



Prescription for Success: Re-Imagining Sales & Managed Markets as a “Closed Loop” System

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The pharmaceutical industry is coming to grips with a new reality: Sales and Managed Markets are not separate paths, the “people” and the “business” side, but partners in the success, if not the very survival, of pharma in today’s environment.

This changing reality calls for a radical re-imagining of how Managed Markets relates internally and to Sales and Brand Teams. We need to break down traditional silos and encourage communication in real time with constant updates, a new interactive system that enables companies to meet the needs of their customers and thrive in the evolving healthcare environment – in effect, a Closed Loop Managed Markets System.

As TGaS® Advisors benchmarking of Commercial Organizations and Managed Markets clearly demonstrates, pharmaceutical leaders understand the need for this level of change all too well. At the same time, they recognize that traditional modes of doing business, deeply ingrained in virtually every aspect of the industry, work against it.

For example, although 95% of sales resources focus on physicians, the real influencers are third-party payers, who impact 95% of prescriptions. Competitive rebate requests, now the largest items in Brand Team

budgets, are still rising. As a VP of Managed Markets put it, “I’ve never seen so many people come back within the first six months of a contract asking to renegotiate.” Third parties accustomed to waiting two or three months for rebate payments now ask for payments *in advance*. One of the key challenges confronting the pharmaceutical industry right now is how to gain a competitive edge in contracting. A contracting manager at a Top 10 pharmaceutical company

said, “We are getting more rigorous in our contract decision-making. We’re looking to our analytics team to give us a competitive advantage in this area.”

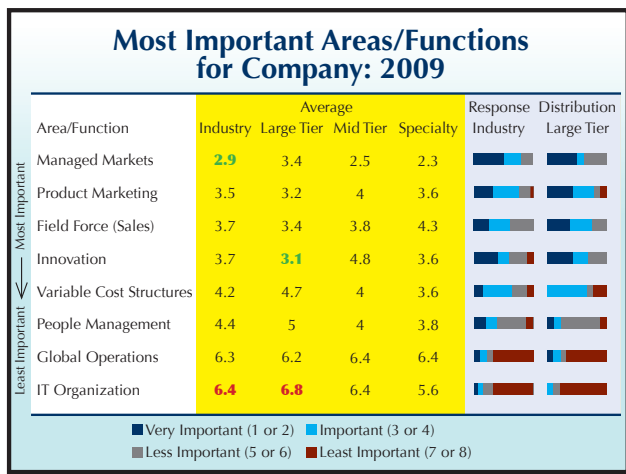
This reversal in the sales environment, which will only intensify with healthcare reform, calls for a total restructuring of Sales/Brand/Managed Markets relationships. A few workshops at national sales meetings, a training session here and there and some tinkering with technology will not engender the systemic changes required.

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Pharmaceutical industry leadership is deeply cognizant of the new imperative, while also acknowledging the disconnect.

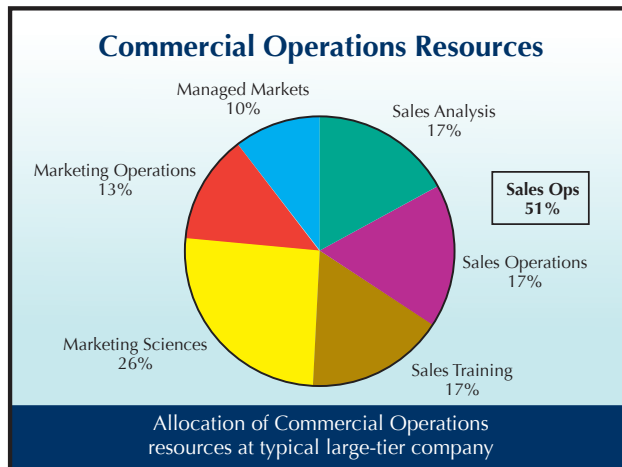
The TGaS Advisors 2009 Annual State of Commercial Operations Benchmark clearly identified Managed Markets as the *most important focus* for the industry this year, even ahead of the Field Force. (Fig. 1) Managed Markets is universally considered a top issue by large, mid-tier and specialty companies.

Fig. 1



The TGaS Advisors Future of Managed Markets 2009 Benchmark shows that, despite the changing situation, a typical marketing budget for Managed Markets is only 5% of the total brand spend.

Fig. 2



Operational support for Managed Markets is 10% of large pharmaceutical company operations budgets with 51% allocated to sales operations. (Fig. 2) Leaders are realizing that these proportions are not in line with the growing importance of Managed Markets.

Yet when asked to rate the degree of integration among the Field Force, Marketing and Managed Markets sectors, respondents awarded the industry a ranking of 56 on a scale of 1 to 100 – much lower for large-tier companies (42), but more on-target for mid-tier (72) and specialty (65).

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The Current Landscape: A Patchwork of Habit and Custom

In most pharmaceutical companies, Managed Markets groups have traditionally had neither the investment nor the need to integrate. They may or may not integrate strategies with Brand Managers, may or may not have their own reporting systems, and they vary in their accountability to Brand Teams on ROI reporting. For many organizations, Managed Markets operates without the integration or support required to do so.

The reasons for the lack of standardization and integration are understandable. Pharmaceutical organizations are built on an interlocking infrastructure of physician detailing, from analytics to call planning to field sizing, sales force automation, training and incentive compensation. Change one area and dozens, if not hundreds, of others in the operational ecosystem feel the impact.

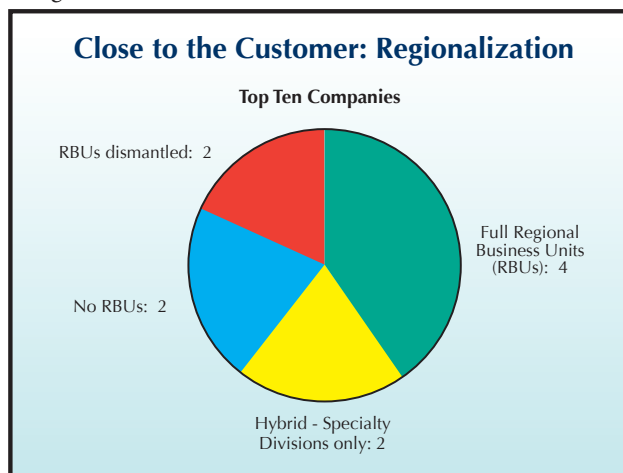
Or, looking at it purely from a resource allocation perspective, an expenditure spread over 1,000 Field Force members appears much more justifiable on a per capita basis than one applying to only 30 or 40 Managed Market account executives, even though the Managed Markets business impact may be larger and more complex.

Plus everyone understands traditional selling. Calling on docs is what pharma does, isn't it? Sales forces are adapting to e-detailing, Facebook, consumer forums and other kinds of outreach, all within a relatively traditional sales framework. Managed Markets, on the other hand, is a different animal – negotiations, contracts, margins, rebates, key accounts – not the one-on-one physician contact of the industry we grew up with.

The gulf between these two ways of thinking and operating matters as never before. In the tectonic shift now occurring in healthcare purchasing and decision-making, the pharmaceutical industry must undergo a no less seismic shift of its own.

Veteran pharmaceutical executives have already begun looking increasingly to Managed Markets for profitability and strategic advantage. Managed Markets Account Managers are rising rapidly – in

Fig. 3



In the resurgent trend toward regionalization, a recent TGA[®] Advisors Benchmark showed that four top-tier companies have moved to Regional Business Units (RBUs). Two chose to integrate Managed Markets in regions, while two others kept it a headquarters function. (Fig. 3)

A Managed Markets leader in a company moving to regionalization said, "We have moved Regional Account Managers to report to regional heads so we can become more responsive to local market conditions and improve our pull-through coordination. We are also giving RBU heads latitude on contracting decisions with those local accounts." While "closer to the customer" is the mantra today, companies are concerned about the potential disconnect between national accounts and regions. More communication will be needed to mitigate the lack of contact resulting from more distant reporting relationships.

visibility, responsibility, experience and requirements for increased business competencies. Where they once got high marks just for having pharmacy access and contracts in place, Account Managers now must build their business relationship skills, increasing their presence with customers' medical directors, network managers and case management. In the TGA[®] Advisors Future of Managed Markets 2009 Benchmark, participants ranked training for Managed Markets groups – ramping up Account Managers' skills and competencies – as one of the most important areas for budget increase in 2009.

Pull-Through is Only the Beginning

Pull-through ranked among the top concerns of the leaders of the 20 companies who participated in the TGaS Advisors Future of Managed Markets 2009 Benchmark. But the issue is far greater. In working with commercial organizations across Sales, Marketing and Managed Markets support groups, there are three key issues that commercial organizations must address differently.

- **Integration** – a standardized process for pull-through on all brands with sufficient Managed Markets training for those involved
- **Accountability** – well-defined and documented roles and responsibilities for all key participants
- **Alignment** – coordination of Managed Markets, Brand and Sales efforts, with a consistent message to the field, reinforced by mutually supportive incentive systems

Integration: Breaking Down Barriers, Building Bridges, Equalizing Relationships

Integration refers to a common platform across all activities, a coming together of all the actions, information and planning. Integration requires the upgrading of skills and competencies to take advantage of new capabilities. It has far-reaching structural consequences, from teamwork to training, technology and compensation.

High-level Sales Organization executives understand where the business needs to go. In the TGaS Advisors 2009 Annual State of Commercial Operations Benchmark, executives said that Managed Markets skills need to increase *more than any other Sales Representative skill*. (Fig. 4) They also ranked this same issue as the highest one for Brand Marketing teams. (Fig. 5)

A key goal in the integration is the realization that Managed Markets is the larger field on which the business of healthcare is now being played. Sales Reps need to deal with Managed Markets as a primary business driver, versus secondary or tertiary. Managed Markets must prepare for that internally as well.

Integration, too often an afterthought or a cosmetic retouching, has to be embedded in the process from the very beginning. Think about key points where relationships could be built, real knowledge shared and joint actions taken. For example, Managed Markets Account Managers should always be included in Plan of Action (POA) meetings where this takes place. POA meetings are also an ideal setting for the formal and informal interaction both groups need to effect real change in the system.

Shared technology is another challenge to full integration. Account Managers do not make effective use of Sales Force Automation (SFA), in part because companies tend to use a “warmed-over” system borrowed from the Sales Force. These traditional systems are not set up to provide correct information or the reporting tools appropriate to Managed Markets and are generally used only when mandated.

Fig. 4

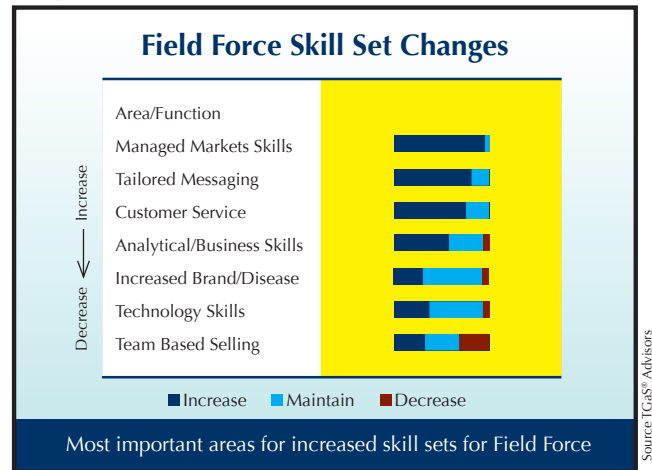
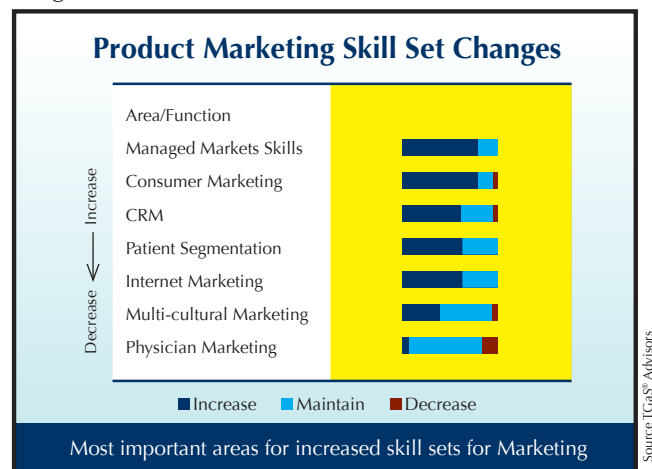


Fig. 5



On the other hand, if the technology is robust for Account Managers, information is often not exchanged with Field Sales, limiting opportunities to inform and influence activities.

Closed Loop Marketing systems are another example. At a recent TGaS Advisors Forum for operations executives, half reported they were seriously considering adoption of this real-time technology. One of the virtues of these interactive systems is the union of information and planning to form a promotional strategy that “learns” and adjusts accordingly. Yet if Managed Markets information is not consistently input and updated, can Closed Loop Marketing give the complete picture?

Most large companies have centralized databases of disparate information on Managed Markets customers, but productive use of that information is lagging. Most Managed Markets teams express concerns about a lack of resources to develop actionable information for marketing and Account Management. In 2009 the focus on Managed Markets measurement dashboards will increase, not just for internal use within Managed Markets but also for Brand Marketing and Sales Leadership, working to “Close the Loop” with as much real-time reporting as possible.

The companies most successful in using information to drive their Managed Markets decisions integrate third-party data (IMS and Wolters Kluwer) with actual contract data that support rebate submissions. These data may also be supplemented with information from Specialty Pharmacy providers and input by Account Managers. Combining data from these various systems provides a far richer resource for analysis.

In the TGaS Advisors Future of Managed Markets 2009 Benchmark, 63% of companies are considering major upgrades in contracting systems, specifically to improve reporting and tracking. Companies are looking for these systems to move beyond “What if” scenarios and highlight “What should” the contracting offers be.

A fully integrated system that provides robust value for all constituencies and addresses their individual needs is essential as pharmaceutical operations leaders “re-imagine” the environment. These integrated data link the past to the present and provide much needed insights to the future, “Closing the Loop” in the Managed Markets environment.

Accountability: With Equal Power Comes Equal Responsibility

Accountability involves well-defined and documented roles and responsibilities for all key participants. This area calls for complete rethinking on both sides, but particularly Managed Markets.

One of the issues affecting accountability most deeply is the difficulty of achieving regular, consistent communication between Account Managers and Regional Sales Directors (RSD) at critical points in the sales process. Account Managers generally secure contracts and positive formulary status with Managed Care Organizations first, and then tell Regional Sales Directors they are “on the hook” to generate enough market share to make the contract profitable.

But at that point RSDs may have other, more pressing, initiatives. Sales call plans may also be centrally decided, lacking the flexibility to modify selling messages based on local market conditions. The key to engaging RSDs is for Account Managers to enter into discussions prior to contract approval, share the finances of the deal and obtain buy-in from the RSD.

Managed Markets executives recognize that this area is ripe for change. In the TGaS Advisors Future of Managed Markets 2009 Benchmark, they designated Proposal Development and Approval as the functional area within their organizations that will undergo the *most change* in 2009.

One of the emerging tactics we see in the Benchmark is the increasing assignment of Account Managers to pull-through without any account relationship responsibilities. These Account Managers have

specific market share goals and are expected to work closely with Field Sales to achieve sales objectives. The goal is to standardize best practices for pull-through targeting, message delivery, execution and results tracking, enabling the results of contracting wins to be leveraged quickly and consistently.

As a company gets comfortable with its practices, we see automation being used to identify activities, messages and results to further streamline the process.

The Ideal Closed Loop Managed Markets System

My vision for integrating Sales, Marketing and Managed Markets is a system I call Closed Loop Managed Markets. Like its cousin, Closed Loop Marketing, it is a holistic, interactive system. Although companies have instituted different aspects of this approach, Closed Loop Managed Markets is still only an aspiration, a suggestion of the radical re-visioning that the industry needs to align with the realities of today's and tomorrow's healthcare playing field.

Closed Loop Managed Markets is not just about better integration, pull-through, training or accountability, though all those elements are important. It is about the combined wisdom of the organization – made up of a combination of raw information, snippets of conversation and observations, data, insights, trends, a sense of the customer, the external environment, what does and does not work and why. Closed Loop Managed Markets, an “expert system,” if you will, would gather all this information, systematically find insights and make them accessible and usable across the Sales, Marketing and Managed Markets continuum.

Alignment: Closed Loop Managed Markets as a New Vision for Pharma

What all of this points to is alignment – a unified vision of Managed Markets, Sales and Brand Team efforts, resulting in a consistent message to the field and mutually supporting sales incentives and controls for Sales Reps and Account Managers. This is the “Holy Grail” that everyone aspires to but very few achieve, as our benchmarks show so clearly.

The Ideal Closed Loop Managed Markets System

- A rational, integrated system – technologies, data, analytics, services, support – not a piece here, dotted line there
- Clear direction for the interaction between Brand Teams and Managed Markets, which generally works on many brands
- Ongoing interface with Brand Teams to coordinate Sales Force detailing and contracting and work in tandem to optimize pull-through
- Equal access to advanced analytics for Managed Markets – most systems are designed for traditional brand marketing and sales patterns rather than for negotiation, tier positioning and contracting
- Measurement and evaluation that tells managers what's working and what isn't
- Measures to assess what constitutes a good proposed contract and how to tell where it falls short
- Feedback loops for continuous improvement

In This Visionary World:

Sales Reps would:

- Have access to continuously updated formulary and contract information for each physician's key plans, including changes in competitive positioning
- Find out the overall level of access for any given geography of physician
- See reminders about pertinent messages on access for a physician
- Have key information on access restrictions and the plan's views on appropriate use of medications
- Get feedback on the improvement in product share and volume as a result of pull-through at the physician and territory level
- Have the ability to record pull-through messages delivered for future analysis

Sales Leadership (Regional and District Sales Managers) would:

- Understand the financial implications of contracting and how it applies to the deal/no deal analysis for their priority accounts
- Lead the communication and execution of agreed upon pull-through initiatives
- Be able to continually assess what is working well or poorly regarding various pull-through initiatives

A Marketing Director would:

- Have a deeper understanding of the impact of Managed Markets activity on product volume and share
- Be able to find out the latest product access vs that of competitors
- Understand the ROI of Managed Markets marketing efforts and programs
- Create programs that would engage Managed Markets customers beyond access to rebates and contracts

A Managed Markets Account Executive would:

- Engage customers in a more holistic way beyond discussion of access and contracts
- Have access to predictive models to identify contract scenarios and the ROI of scenarios
- Have access to updated pull-through program results, including product indicators and field call activity
- Engage Field Sales leadership early and often regarding Managed Markets issues

A functioning Closed Loop Managed Markets system would enable commercial organizations to leverage the strengths of each sector, giving their companies a great competitive advantage in the marketplace. This system is not an add-on but a necessity in today's environment.

Companies have the capability and incentive to re-imagine the business, leave their Sales and Managed Markets comfort zones and become true "learning organizations," but it takes strong leadership at the highest levels to make it a reality. TGaS Advisors seeks to bring this vision a step closer by helping companies understand "How other pharmaceutical companies do it"* and where they are headed in the future, designing benchmarks to provide the situation analysis companies can use for their annual Managed Markets business planning. Companies performing annual benchmarks as part of their business planning cycles benefit from "outside-in" views, updated best practices and an understanding of the latest trends in the industry.

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TGaS® Advisors Managed Markets Benchmark and Advisory Practice

The TGaS Advisors Managed Markets Benchmark and Advisory Practice provides a comprehensive method for optimizing Managed Markets Operations functions through collaborative benchmarking. It focuses on 10 key functions:

- Brand Channel/Managed Markets strategy development
- Proposal development and approval process
- Managed Markets marketing execution
- Pull-through process
- Account analysis and targeting
- Performance measurement
- Managed Markets field reporting, technology and tools
- Reimbursement operations
- Managed Markets incentive compensation
- Contract administration

The service provides benchmark information from a peer set of firms focused on these 10 functions and from multiple perspectives, including resource allocation, organizational structure, key processes, interdependencies and more.

About TGaS® Advisors LLC

TGaS Advisors, ranked ninth among health-related companies by the Inc. 500, is the leader in benchmarking and advisory services to the pharmaceutical and biopharmaceutical industry. The TGaS Advisors roster includes nine of the top 10 and the majority of the top 50 pharmaceutical companies with operations in the U.S. market. The firm's benchmarking and advisory services suite of solutions, PharmaStance®, provides clients with a way to measure where they stand with respect to their organizations and answers the question, "How do other pharmaceutical companies do 'it'?"* In addition to Managed Markets Operations, TGaS Advisors offers benchmarking solutions for Marketing Sciences, Marketing Operations, Internet Marketing, Relationship Marketing, Sales Operations, Sales Leadership, Commercial Compliance and Commercial Operations Integration.

TGaS Advisors is based in East Norriton, Pennsylvania. To learn more, visit www.tgas.com, call 610.233.1210, or contact Brian Bamberger, bbamberger@tgas.com, or Gary McWalters, gmcwalters@tgas.com.



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Brian Bamberger heads the TGaS Advisors Managed Markets Practice, conducting confidential, collaborative benchmarks at the leading pharmaceutical companies in U.S. markets. His expertise spans more than 20 years of achievement in Managed Markets measurement, strategy, market tracking, targeting, value-added programs and pull-through programs. Bamberger graduated from LaSalle University with a BA in Finance and earned an MBA from Saint Joseph's University Pharmaceutical MBA Program.