaccurate and that all such inaccuracies

²³Pharmaceutical Sales Ethics: New Reforms or Business As Usual?, MedZilla.com, July 23, 2004

were favorable to the promoted drug.²⁴ There are currently no mechanisms that exist to make the sales reps accountable. These have caused numerous new guidelines (AMA, PhRMA etc) that further add to the cost of this model.

THE FUTURE

The pharmaceutical industry was faced with a classic “Prisoners Dilemma.” As The Wall Street Journal reported – “Like cold war enemies, no drug company is willing to be the first to disarm its own troops.” However, if the first quarter of 2005 is any indication, firms are beginning to adapt to the challenges. This section outlines some of the trends/changes emerging in the industry.

The future of marketing in pharmaceutical companies

Decreased Sales Force: an end to the “Arms race”

In the 1990s, Pfizer initiated what some refer to as the sales force “arms race;” other firms were forced to match Pfizer’s growth, particularly in the high-stakes world of primary care sales.

Now, with the industry under pressure to generate its normally high profits - while under attack on many fronts and few new blockbuster drugs in sight - Pfizer is apparently reversing course.

Some analysts now expect the firm to cut as much as 30% of its sales force.²⁵ Not surprisingly, this move has been met with quick response by other firms. According to GSK’s CEO, Dr. Jean-Pierre Garnier, “We live in a culture of continuous improvements and searches for efficiencies... I don't think we need these sorts of numbers of sales reps.”²⁶ He attributes GSK’s position to its need to keep up with Pfizer, and that a slowdown in sales force growth would benefit not only GSK but the entire industry.

²⁴ Michael G. Ziegler, Pauline Lew and B.C. Singer, “The Accuracy of Drug Information from Pharmaceutical Sales Representative,” JAMA 273, no. 16, 26 April 1995,: 1296-98.

Improve Coordination

A decline in sales reps will require increased coordination. Often times, as we have shown, firms have several reps promoting the same drug to the same physician. Not only is this inefficient, but it detracts from SRs ability to establish a trusting relationship with a physician.²⁷

Increase Specialization

While the number of reps is declining, another trend is to increase the number of specialized reps. Eric Bolesh, senior analyst at Cutting Edge Information, says that in order to re-establish the SR as a source of trustworthy medical information, companies are starting to develop sales divisions that focus on particular disease or therapeutic areas, patient populations and medicine types.²⁸ For example, Bayer Corp. realigned its sales force to strengthen support in primary care, specialty and hospital environments, even adding a men's health specialty field force.

Sophisticated Marketing

Increasingly, each rep will be held accountable for executing marketing strategies that target the most responsive physicians. According to Jon Parton, Director of Global Branding at AstraZeneca, "We'll see fewer, more skilled reps that are able to implement sophisticated segmentation to ensure we're calling on the right doctors."²⁹ Rather than merely targeting high-volume physicians, reps will need to analyze physician behavior, demographics, and attitudes to segment the markets and target those most loyal to the brand, friendly toward reps, and responsive toward certain messages.

²⁵ "Some Analysts Expect Job Cuts From Pfizer," Alex Berenson, New York Times, February 9, 2005

²⁶ Scrip Pharmaceutical News, Feb. 11, 2005

²⁷ Interview with manager at ZS Associates, 2/1/2005

²⁸ "Pharmaceutical Sales Ethics: New Reforms or Business As Usual?," Medzilla.com, July 23, 2004

²⁹ Marketing ROI: the opportunities and challenges, published online in eyeforpharma.com - <http://www.eyeforpharma.com/index.asp?nli=o&g-p&nld=10/12/2004&news=43575>

eDetailing

Given the growing recognition that the continued escalation of the SR “arms race” is becoming increasingly expensive and inefficient, the widespread interest among pharmaceutical marketers in evaluating e-detailing is understandable.³⁰ eDetailing is accomplished by providing much of the same information that is discussed in the face-to-face detail through digital means instead. eDetailing is becoming an increasing part of marketing budgets as a way to maximize sales force time, cut costs, and increase physician prescribing. It is not a single channel through which to distribute information, but instead can take many different forms such as databases accessible through the Internet, video-conferencing, or an Interactive Voice Response (IVR) phone line. eDetailing technology can also be used to offer samples, encourage product use, and increase written prescriptions. The three most common types of eDetailing are:

1. **Virtual live eDetailing.** With the virtual live eDetailing model, the doctor (chosen by the pharmaceutical company) is provided a personal computer pre-configured with the necessary applications and a webcam to see and speak with a sales representative. The physician initiates the eDetail session and has control over the timing of the call (both in terms of when to call and the length of call). The physician and sales representative (via a videoconferencing system) view and listen to a multi-media presentation about the promoted product and have the opportunity to discuss any points of interest.
2. **Scripted eDetailing.** Scripted eDetailing enables the physician to use a personal computer to launch a sponsored learning application. The application often consists of a series of interactive screens with information about the product including research evidence, clinical practice guidelines, prescribing information, and patient advice. The doctor reviews the screens, usually for an honorarium incentive. This system may reside

³⁰ Building the bridge between E and the sales force, *Medical Marketing & Media*, Nov 2001, 36, 11, pg 58

on the Internet, a closed intranet, or on an IVR telephone line. This system does not have live interaction between the physician and the sales representative.

3. **Physician Portal eDetailing.** Online communities via physician portals offer an opportunity to deliver pharmaceutical company messages to a specific audience of physicians. This model is most often used for delivering “soft” general marketing messages (via sponsorship of a forum dedicated to a specific disease or an online continuing medical education module).

To date, only a few forms of eDetailing, such as Scripted eDetailing, have been shown by independent studies³¹ to increase prescribing when compared to traditional detailing methods. In addition, each eDetail model differs in its popularity and applicability to specific physicians. For example, general practitioners are more easily accessible than specialists through Scripted eDetails. Therefore, pharmaceutical companies must evaluate their eDetailing options carefully in order to select the right method for their particular product, targeted physician group, and country. One approach could be to target middle and lower tier physicians, especially for delivering samples.³² It is projected that up to 50% of all U.S. and European physicians will be exposed to this support-offering over the next two to three years.³³

The Future Role of the Sales Rep

The pending reduction in overall numbers, combined with the need to improve the productivity of those remaining, is already affecting the role of sales reps.

³¹ Navigating the eDetailing Maze, International Journal of Medical Marketing, May 2002, Vol. 2, Number 3

³² “Try This” Pharmaceutical Executive, May 2004, Pg 42.

³³ Pharmaceutical Sales Force Strategies Driving ROI through best practice in targeting, management, outsourcing and technologies, Steven Seget

Emphasis on building relationships

Reps will need to do a better job of building trusted relationships. An empirical study indicates a significant relationship between the satisfaction rating from physicians referring to the sales rep and their prescribing behavior.³⁴ Thus relationship-building behavior of the rep can lead to economic success for the company. This means being a source of reliable, up-to-date information that doesn't just sell, but educates the doctors.³⁵ The industry is moving more toward "consultative selling" in which physicians use reps as advisors regarding treatment options, as opposed to promoters of products. A change like this would no doubt require a change in financial incentives to steer reps more in this direction and less toward mere sales volume. This also implies less reliance on circuitous sales tools such as the more traditional perks.³⁶ The HIPAA (Health Insurance Portability and Accountability Act) guidelines, which some expect to reduce physician access by as much as 25%, could actually be used as a tool for reps to strengthen relationships by demonstrating a desire to protect health records and thereby proving their trustworthiness.³⁵

Solidifying physician relationships may require redefining the district manager's role so that they can take primary responsibility for developing the relationship and be given fewer administrative tasks. ZS Associates thinks this maybe the model of the future and says that while this model is extremely effective in building relationships with the physicians, it is also more expensive.

David Blumberg, a partner in Accenture's Health & Life Sciences practice, agrees, stating that "After several decades, the basic detailing model is ripe for evolution. The opportunity for the industry lies in moving beyond sales force growth and mass promotion to arming reps with tailored information for individual physicians – information that will improve their practices and

³⁴ Total Quality Management, Vol. 11, No 7, 2000, S955-S965

³⁵ "HIPAA alters pharma rep strategy," Syngy Magazine, Dec. 21, 2004

³⁶ "Now integrity is even more important to your pharmaceutical sales career," MedZilla.com, March 5, 2004.

patient care.” According to an Accenture survey, primary care physicians say that customized content, clinical evidence and comparative analyses of medicines top their wish lists for visits from pharmaceutical representatives. The reps, by focusing on what the physicians want, can improve their relationships with the physicians.

Financial accountability

Reps will increasingly be held financially accountable. The pressure on firms to return profit will flow downstream through the workforce, and reps will feel the heat. “Sales reps are becoming almost mini-entrepreneurs, running a single-person company with a territory the size of their district, managing a time budget, a financial budget, and a non-financial resources budget,” said Pierre Morgon, General Manager, Yamanouchi France.³⁷

Integrating technology

Reps will need to rely more and more on efficient, low-cost technology, such as eDetailing, email and web conferencing. Though technology will never completely supplant face-to-face sales calls, physicians are increasingly turning to the Internet for information. “There is a large audience of doctors out there using the Internet for drug information” said Mark Bard, president of Manhattan Research, who estimates that 95% of physicians – more than 200,000, globally – are online in some capacity.³⁸ They may be using the Internet, but they’re not satisfied with their online options. A recent Harris poll found that 88% of physicians are still looking for a reliable web-based source of information.³⁹ Yet, Jupiter Research found that only 9% of physician-

³⁷ Marketing ROI: the opportunities and challenges, published online in eyeforpharma.com - <http://www.eyeforpharma.com/index.asp?nli=o&g-p&nld=10/12/2004&news=43575>

³⁸ Rich Thomaselli, Advertising Age (Midwest Region edition), Jan. 24, 2005, p. 50.

³⁹ Increasing impact of eHealth on Physician behavior. online at http://www.harrisinteractive.com/news/newsletters/healthnews/HI_HealthCareNews2001Vol1_iss31.pdf

targeted marketing spending went to online budgets in 2004, though that number is expected to grow in 2005.⁴⁰

Video technology is also becoming prevalent. According to Eric Bolesh of Cutting Edge Information, one company's video detailing pilot showed reps could complete twice as many physician calls per day and doctors would spend significantly more time with the rep than in a traditional detail. "That means you might be able to detail three or four drugs instead of one."⁴¹

New software on tablet-sized computers is another up-and-coming technology, allowing companies to regularly update visual aids, clinical reprints, opinion leader videos, case studies and physician surveys. Representatives can use these in the way that best supports an individual physician's needs, while meeting regulatory standards. According to Blumberg, a partner at Accenture, companies piloting such "closed loop promotions" are increasing representatives' time with physicians from 90 seconds to five minutes. Accenture estimates that, with the greater access and educational value of these new approaches, a pharmaceutical company can increase sales of a \$500 million product by up to 15 percent, while lowering marketing costs and increasing patient access to new medicines.⁴²

⁴⁰ Marketing to Professionals: E-Detailing as CRM - online at <http://www.pharmexec.com/pharmexec/article/articleDetail.jsp?id=137193>

⁴¹ "Effectively managing tomorrow's pharma sales force," Cutting Edge Information, eyeforpharma.com, Oct. 7, 2003

⁴² Accenture Research http://www.accenture.com/xd/xd.asp?it=enweb&xd=_dyn/dynamicpressrelease_630.xml

CONCLUSION

The potential benefits of rationalizing US sales force are clear. For example, if the top 20 pharmaceutical companies cut their sales force by 20%, then all would save money, the remaining sales representative would become more effective, and profitability among firms will likely improve. The first step in solving a problem is to accept they have one. And they surely are beginning to realize that. The industry is now in the search of a solution and thus the future is expected to see revolutionary changes in the way pharmaceuticals are sold.