



Todd Francis, VP and head of commercial support and enterprise marketing, Sanofi US

ANALYZE THIS

Market research must transform itself or run the risk of becoming obsolete. **Marc Iskowitz** teams with the PMRG and TGaS Advisors to review the cold hard facts

To whom do brands turn for help when they are calibrating their marketing mix for a coming launch? And, as some sales forces shift focus toward customer satisfaction instead of traditional sales quotas, how are commercial teams sizing up rep compensation? Last question: Who are drugmakers increasingly counting on to provide messaging to convince skeptical payers of a product's value proposition?

The above are just some of the many requests folks in market research are getting these days. Yet, after a spate of layoffs, fewer of them are around to field those questions. And according to the most recent State of the Industry (SOI) survey, a declining number of market researchers expects to have a big influence on commercial decision making. Agreement on that score went from high in 2010 to lukewarm in 2011.

These trends—downsizing and the perception of waning influence, along with agreement that the pace of consolidation will rise—should serve as a wake-up call for a field that's used to showing value for a decision but not necessarily touting its own worth.

"I don't think anyone could argue the point that there's a strong desire and obligation to improve how we package and deliver the insights that are generated from our analysis," says Todd Francis, VP and head of commercial support and enterprise marketing for Sanofi US.

Analytical weak points in most urgent need of improvement are spotlighted by the SOI survey, along with a host of pharma marketing research trends like where research spend is pegged to increase. But the downsizing trend looms larger, for obvious reasons.

Down in the count

One soft indicator of the attrition rate is that in 2011 vs. 2010, 27% fewer manufacturers (137) responded to the SOI survey, which is developed in collaboration with TGaS Advisors and an advisory committee of the Pharmaceutical Marketing Research Group representing all PMRG constituencies (drug and device makers, as well as suppliers/consultants). Curiously, over that period the number of suppliers/consultants responding (169) rose by the same rate.

The reasons behind the downsizing are well known to anyone who follows the pharma industry. Brands are maturing and thus requiring less overall analytical support.

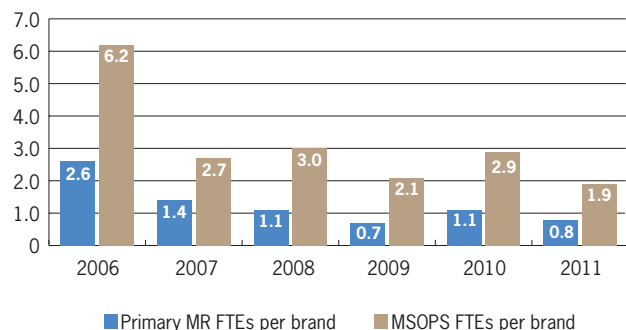
"New products are the ones that need the most information (primary and secondary research, ROI analysis, payer assessments, etc.)," explains T.J. Scott, director of marketing sciences, management advisor, for TGaS. Since the industry as a whole is supporting fewer brands, it's reducing headcount per brand while boosting spend-per-person, a surrogate for effort. (Short of an accurate gauge on these industry stats, Figs. 1-2 are based on TGaS client data.)

With manufacturer-based marketing researchers going through similar trials and tribulations as their counterparts in sales and clinical research, research departments are spread thin, belying their importance. That has implications for those in the trenches.

According to Francis, who oversees the marketing research function for Sanofi US, "Some of the work that's been done of late moves toward transactional activity. You're spending more time waiting for the questions to be asked."

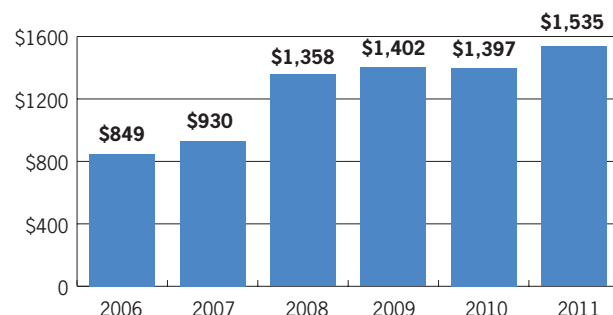
He describes this focus on technical analysis as a "self-fulfilling

Fig.1: Headcount (per brand) for marketing sciences is falling



Note: Includes data from 51 manufacturer marketing science operations (MSOP) engagements
Source: TGA Advisors, MSOPs Database 2006-2011

Fig.2: Manufacturers' research work load has increased



Note: Primary research spend managed per FTE (\$000s)
Source: TGA Advisors

prophecy,” an outgrowth of the cost-cutting environment researchers find themselves in: “With reduced [research] headcount, [and] the same number of marketers asking the same amount of questions, you become less able to think about what you need to be doing next and more focused on the questions that are being asked.”

If they’re not careful, market researchers can become stuck in this transactional mode, warns Praveen Advani, director/team leader, global market research & analytics at Merck. “We have traditionally seen ourselves as an expert in executing projects and providing recommendations,” Advani tells *MM&M*. “Frankly, this is how we have been rewarded by our employers. The world is changing.”

And market researchers, Advani says, need to change with it, adjusting for the new reality of slower product approvals, blockbusters going off patent and generics increasing their presence. “If we don’t evolve, Market Research could be outsourced and the function as we know it today could soon be obsolete.”

Analytical weak points

So, what are the areas most in need of improvement? Respondents to the SOI survey spotlight the biggest analytical weak points as being payer and ex-US secondary techniques (see Fig. 7). Notably, these are also among the areas where they see research spend increasing the most, in addition to larger outlays for qualitative and quantitative and for social media for research.

With managed care and government influence holding sway over therapy choice (Fig. 5), it’s no surprise that respondents are hungry for better payer analysis. But respondents to the SOI survey, fielded in November 2011, agreed strongly (8.1) that payer research needs to improve.

Why is this research lacking? Surely, the great fluidity in the payer market has not helped drug and device makers get a handle on it. And in the past several years, managed markets has become a separate arm of marketing so, internally at least, manufacturers may still be trying to figure out a cohesive strategy for incorporating the payer.

There also continues to be very strong agreement that the focus on global emerging markets will continue. Is an adequate analytical infrastructure in place overseas to support the added attention? No, says Merck’s Advani, and this is a barrier to successful launches,

especially for pre-launch products as the focus locally continues to be on maximizing in-line brands.

Pharma is slowly learning more about the needs of customers in the BRIC countries in an effort to build a value proposition for products, but it’s still playing catch-up. “We seem to react and not be as proactive as we should be,” Advani laments. “We have to get ahead of the curve and leverage learnings from other mature markets.”

Another one of the top trends flagged by respondents to the SOI survey was the strong agreement among manufacturers and suppliers/consultants that secondary data still need to evolve. When asked to rate, on a 1-10 scale, how many agree that these sources are satisfactory, total respondents scored US secondary data a 5.5. Outside the US, the score plummets to a mediocre 3.8.

Notably, medical device secondary data scored much lower than pharma secondary data. Says TGA’s Scott, “Pretty much all data is [substandard] for them [and not just in developing countries].... It’s an opportunity for somebody to look at that and see if they can build better data sources.”

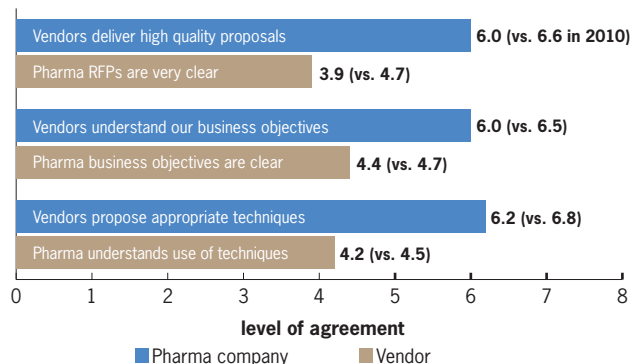
Device firms want richer insight now, says Michele Fuller, global head of marketing sciences for Novartis’ Alcon unit. While advancements in EMRs and other technology could bring faster, better data quality to healthcare providers and industry, progress is slow. “Our ability to perform these analytics is vastly limited, and we are in desperate need of innovation from our suppliers,” she tells *MM&M*.

But even the bigger suppliers are struggling to expand knowledge in the emerging markets. Nielsen has offices in 100 countries and over the past two years the research giant has seen significantly increased demand to do primary and secondary research in China, Brazil and Russia.

Outside of his own firm’s sizable network, Milos Graonic, SVP, global pharmaceutical practice leader for Nielsen, says third-party suppliers willing to collect data and find information in these territories are becoming more commonplace, and that’s made it easier to refine research quality. But while data collection has changed for the better in these markets, the status of secondary data has not. “Most often it’s not available and when it is, it’s often not reliable.”

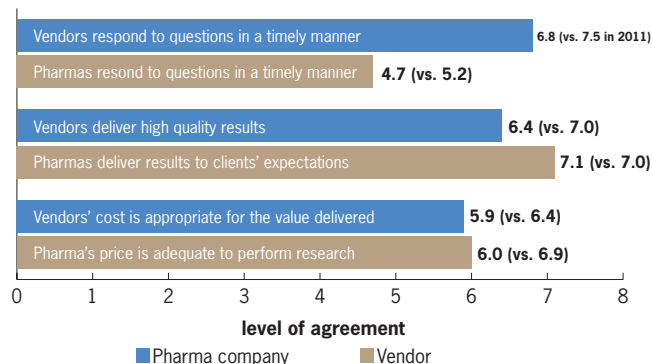
As far as primary research goes, researchers need to do “completely different reads” in the BRIC countries when talking to

Fig. 3: Gaps between vendors and clients are growing wider...



Note: Mean scores; respondents were asked to rate level of agreement on 10-point scale (10, totally agree; 1, totally disagree)
Source: PMRG State of the Industry Survey, 2012

Fig. 4: ...and both are less satisfied with the relationship than last year



Note: Mean scores
Source: PMRG State of the Industry Survey, 2012

patient, payer and healthcare provider. Yet, “very few [clients] are one hundred percent committed to do country-based research in depth,” Graonic says.

Pandora's box

Graonic also foresees possible government restrictions on secondary data in Brazil and China, as they exist in Europe. “It’s difficult to predict to what degree [the data roadblocks] will exist,” he says. For instance, what information the Chinese government allows researchers to collect “is a pure Pandora’s box.”

The uncertainty abroad stands in contrast to the seemingly less risky situation here in the States, at least among SOI survey respondents, fewer of whom agreed that there will be new restrictions on the sources and uses of secondary data. The US Supreme Court’s ruling last year in favor of pharma and data companies in Sorrell vs. IMS Health no doubt soothed some concerns.

Yet there are reasons to remain vigilant on the policy front. Especially with the Sunshine Act set to go into effect soon, and as large practices forbid their members to participate in marketing research, reluctance to join healthcare provider panels could increase. If the pool of physicians participating were to fall because of the law, “You’re going to put more research against a smaller subset of physicians, and your quality of data will ultimately suffer,” warns Glen Bergstein, co-founder of Blueprint Research Group.

Biopharma respondents agreed on where they don’t see spend increasing—drug promotion—but concur that the evolution of promotion will continue (Fig. 6). This can have effects for measurement. GlaxoSmithKline pioneered a sales model where reps aren’t compensated for prescriptions that physicians write or hitting a sales goal, but on customer interaction and satisfaction ratings. Who tracks that?

“Part of what the market research function does is help with [sales force] compensation,” says Judy Stewart, a VP at GSK who sits in the drugmaker’s cardiovascular marketing group and interfaces heavily with market research. “So they’ve had to get very creative with [measuring] customer satisfaction...at the physician level.”

GSK’s focus seems to make sense. After all, in most consumer markets, satisfaction and loyalty drive business. But there was mild accord among pharma-based respondents (6.0) that there will be a focus on

these techniques to drive sales and moderate agreement (6.8) in the need for better techniques for getting at customer satisfaction.

“That was no small task” says Stewart of determining rep compensation based on customer happiness. In GSK’s case, the firm gauges satisfaction via a mix of primary research along with what Stewart calls “standard reports” of prescriber attitudes and behavior.

Other relatively new metrics which researchers are helping generate insights for include specialty pharmacy data, consumer sentiment and outcomes. With regard to the latter, Stewart says, “Being able to see long-term outcomes is key for us to be able to build a cost-benefit story for payers. There’s still a gap there.”

And researchers are still trying to wrap their tape measures around the explosion of data generated from digital media, data which is often unstructured and does not allow for clean analysis.

Integrated campaigns using print, TV and digital will require unique skills to assess, so Sanofi US has started an Analytics University to improve such researcher skills as the package and delivery of insights and technique. “We can always sharpen the saw,” Francis says.

As did respondents to the SOI survey, Francis predicts that TV and print media spend will stay relatively flat but that research teams will continue to have to evaluate branded and non-branded print and TV ads (for impact, customer experience, etc.) and then take the next step—providing counsel to the marketing teams on how to allocate spend for the integrated campaign.

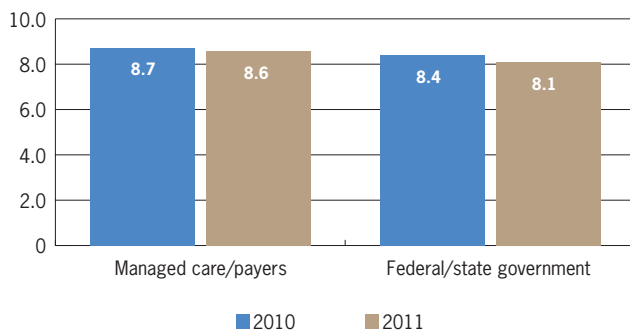
Vendor-client relations

Turning to Figures 3–4, the SOI survey reveals another gap, this time a widening chasm in the relationships between suppliers and clients. For instance, suppliers and consultants, when asked about the clarity of RFPs they receive, assigned RFPs a relatively low rating (3.9 vs. 4.7 in 2010), and they felt they could do a better job if they had more access to internal stakeholders. Manufacturers also downgraded their rating of vendor proposals, to 6.0 vs. 6.6.

Bergstein thinks this disconnect is due to margins getting tighter. “If I were a big [research] company, staffing a lot of people, and my margin got squeezed...more junior people are going to be handling the work, and that’s going to challenge the quality.”

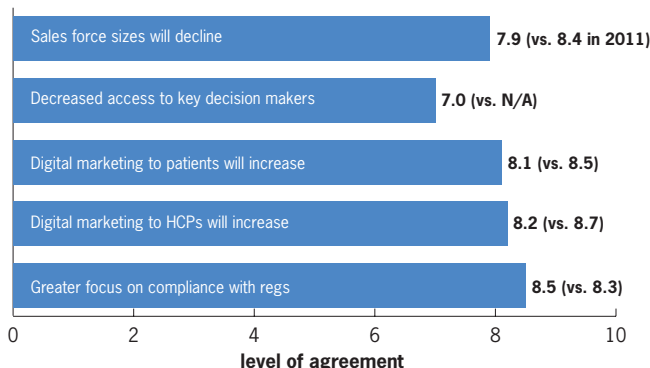
Another reason could be the proliferation of preferred ven-

Fig.5: Influences on therapy choice will continue to increase



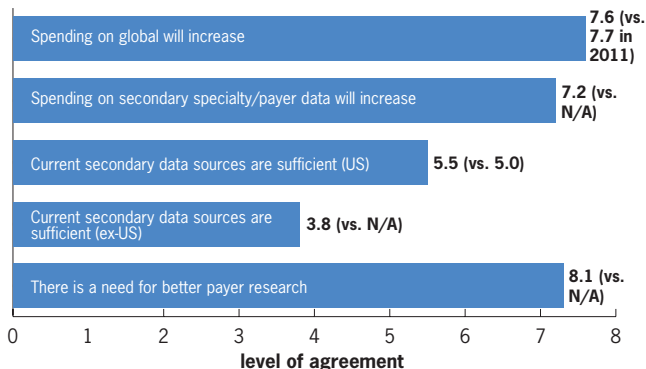
Note: Mean scores biopharma respondents
Source: PMRG State of the Industry Survey, 2012

Fig.6: The evolution of product promotion is far from over



Note: Mean scores biopharma respondents
Source: PMRG State of the Industry Survey, 2012

Fig.7: Shifts in research spending are in store, and secondary data sources still need to evolve



Note: Mean scores all respondents
Source: PMRG State of the Industry Survey, 2012

dor relationships. According to Advani, “In that scenario, market researchers may have a comfort level with vendors they currently work with and will provide the minimal amount of information needed to pull together a proposal.”

But he doesn’t see the situation negatively impacting research efforts at Merck, which is moving toward a partnership model with vendors that will aim for speed, simplicity and savings while preserving quality deliverables. For this to happen, he says, “we need to communicate more with our vendors—not only about the scope of the research project, but the brand strategy, prior research findings and secondary market data.”

Adds GSK’s Stewart, “Oftentimes, we don’t really connect in with the marketing research companies or consultants we’re using until the end. There could be a tighter relationship in the upfront piece to set the objectives.”

More urgent than these issues for research as a profession, however, may be the leadership vacuum. “Market research, in general, needs to decide what strategic advantage they want to provide to the organization,” says Francis. “We need to begin to differentiate strategic responsibility from tactical research.”

Sanofi US has begun to do just that through making tradeoff decisions on where researchers spend their time. Not surprisingly, Francis favors forward-thinking work: product-launch preparation, competitive-launch landscaping, marketing-mix assessment and predictive modeling. These tasks require advanced technical skills and an ability to communicate the findings to a very broad audience. The more tactical, operational activities are left to other parties, whether that be a third party or a full outsource.

Doing so “will help the marketing research function distinguish itself in the greater pharma value chain,” Francis says.

Adds Merck’s Advani: When researchers partner with brand teams and provide insights beyond what is learned, rewarding relationships and big business impact follow. “We need to transform to being strategic business owners and realize that it’s not just about the data, it’s what we do with that data,” he urges.

It also wouldn’t hurt for manufacturer-based marketing researchers to develop a business case for their groups. Most MR groups “aren’t building analytics to show how valuable they are,” explains TGaS’s Scott. “They’re helping show value for a decision, but they don’t add it up and say, ‘We’re really valuable; this is why you need us.’”

‘Own your information’

Blueprint’s Bergstein, who spent several years at Bristol-Myers Squibb before opening his consultancy, offers manufacturer-based researchers one salient piece of advice picked up from his BMS days: “own your own information.” Present data yourself, as he who presents the data exerts the greatest impact on the commercial team.

“Your agency is a very important piece of the puzzle to help empower you and to work as a partner with you to develop those insights and recommendations,” he says. “But ultimately it’s up to you to deliver those to your teams.”

While an atmosphere of cost-cutting and slimmer research budgets isn’t the best setting for a period of soul-searching, a change in mindset is in order for this profession to take ownership of its business. “Headcount is precious,” says Francis, so “everyone, whether you’re a researcher or not, needs to continue to show the value they bring to the organization. And those functions that don’t provide that value are the ones who are going to be scrutinized the greatest.” ■