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Pharma companies face the two-headed marketing monster

Most pharmaceutical companies are prescribing CRM; but few have yet found the ultimate cure. Those that do will effectively address the dichotomy in marketing to both tiers of their customers: doctors and end-user consumers.

Eighty-six percent of the senior pharmaceutical executives interviewed for a recent Cap Gemini Ernst & Young / INSEAD study said that CRM has become "a core issue" for them. The industry has invested heavily in technology to better arm salespeople and to provide more information via the Web; and 88% of those interviewed for the study expected to "maintain or increase investment in CRM over the next five years."

However, most analysts agree that this spending doesn't mean they are achieving CRM. "If you asked the leadership [of the top pharmaceutical firms] if they are doing CRM, they'd say, 'Sure, we just spent \$20 million on Siebel.," says Marc Ruggiano of Peppers and Rogers. "[However], very few have what we would call a true customer strategy...the proof is that the primary customer - the physician - is more unhappy than ever."

Pharmaceutical companies are faced with two fundamental challenges in building relationships with their customers; sales representatives don't actually talk to the end consumer and they are not present at the final sale. Traditionally, all marketing efforts focus on highlighting drugs to doctors but many firms now realize that the payer (an insurance company or the government), the pharmacist and, ultimately, the patient form a triangle of influence.

Central to successful CRM is effectively targeting the physician; therefore, most current efforts focus on improving relationships with prescribers.

For years, these companies have maintained an extensive sales force that is adept at building relationships with doctors - albeit primarily through wining, dining and games of golf. "The whole industry is a CRM program for doctors, not consumers," claims Bob Ehrlich, founder and CEO of DTC Perspectives Magazine (a magazine dedicated to pharmaceutical direct-to-consumer marketing and advertising).

The efficiency and effectiveness of these efforts is being hotly debated. But these efforts are becoming more sophisticated. U.S. pharmaceutical companies are fortunate to have access to comprehensive data on the prescribing habits of individual physicians. As they implement CRM, they are using this information to segment and rank doctors to determine how to allocate sales resources and make each message more relevant.

Interestingly, with all this information available, only 8 percent of those surveyed by IIR/Braun (October 2002 Pharmaceutical Marketing Congress) indicated that "assessing physician lifetime value" was a strong capability of their organization. Companies outside the U.S. face the additional challenge of data availability. Due in part to more stringent privacy regulations, the prescriber-level database is not available from a third party. But what about the patients?

Some pharma firms have begun talking directly to patients too, recognizing them as the ultimate consumer. However, the majority of DTC (direct to consumer) funding goes to mass advertising not one-to-communications. According to Ehrlich, pharmaceutical companies have "a strange attitude to customers...they see them as a threat...and don't aggressively seek them out...for fear that they will report adverse events to the FDA." Ehrlich also notes that few pharmaceutical companies have chief consumer marketing officers at the senior level. This lack of focus has meant serious customer erosion. Patient loss is massive, considering the length of time patients should stay on a specific drug. "No other business would accept the loss of customers that pharmaceutical companies treat as routine," he says.

Most of the customer strategy translates into Internet initiatives. More than 26 million U.S. adults actively seek pharmaceutical information online (Manhattan Research ePharma Consumer v2.0, Feb. 2003). To meet this demand, pharmaceutical companies have invested in brand Web sites, partnered with associations, and built disease-specific sites to communicate directly with patients.

For example, MSActiveSource.com from Biogen provides in-depth information, tools and community for multiple sclerosis

sufferers, caregivers and physicians. Patients register and provide information about themselves and their disease; Biogen uses this information to deliver personalized content. This site allows Biogen to build a relationship with MS sufferers, the target audience for its Avonex drug.

Unfortunately, consumers are not all that happy with what they find on the Web today. Another study by Manhattan Research (May 2003) found that 56% of those surveyed feel that the quality of online pharmaceutical information needs to increase. The Web is also being used to reach physicians. Most CRM initiatives, whether directed at the doctor or the patient, have involved heavy technology spending. Tools from a variety of vendors have been used, including pharma-specific applications, such as those offered by Dendrite (www.dendrite.com), and offerings from the generic players like Siebel (www.siebel.com).

SFA tools can enable sales reps to access the third-party and internal data and to record proprietary information about the physicians they target. Christian Boehringer, marketing and sales effectiveness manager at Boehringer Ingelheim (BI), says his company's internal information may include clinical trial participation, response to past direct marketing campaigns, and meetings attended, as well as physician preferences and attitude.

However, Ruggiano believes that few pharma companies are truly taking advantage of these capabilities. "There may be a place in Siebel for [a specific piece of information], but without an information collection strategy, there are no plans to fill it," Ruggiano says. Boehringer Ingelheim (BI) is one organization that is streamlining its efforts with doctors. Boehringer believes the Internet will play a role in the physician marketing mix.

Aberdeen Group recently described BI's implementation of the Siebel ePharma suite as "a textbook example of how to implement CRM for optimal results." BI's success was due, in part, to its focus on global business processes and segmentation, rather than just on technology.

Five years ago, BI began looking at the business processes that underpinned its sales organization. Starting with their German operations, BI (which is headquartered in Ingelheim, Germany) observed that "by focusing better on the customers we see, and seeing them more often ...we can take huge steps forward," says Boehringer. "Out of this [observation], the decision was taken to implement CRM worldwide."

BI chose Canada, then Belgium, to begin the CRM transition. In Canada, where BI has approximately 150 sales reps, BI looked for effective ways of targeting and segmenting doctors. Using third-party data on the prescribing habits of doctors, BI was able to rank them based on their value and specialty.

Traditionally, sales representatives introduce all a firm's products to as many physicians as possible. Boehringer believes many of the bigger firms (the "muscle players") still see almost all physicians with high frequency and have less need for CRM. He believes smaller players like BI need to be smarter and use their sales force in a more effective way.

Using the tools

The segmentation work means that BI now ranks doctors, creating a process where sales reps "detail" only appropriate drugs to selected physicians. The Siebel tool means that reps can record critical information to improve targeting and share data across multiple reps. In Europe, where the external prescription data is not available, BI had to develop different segmentation algorithms. However, the principles are the same and the company focused on building global processes despite this difference. BI takes into account information collected by the reps, external data (in jurisdictions where it is available) and representative judgment.

The focus of this CRM project to date has been the physician relationship. Direct-to-consumer communications is not currently part of the CRM strategy, although it admits DTC plays a greater role in certain therapy classes.

BI, however, is one firm that stands out for its progress globally. "We've sold the philosophy to the whole organization, not only to a few people who believe in the value," notes Boehringer. Anyone who has tried to implement CRM knows that in doing this, BI has fought its biggest battle.

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