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Redefine pharma marketing for future

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The social, demographic and economic context in which the pharmaceutical industry operates is changing dramatically. The shortage of new products, the pressures exercised by payers on pricing and the delivery of innovative products that prevent and cure diseases, combined with an increasing shift to the delivery of personalized healthcare to patients is transforming the way the industry operates and is organized.
All these challenges have major ramifications for the way in which pharma markets sells the medicines it develops. The industry has traditionally relied on aggressive marketing to promote its products.
Many of the industry's biggest markets are now saturated with sales representatives, and its selling techniques are becoming increasingly ineffective. Hence, the fact that returns on detailing via sales visits to doctors have begun to decline in the developed world. Direct-to-consumer (DTC) advertising-the other big weapon in pharma's marketing artiller-has also failed to deliver on industry's expectation.
In short, aggressive marketing- whether to doctors or patients-is becoming increasingly ineffective as a means of stimulating demand for new therapies and overcoming reluctance to pay premium prices for products that are deemed to offer only minor clinical improvements. Industry critics are also becoming increasingly vociferous in their complaints that it is wasteful or even unethical.
Big pharma has responded with various cost-cutting measures. Pfizer set the pace in late 2006, when it said that it would cut 20 percent of its US sales force. Other companies rapidly followed suit and, by October 2008, the industry leaders had announced plans to shed another 53,300 jobs, many of them in marketing and sales. However, both industry executives and commentators recognize that the failings of the current marketing and sales model cannot be addressed simply by reducing the size of the sales force; the problems go very much deeper. It is believed to stem from three incorrect assumptions, namely:

- Pharma alone determines the value of its products
- Products alone create value
- The buying and selling of medicines is based solely on technical data like safety and efficacy, as distinct from subjective criteria like quality of life.

If pharma is to create a new marketing and sales model that is fit for 2020, it will have to begin by analysing its own value chain to identify opportunities for working more closely with healthcare payers and providers. It will, for example, have to collaborate much more closely with payers (governments, health insurers, employers or patients) to ensure that it develops medicines which have real social and economic value.
Moreover, the burden of proof will be much greater for specialist therapies costing many thousands of dollars than it is for primary-care treatments-and, as multiple products for treating specific disease emerge, the pressure will only increase. For example, Herceptin has long dominated the market for breast cancer, but with the launch of Tykerb, GSK has produced a serious rival to the throne.
Pharma will have to supplement these new medicines with a wide range of health management services in order to improve compliance and protect the value of its products, as performance-based pricing becomes a pre-requisite for reimbursement in its core markets. This will entail the formation of numerous alliances with local service providers and sometimes, even rival manufacturers-alliances that are much more sophisticated than the arm's length arrangements in which most companies currently engage. It will also entail the development of a secure, interoperable technological infrastructure, the management of new intellectual rights issues, the creation of much stronger brands and the redefinition of the industry's role.
The shift to performance-based pricing will dictate other changes too, including the need for a more flexible approach to pricing. The introduction of live licensing and increasing importance of the emerging markets will reinforce this trend. And if it wants to tap into the potential of the emerging world, it will have to use differential pricing-both within and between countries.
Many of the industry leaders will also have to develop comprehensive strategies for marketing and selling specialist healthcare packages, a process that will require major organizational and cultural changes, including the development of new skills and routes to market. One of the biggest decisions these companies face will be what sort of business model to use. Various new models are emerging, both inside and outside the industry, and there is much that pharma can learn from looking over the fence.
Lastly, most if not all, pharmaceutical companies will have to transform their marketing and sales functions. By 2020, the role of the traditional sales representative will be largely obsolete. Conversely, the industry will have much greater need of people with the expertise to build brands; manage a network of external alliances; negotiate with governments and health insurers; liaise with secondary-care specialists; and communicate with patients.
These are enormous challenges. Yet if pharma can overcome them, then it will be able to slash its expenditure on marketing and sales. Consulting healthcare payers during the development process will put it in a much better position to ensure that the billions of dollars it invests in R&D are wisely spent, and eliminate the need to spend massive sums persuading increasingly skeptical doctors to prescribe medicines whose clinical superiority may be questionable.
Focusing on specialist medicines will provide new commercial opportunities and reduce the risk of generic erosion. And creating healthcare packages for treating specific conditions will safeguard the value of good medicines, as well as providing new revenue streams and garnering greater loyalty from patients.