

Perspectives

'If I ran the zoo'

*'But if I ran the Zoo',
Said young Gerald McGrew,
'I'd make a few changes,
That's just what I'd do'. (Dr Seuss)¹*

The pharmaceutical industry: Where it is, how it got there, where it needs to go, how to get there

Bridget M. Finn

is a founding partner of The SMART Group, LLC: Real World Healthcare Systems Research & Consulting. She has her PhD from the University of Pennsylvania. She has postgraduate training and experience in systems/relational theory, as well as post-graduate training and experience as a qualitative systems researcher, specialising in interrelated healthcare systems research. Her professional background is in the healthcare, research, pharmaceutical and academic arenas.

Christopher F. Sutherland

is a founding partner of The SMART Group, LLC: Real World Healthcare Systems Research & Consulting. He has his PhD from Michigan State University and was a Fullbright Fellow. He has post-graduate training and experience as a qualitative and quantitative researcher and ethnographer, specialising in interrelated systems research. His professional background is in the academic, research and pharmaceuticals, including over a decade spent in the pharmaceutical research arena. Christopher has expertise in managed markets and consults internationally in this area.

'Most organisations and most individuals within them, think they are being innovative when they study "best practices" and emulate them. It feels like leadership, but it is really high-level followership. It is what every decent organisation and professional is doing — all simply keeping up with the new status quo.

What modern organisational revolutionaries understand is that studying and emulating excellence is not enough. Instead, using the weapons of experimentation, learning and laughing, you must pursue the status quo and kill it'. (Dale Dauten)²

THE SEARCH FOR THE HOLY GRAIL

The Holy Grail of any commercial enterprise is profit. In the pursuit of profit, the pharmaceutical and medical device and

diagnostics (MD&D) industries have been successful. They have consistently produced blockbuster products (more than US\$1bn in annual sales) and healthcare stocks have performed very well in world markets. During the 1980s and 1990s, it has been one of the best performing economic sectors.

The ride is coming to an end however, as thin pipelines, scarce blockbusters, the general inability to efficiently sell 'me-too' products, price pressures and the shift toward personalised medicine, impact profits.

These trends and the actual and potential impact on profits are clearly drawing the attention of the financial community.

**Bridget M. Finn and
Christopher F. Sutherland**
229, Lepore Drive,
Lancaster, PA 17602, USA.
www.thesmartgroupllc.com
Tel: +1 (215) 237 1388/1389
e-mail:
principals@thesmartgroupllc.com

'Wall Street is concerned about the number of drugs losing patent protection at a time when big Pharmaceutical companies are getting fewer therapies approved ... and ... many of today's drug applications are different formulations of older drugs.' (*Philadelphia Inquirer*, 7 December, 2003)³

'"The era of the blockbuster is ending", says Dorman Followill, head of Life Sciences at research firm Frost & Sullivan, "and everyone on Wall Street is wondering how the drug industry will metamorphose itself" ... Indeed, future shock at Big Pharma is so profound that Robert Freeman, head of public policy at drug giant AstraZeneca, makes this startling admission: "We simply don't know what kind of business model is necessary to commercialize personalised medicine".' (*US News and World Report*, January, 2003)⁴

Many in the industry are mistaken in thinking that the emergence of personalised medicine calls for a revolutionary business model. Not true. A new business model is needed, but it is not because of personalised medicine.

Personalised medicine is a term that describes medicines that target genetic sources of disease. Personalised medicine is, from a marketing and sales standpoint, another variable that helps define the size and shape of the potential market for the product. It is not however, the only variable and it is no more important than variables such as cost, sexuality, efficacy, access, etc. While personalised medicine is revolutionary from a medical standpoint, it is not from a marketing standpoint.

The sum result of all of these trends is that executives in the healthcare industry are realising that current commercial practices do not have the utility to meet the challenges the industry faces. After spending hundreds of millions of dollars looking for answers in such places as customer relationship management (CRM) or segmentation, there is a growing recognition that the problem is fundamental, as fundamental as it gets. They do not really know and understand their market and customer.

THE ROAD TO PERDITION

The foundational understanding of the pharmaceutical customer is rooted in the experiences of the 1950s to 1970s. This period marked the emergence of 'evidence-based medicine' and ethical pharmaceuticals. Marketing and sales efforts were driven by clinical information and aimed exclusively at physicians. The physician was the sole customer, which reflected the cultural milieu of the time. Salesforces had a strong presence of pharmacists to convey clinical information to the physician customer. Sales was a career and the representatives built relationships with physicians. Within the industry, marketing and sales was highly integrated with common goals and experiences in the market.

The 1980s–1990s saw a number of significant changes that included:

- The healthcare market and the customer began to change dramatically as other players gained presence in the healthcare system.
- Change from long-term growth and stockholder dividends as primary goals to short-term stock performance.
- Dramatic changes in healthcare financing and regulatory environments.
- Customers began the process of viewing industry information with scepticism. Information seen less as science and more as marketing.
- Sales representatives redefined. Less pharmacist driven resulting in diminished legitimacy in the presentation of information. Increasingly transitory, not a career, resulting in diminished relational access and sustainability.
- Management continually realigning territories, further eroding relationships.
- Growing separation between marketing and sales.
 - Sales living daily in a changing market and interacting with a changing customer.
 - Marketing overly focused on tactics and out of touch with the changing market/customer and not equipped to learn.

Marketers began to look for information to help them understand the changing market and to help them forecast. They turned to the academic community, particularly those applying research to consumer markets. Two choices existed as to the type/nature of research available to the industry, Experimental or Humanistic. The healthcare industry, particularly pharmaceuticals, chose the experimental approach.

Experimental research:

- Theory testing.
- Goal is to measure and predict.
- Seeks to establish independent and dependent variables.
- Companies, customer and products understood in static, controlled setting.
- Research professionals originally drawn from experimental psychology.

Pharmaceutical firms chose this path because it was:

- Consistent with their understanding of customers in discrete segments.
- Suited to a marketing approach that perceived clinical information as the only relevant sales motivator.
- Seen as the scientific approach, which is more valued in society.
- Offering predictability, which is corporately important.
- Offering simplicity and universal enduring truth.

As the healthcare market evolved from the 1980s onwards, the number of customers changed dramatically. What the industry failed to understand is that the emergence of new customer segments gave rise to a relational system of increasing complexity between those players. The tool that had been selected to understand a single segment is not equipped to understand the dynamic, synergistic, fluid system that has emerged.

While the industry knows to whom they need to sell and what segments in each audience are more important to

them, they have no understanding of the customer as part of a system as it exists in the real world. This lack of systems context is apparent in the current efforts at relationship marketing, where such an understanding is not evident in current practices and/or writings.

THE EMPEROR'S NEW CLOTHES

The approach chosen leaves the pharmaceutical and MD&D industries with a customer understanding, market comprehension and business model that has been patched together over decades by literally thousands of executives, consultants and others, each with a different world view/framework of analysis and market understanding.

These corporate understandings of the market and the customer tend to resemble jigsaw puzzles. They hire thousands of people and each is responsible for getting a piece of the puzzle. The company then tries to assemble the results into the picture, even though the pieces come from different pictures. The lack of a coherent market understanding yields a corporate, research, marketing and sales structure that is overcomplicated, partially redundant and unfocused.

The information and understanding is based on a worldview and research that is one-dimensional, linear, segmented and static, in conception, execution, analysis and application. It does not reflect the way the real world works. Regardless, companies do succeed. Even a blind pig sometimes finds an acorn.

Among the many consequences of the industry's lack of customer and market understanding are:

- The 'success' that companies achieve always costs more than it should, an inevitable yield of inefficient, outdated models.
- Marketing research is not valued. This is evident in its failure to provide answers

that make sense and work and in the place that it holds in the organisational structure.

- At the same time, marketing research can only provide answers in a form and depth being demanded by those in marketing and sales.
- Not knowing their customer yields an organisational culture and structure that is designed in a way that does not accommodate access to, or reflect knowledge of, the customer. Consequently, it is inefficient, as it is not based on real world market realities.
 - A key outcome of this inefficiency is an inability to effectively brand and position products at the affiliate and global levels.
 - Increased lack of integration between sales, marketing and information management resulting in economic inefficiencies, conflict and wasted resources.
 - Sales, marketing and management functions consume a much higher percentage of each dollar of revenue than is necessary. Simply put, the success that they have costs them too much money for each dollar earned.
- Marketing information and materials do not resonate with the real world experience of sales. The wrong information is identified as important.
- Money and effort are wasted on managing the wrong information.
 - Across all sales channels.

Analysts, portfolio managers and others are questioning the short-term and long-term viability and success of pharmaceutical and MD&D companies. The financial community is finding that the industries are not providing answers that engender confidence. They are learning that new questions need to be asked. Such questions as:

- How does the company understand its customer?
- Is research and market intelligence central to the operation of the company?
- Is the research and information being used real world market information?

- Are financial projections based on real world research relative to commercialisation, especially projected price and share?
- How will the industry maintain its profit margins in a changing environment if they continue to use the same strategies and tactics?

Firms need to recognise that they will not be able to satisfactorily answer these questions until they re-imagine, re-invent and revolutionise the way they understand their market and customer and the way they conceptualise, execute and apply research.

ALICE THROUGH THE LOOKING GLASS

Current corporate market understanding, organisation, strategic and tactical understanding and decisions are based on *marketing research* information provided by internal staff and *market research* vendors.

Marketing research in the industry concentrates on researching a company's own marketing efforts, not the market or the customer. Real world systems research starts with understanding the market and customer and then examines the utility of marketing efforts.

The foundation for any business and particularly for this industry, should be research; research that yields accurate intelligence. It is the precursor to realising market efficiencies and advantages. In short, marketing research needs to be discarded in favour of real world systems research. The company and the sales and marketing teams need to have a common understanding and language relative to what research is, its processes and its flow.

What is currently called 'research' would not stand the scrutiny of any competent academic or research professional. The research is generally academically weak, useless in real world understanding and thus applicability.

The current system and many of the

individuals in the system are not equipped or qualified to direct efforts at knowing and understanding the customer and market in a real world way. Marketing research tends to be a temporary position. Many sales representatives who are promoted to the home office are rotated through marketing research for a period of 12 to 18 months. It is merely a stop on the career path of upward mobility. Professional researchers are rarely promoted to senior ranks, as the path to the top lies through sales and marketing.

We live in our language

- Marketing forms relationships with advertising companies that are thought of in 'agency' and partnering terms. Likewise, at the corporate level, management consultants are thought of as partners. The language that is used reflects the value placed on the relationship and the work being performed. Within the intelligence and research functions of the company, the language used is 'vendors'. A vendor is a company you buy pencils or toilet paper from, not business intelligence or research. You get what you pay for. Partnering with those competent in real world systems research will provide a product that can actually be used and thus will be central to the companies marketing and sales efforts.

A dysfunctional perspective

- Within the pharmaceutical industry, positioning is less than optimally understood. By and large, positioning is viewed as a static, cognitive location, with clinical markers being the primary points of product differentiation within all customer segments. The problem is, in the real world where customers do not exist in isolation, the optimal positioning for a product is realised in the dynamism of the relational space where the product is experienced jointly/individually and simultaneously.
- Conventional marketing research consistently seeks to have the audiences 'ignore' cost as a factor, at the direction of the pharmaceutical company team. They

see cost as a variable that 'clouds' understanding of the cognitive clinical issues. In real life, cost is a significant and ever present issue to all customer segments and is intimately woven into their perceptions and the positioning of the product.

- Eliminating cost from the research discussion yields false data and understanding, as respondents truncate and shape their answers to fit the imposed boundaries. In essence, this creates a hypothetical situation for the respondent, yields hypothetical data and a hypothetical understanding. Any quantitative or qualitative research utilising this type of hypothetical understanding is bound to yield sub-optimal results.
- The paradox of this approach is that pharmaceutical firms are concerned about cost as a variable. This can be seen in the desire for information on price sensitivity or the need to satisfy the demand for pharmacoeconomic or outcome studies.

In both qualitative and quantitative work, the pharmaceutical team exhibits little or no trust in the research process and in the information provided internally or through vendor relationships. The result is that in both quantitative and qualitative projects, the pharmaceutical company demands and internal researchers and vendors have provided systems that ensure that the pharmaceutical team is omnipresent in the research process. Certainly those involved in marketing a product should be involved in the research process, but not in the way that they are currently.

TRADITIONAL MARKETING RESEARCH: AN EXERCISE IN MAYHEM

A pharmaceutical company, lacking a comprehensive understanding of the market, perceives a need for specific information such as sales aid development,

segmentation or message testing. The marketing research personnel attached to a product team draws up a request for proposals (RFP) from vendors. These RFPs tend to be for a single customer segment in isolation from the others. They are often pre-designed as to sample, approach, locations and overall structure.

Importantly, given the nature of relationships between vendors and pharmaceutical firms, budget guidelines are almost never included. The company fears that disclosing such information will lead the vendors to provide a response that is designed to fit the available money. Trying to design something that best fits their needs in the absence of this information turns the process in to a game of pin the tail on the donkey.

RFPs are then forwarded to vendors who select the pre-packaged 'tool' in their arsenal that they think will sell the project. The tools need to be pre-packaged, as vendors tend not to have trained researchers in their employ, but rather 'research' moderators. This is true for the full range of vendors from survey companies to 'custom' vendors.

Most pharmaceutical firms tend believe that the research tool is the magic bullet that will provide the answer that is needed. Companies tend to constantly shop for tools, because none has ever proved to be *the* magic bullet.

At the same time, no one ventures far from the structure laid out in the RFP, as new approaches are distrusted, even though the current ones don't work. There is however, an inclination to suggest enhancements that will bring in more money, not understanding. The winning vendor is selected based on connections, price (the vendor that gets closest to pinning the tail on the donkey) and the fanciest tool that fits the preconceived and typically ill-conceived notion, of what is needed.

Once a project is 'sold', the process of

creating a 'topical/discussion' guide begins. The industry is off-target in this process, in large part, because it believes that each encounter with a research participant can be exactly the same in content, form and meaning. Given this, they believe that the 'answers' to the research questions that are being explored, can be found in the majority opinion among the respondents. The problem is that it does not work. In qualitative research, the goal is to capture meaning, not to measure. Making marketing decisions based on the number of respondents who say X, Y, or Z is futile. The numbers have no meaning.

In the current process, finalising a discussion guide or a quantitative questionnaire can take weeks and even months. It seems to circulate through every individual in the company who currently is working on the product. This all comes at a very high internal price to the company, as this process occurs any number of times during the finalisation of a discussion guide. '*. . . round and round it goes, where it stops, nobody knows*'.

All of this activity occurs over something that is ultimately unimportant. What is important is having a clear understanding of what information is needed in order to address the business question. The design of the discussion guide does not matter because each research encounter is unique.

Current pharmaceutical 'research' practices include 'team' participation in the interview process. Pharmaceutical clients routinely listen in on phone interviews. In-person interviewing takes place in facilities equipped with one-way mirrors to allow the pharmaceutical team to view the process from a 'hidden' vantage point. The numbers of individuals actively involved in the research process can range from one or two, to as many as 20. Most of those in the back room do not know how to listen to an interview and they have tunnel

vision when it comes to the process and their product.

Back room participants consistently send in notes to the moderator, disrupting and redirecting the interview or group. They also sometimes enter the room as a participant, with a goal of 'selling' the product, not learning and understanding the dynamics of the market.

The demand for participation of the team in the research process in these ways degrades the research and adds significant, unnecessary internal costs to a project.

FOLLOW THE YELLOW BRICK ROAD!

“Our great weakness is the habit of reducing the most complex issues to the most simplistic ... It has made it difficult for us to think honestly and to some purpose about ourselves and our problems. A century ago the Swiss historian Jacob Burckhardt foresaw that ours would be the age of 'the great simplifiers', and that the essence of tyranny was the denial of complexity. He was right. This is the single great temptation of the time. It is the great corrupter and must be resisted with purpose and with energy'.” (*The Lancaster Sunday News*, August, 2003)⁵

Conventional healthcare marketing research has little or no ability to understand process and flow. Given that the real world is process and flow, the link of conventional healthcare marketing research to the complexity of real world situations is weak at best. Understanding any market from a real world systems research perspective and discovering the relational positioning of a product is the optimal way to link research to market populations.

It is possible to put a coherent picture together, one that is based in the complexity and dynamics of the real world and accommodates the reality of cost pressures, population-based medicine, personalised medicine and whatever the next big thing is. It needs to be built based on research providing a comprehensive,

ecological, synergistic, systems driven perspective of the customer and the market.

The humanistic real world systems approach is the approach that allows manufacturers to comprehend themselves, their customer, their products and their market as they really are.

HUMANISTIC/REAL WORLD SYSTEMS RESEARCH

- Systems oriented framework of analysis.
- Theory generating.
 - Provides understanding and direction.
 - Naturalistic inquiry: Companies, customer and products understood in the context of the real world in which they exist and are experienced.
 - Provides meaning, depth and breadth.
- Research professionals trained in humanistic, real world, systems research. Drawn from disciplines such as geography, anthropology, sociology and sexology.

'OH THE PLACES YOU'LL GO AND THINGS YOU WILL SEE'

(Dr Seuss)⁶

The benefits to a commercial enterprise in understanding their market and customers as they really exist in the world are many and varied. They include:

- Accurate understanding of the information needed by the company on an on-going basis.
 - Allows the company to attain a ROI on their CRM investments.
 - CRM success is not dependent on technology selection. Current difficulties with these systems lie in not understanding the customer or the relationship with that customer.
- All critical company functions having a common understanding.
 - Yields efficiencies.
- Ability to drive sales of 'me-too' products, not just market leaders. The therapeutic innovator/blockbuster model underpins the industry's success. It takes little market

understanding or skill to market and sell the first in a class of drugs. A real world systems understanding allows all products to be maximally marketed.

- Significant savings through improved margins.
 - Efficiencies, savings and share expansion are realised by understanding the customer and how to best sell to them.
 - Savings are realised by eliminating those research studies and marketing programmes that are duplicative, wasteful and ill conceived.
 - Savings are realised because companies have information that allows them to structure Phase II–III clinical trials to include the cognitive, emotional and relational data that will be essential in marketing the product from launch forward.
 - In the current system, launches typically occur without such information, resulting in the launching of products that are incompletely understood and thus marketed sub-optimally.
 - If firms do launch with some type of this information, it is for a segment in isolation and thus not reflective of reality.
 - The savings that are realised and the pricing flexibility that those savings yield, have the potential to fundamentally shift the nature of the current price debate.
- Understanding the market and customer from a real world systems perspective allows the company to attain a ROI on their market segmentation schemata utilised by marketing and sales.
 - Generally speaking, pharmaceutical companies are less than satisfied with the utility of existing segmentation schemata and are seeking new ways to segment customers.
 - Segments reflect observed ‘likeness’ of behavior but offer virtually no understanding of that behavior.
 - The utility of segmentation schemata does not lie in how one segments the customers; rather, it

lies in how one understands the customer within the segment.

Segmentation schemata only have utility through understanding the customers in a segment as they are in the real world system.

- Unforeseen political, social, economic, or medical events on the company and its’ products are more easily apprehended.
- Integrated Marketing and Sales organisation structured specifically to meet the needs of your customer.
- The ability to realistically plan strategic outcomes for the entire product life cycle in population based medicine, personalised medicine and whatever the next big thing happens to be.
- More ways to reach the customer initially and throughout the life cycle of the product.
- Comprehension of the real world positioning for its’ products and those of competitors.
 - The ability to globally position and brand.
- Ability to create content that resonates with the customer.
 - The system that the customer exists in is reflected in the content of marketing pieces.
 - Cognitive, emotional and relational.
 - Via any channel of communication.

These benefits of the real world systems approach are not theoretical. The authors successfully work with clients to learn, utilise and realise the benefits of this approach on an on-going basis.

Recently, the authors worked with a client who presented with a scenario common in the industry. This particular case involved a product used in specialised outpatient clinic settings, in hospitals, as well as in long-term care and outpatient settings. The company launched with clear clinical advantages over the existing competitors in the class, a group that includes both branded and generic products. In addition, the product has competitive agents spread across different classes. Therapeutic guidelines in the

treatment area tend to be regional, local and even physician specific.

The company adopted the real world systems approach when the product was performing well below expectations and projections. The general consensus in marketing, as it almost always is, was that the sales representatives were 'off-message'. Sales, as it almost always does, was claiming that the message and materials did not work.

By adopting and using the real world systems process the company realised significant expansion of share and product sales during the next fiscal year. A better customer understanding allowed the firm to reorganise internally. This resulted in needing only a handful of professional staff to manage the product and a significant reduction in the number of sales reps. Advertising agency costs were substantially reduced. The company continues to see share, revenue and profit growth in the current fiscal year for this product.

If you never did,

Then you should.

These things are fun,

These things are good! (Dr Seuss)⁷

The specific plan and outcomes and benefits of that plan will vary from company to company and product to product, dependent upon variables unique to each situation. The process of beginning the real world systems approach however is common.

At the strategic level, taking the systems approach to understanding the customer within the real world requires that senior executives embrace the complexity of the real world and adopt the systems philosophy. Adopting this philosophy and understanding their customer in a real world systems way will require that

companies change the way they do business. They must be prepared to create a new corporate culture and organisational structure that reflects the complexity and dynamism of the real world.

This change needs to be made at the senior levels in the company. Asking other levels to make this change in the absence of corporate leadership is akin to asking turkeys to vote in favour of Christmas. Building a market centred and responsive business model will require a different set of skills than those currently being utilised. While a significant percentage of the current employees may have the skills needed, some will not. Once senior management has committed to change, they can proceed globally for all products or for one product at a time. It can also be done at the affiliate level.

The beauty of this approach is that it is applicable globally, or country by country, region by region, for one product or many, at any stage in the life cycle, for one therapeutic area or many, for blockbuster products or poorer performing me-too products. The process is essentially the same at every level. Globally, the process would start at the headquarters level and include all key affiliate markets. At the affiliate level, it would start with senior management in the affiliate.

References

1. Geisel, T.S. (1950) *If I Ran The Zoo*. (By Dr Seuss [pseud.]) Random House, New York.
2. Dauten, D. (2003) 'The laughing warriors, or how to KO the status quo. King Features Syndicate', *Intelligencer Journal*, May, 2.
3. Loyd, L. (2003) 'Glaxo still searching for next blockbuster', *Philadelphia Inquirer*, 7 December, E1.
4. Sherrid, P. (2003) 'Is there a market for personal medicine?', *US News and World Report*, January, 56.
5. Smart, G. (2003) 'The things that I stand for when I'm not sitting down', in Smart Remarks, *The Lancaster Sunday News*, August, B1.
6. Geisel, T.S. (1990) *Oh The Places You'll Go!* (By Dr Seuss [pseud.]) Random House, New York.
7. Geisel, T.S. (1960) *One Fish, Two Fish, Red Fish, Blue Fish*. (By Dr Seuss [pseud.]) Random House, New York.

Copyright of International Journal of Medical Marketing is the property of Henry Stewart Publications and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.