Effective management of the promotional mix

Scientific objectivity, detailed analysis of robust data and the application of a suitable methodology are key to maximising promotional effectiveness and ROI. Paul Jones and Eric Sharp explain…

Welcome to the first in an occasional series of articles designed to take an in-depth look at some of the key issues facing pharmaceutical marketers today. Each supplement will include real-life case studies and provide readers with new marketing perspectives and practical advice to challenge the way their organisations currently think about key market issues.

THIS EDITION
The core role of a marketer is to develop and implement the market plan. Unfortunately, this is often a re-hash of what was done last year or is unduly influenced by a particular individual’s preferences and biases. One of the greatest challenges facing a marketer is to lift the level of internal debate about the marketing plan from a subjective to an objective, scientific and evidence-based level.

THE INCREASING IMPORTANCE OF EFFECTIVE PROMOTIONAL MANAGEMENT
Over the last few years there has been a steady decline in the growth rates of the pharmaceutical market as a whole. Three sources of growth: new products, volume and price have all been squeezed due to the respective pressures of reduced R&D success, regulatory burdens and increased payer interventions.

In such an environment, gaining market share from competitors has become a crucial means of maintaining brand momentum. The critical success factor for winning this market share war is brand competitiveness. Unfortunately, the primary competitive weapon for the brand team – the sales force – is suffering from reduced productivity brought about by the twin issues of decreasing access and regulatory restrictions on promotional activity.

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Of course, investors’ demands have not lessened in line with the decline in growth, and so maintaining margins becomes an even greater challenge; these shifts in the marketplace mean that marketers must often do more with less. As a result, the industry has not been slow in changing the way it works. More companies have adopted a focused, specialist approach; more companies exploit the flexibility that partnered promotion or contract sales forces can provide; and more companies appreciate the need to use alternative channels, either established ones such as PR or new ones such as e-detailing (see Figure 1). The sum of all these changes is that many companies are sailing into unchartered promotional waters.

THE CHALLENGES OF PROMOTIONAL MANAGEMENT

Mix planning has always been a challenging exercise, fraught with uncertainty and potential risk. Nonetheless, the nettle must be grasped. The marketplace of today throws up a host of critical strategic and tactical questions that a marketer cannot afford to ignore, such as:
• What share of voice is required to be sufficiently competitive?
• Is PR an effective market mix element?
• Does e-detailing work?
• Is the contract sales force working as well as the in-house team?
• Does the mix work equally well in all customer segments?

The emergence of a more varied promotional mix requires the industry to re-examine its mix assumptions – to understand what works well and focus greater effort on maximising the effectiveness of marketing activities.

This is both a qualitative and quantitative challenge. From a qualitative perspective, marketers need to know whether they have the right message for their brand, whether it is delivered effectively to the right customers, at the right time and with sufficient impact. From a quantitative perspective, marketers need to understand whether they have the right level of investment for the right activities. If they are dealing with a portfolio, they need to know whether resource is allocated appropriately behind the right products. In short, have they got the mix right?

As important as the qualitative issues are, it is often the quantitative side of mix planning that brings the greatest challenges but potentially the greatest rewards. Clear objective evidence of promotional effectiveness can help marketers demonstrate the value of particular marketing initiatives. It can also help them to set realistic targets, manage their companies’ expectations and secure appropriate resources.

Such fundamental needs as these make promotional mix management an essential task. The good news is that credible methods now exist to evaluate and optimise the allocation of the promotional investment.

THE CHANGING LANDSCAPE OF PROMOTIONAL MANAGEMENT ANALYSIS

The first task in any promotional management analysis is to ask: ‘What questions are being asked and what approaches could be used to answer them?’ Any marketer faced with the job of evaluating and optimising a promotional mix must, first, identify exactly what it is that requires analysis and, second, understand the best methodology to employ. Describing the first issue properly will often help to answer the second.
Effective management of the promotional mix • a special supplement by Paul Jones and Eric Sharp

For example, is the issue at hand a strategic issue such as: What share of voice is required to compete across the entire market? Or is it tactical: Will this e-detailing campaign work for a particular customer segment? Methodologies now exist that can be employed to address both types of question. Furthermore, these issues can be addressed in both a prospective and retrospective way – providing more flexibility as to when in the planning cycle the analysis can be performed.

These developments mean that the effectiveness of promotional allocation can also be assessed at various levels:
- At the brand level – eg, what is the optimal spend across promotional channels?
- At the portfolio or country level – eg, what is the optimal spend across brands/countries, and with what channel mix?
- At the corporation level – eg, what is the optimal mix of marketing and sales spend across the entire organisation?

**TEST AND CONTROL METHODOLOGIES**

It has been possible for some years to analyse – with a certain degree of confidence – the effectiveness and ROI of individual promotional initiatives if you could clearly isolate customers subject to the promotional event from the rest of the population, using a classic ‘test and control’ approach. Thankfully, with the increasing availability of accurate prescriber level data, this has become a routine exercise. Simply put, the test and control methodology will identify two cohorts of doctors similar in every way except with respect to their exposure to a marketing ‘event’ (see Figure 2).

The actual prescribing histories of the two cohorts can be directly measured. Including the costs of the marketing event in the analysis, marketers can then obtain a very accurate view of the ROI. The key steps in test and control methodologies are:
1. Identification of a test group, eg, doctors who were subject to promotional event
2. Identification of a control group, ie, doctors similar in every way to the test group except that they have not been exposed to the promotional event
3. Collection of prescribing data for the period of the promotional event
4. Time shift and analysis of the impact on prescribing and include costs to calculate ROI

**2. Test and control comparison of an e-detail campaign**

A case study using test and control methodology to assess the effectiveness of an e-detailing campaign. The analysis clearly showed the increase in prescribing in the e-detailed doctors compared to the control.

![Graph showing 12% market share increase](image)
3. Econometric modelling

As the promotional mix varies over time it is possible to identify the contribution individual elements of the mix are having on the overall sales line.

Even if two factors of the promotional mix always happen together, provided that they occur in different proportions the modelling can still separate their relative impact on sales.

The output provides managers with insight into the individual contribution of mix elements. Sales are decomposed into different components so that contributions and ROIs can be calculated.

Test and control methodologies are particularly suited to ‘one-off’ promotional events. To examine the effectiveness of continuous promotional activities more sophisticated methodologies are required, such as econometric modelling.

**ECONOMETRIC MODELLING**

Econometric modelling is often employed when the question at hand is more complex and strategic – such as, what promotional mix is optimal to ensure a competitive share of voice for the brand over the next three years? This is a more challenging issue, but help is at hand. In such a scenario, it is now possible to employ sophisticated modelling techniques that compare the small differences in the level of marketing activity across high numbers of time points. This disentangles the individual contributions of single elements of the promotional mix and also accounts for the effects of carry over and diminishing returns.

Econometrics relies on the fact that the mix of promotional activities is constantly changing, even if only to a small degree. So, for example, at any two chosen time-points the make-up of the mix could be identical, save for one particular element of the mix. If this scenario happens often enough, it is possible to understand the impact of that individual element on sales. Even if two factors always happen together, provided that they occur in different proportions the modelling can still separate their relative impact on sales (see Figure 3).

To perform econometric modelling effectively, a reasonable run of data – about 2 years’ worth – is required. Furthermore, the data (promotional and sales) must be weekly or monthly in frequency. With longer time periods, the short-term variation needed to isolate the impact of different factors is lost.

**SOME PRACTICAL CONSIDERATIONS**

Now that we have addressed the type of analysis that should be employed, what other issues do we need to be aware of?

It is perhaps axiomatic to state that the most vital practical consideration is to understand the strengths
and weaknesses of the input data. Based on the old adage of ‘garbage in, garbage out’, it is always worth asking: ‘Where did this data come from?’ and, perhaps more importantly ‘what alternatives are there?’

If, for example, a marketer is trying to understand the ROI from a particular promotional activity, it is usually better to use prescribing data on individual doctors than brick-level data. Doctor-level data makes it much easier to identify test and control groups of individual customers who received a promotional activity. It also means that the analysis is far more sensitive and, importantly, enables such analysis to be performed retrospectively.

Internal data resources such as call reports are notoriously variable in quality, so it is worth considering other external sources that can be used to validate the in-house data. Finally, a company may be in a position, such as a launch scenario, where it has very little data. In such circumstances, it is possible to use analogues. Econometric analysis can be performed with analogue data to provide insights into which elements of the promotional mix work well in a particular market segment and what share of voice is required to be competitive.

The final consideration for any type of analysis is to ensure that the resulting conclusions can be used at a practical level. The most sophisticated model will be of little use if it cannot be used as the basis to make decisions. The most useful outputs are user-friendly simulations where alternative promotional mixes can be modelled to evaluate the effect on sales and ROI. In this way the promotional mix can be optimised and the information gleaned from the analysis can be used to improve the return from promotional spend.

**CASE STUDIES**

So much for the theory, do these methodologies work in practice? The following case studies provide a range of examples including strategic and tactical issues at both brand and portfolio levels.

1. **The e-detail: How well does it work?**

Marketing and brand managers are now able to exploit more marketing channels than ever before. However, some people have raised questions about the ROI from new channels such as e-detailing. Is the charge that ROI is low a fair one? Or is it that the industry is still in the early stage of the learning curve with e-detailing and has yet to develop sufficient expertise?

One company asked precisely this question. It had performed two e-detailing campaigns for the same brand and wanted to understand whether there was any difference in the results. Using a test and control methodology, it analysed the changes in prescribing behaviour of the participants in the two campaigns. The second e-detailing campaign delivered a 12 per cent increase in market share and an overall ROI of nearly 200 per cent, whereas the first campaign did not generate any ROI at all. In short, it demonstrated that e-detailing is effective – and is as reliant on good implementation as any other element of the mix. The company concerned was also able to learn some significant practical lessons from the exercise, particularly in terms of the content and targeting of subsequent e-detailing campaigns. This type of analysis can help both to quantify the impact of a given marketing campaign and also provide insight that can be used to improve subsequent marketing campaigns.

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4. Contribution of various elements of the promotional mix to sales growth in three different customer segments

- **Doctors with a 0% - 25% brand market share**
- **Doctors with a 25% - 50% brand market share**
- **Doctors with a > 50% brand market share**

- CSO
- In-house
- Self directed 1
- Self directed 2
- Direct mail
- KOL activity
- Virtual rep
- Samples
2. Optimising the promotional mix for a key brand
The following example demonstrates the benefits of using an econometric analysis to evaluate and optimise the total promotional mix for a particular brand. In this instance, the brand was the company’s leading product and had been on the market for over two years. The questions the company were trying to address included:
• How could the promotional spend be optimised?
• Could investment be freed up for other brands without disrupting this brand’s position in the market?
• How did the internal sales team compare to the contracted sales organisation?
• Did sampling provide a positive ROI?
• Did Key Opinion Leader (KOL) programmes positively affect prescribing in the community?

The econometric modelling utilised as part of this analysis enabled the company to look not only at the value of stand-alone events, but also at the cause-and-effect relationship between multiple media over time. An interactive and dynamic modelling programme demonstrated how the current promotional mix would impact the profit, market share and net present value of the brand over the next three years. The company then went a step further and analysed the effect of the promotional mix on different customer segments. Figure 4 shows the results. Certain elements of the promotional mix, such as the self-directed (internet-based), and direct marketing campaigns did not provide a significant contribution to sales for doctors with below-average market shares. However, in segments with high market share, these campaigns provided a significant return on investment. These insights enabled the company to develop specific mix allocations for particular customer segments.

As a result of this analysis, the company was also able to identify the inefficiencies inherent in face-to-face detailing. It discovered, for example, that there were too many reps detailing the brand, given the stage it had reached in its life-cycle. Moreover, the brand team was not optimizing the resources of its contract sales force in terms of targeting and incentives. Based on this information, the team was able to renegotiate with the contract field force. Overall, the company found that it could redirect a significant proportion of the promotional spend allocated to its leading brand to other brands in the portfolio, without precipitating a decline in prescriptions.

5. Relationship between detailing share of voice (SOV) and unit share for a selection of brands

![Graph showing the relationship between detailing share of voice (SOV) and unit share for a selection of brands in three markets: Statin, PPI and ED. Source: IMS.]
6. Optimising promotional allocations within the promotional mix and between countries led to $68.3 million in incremental profit

3. Optimising the mix across geographies:
Launching across the many countries that constitute the EMEA region can be a daunting challenge. In this example, the company concerned was planning the launch of a key strategic brand into a major GP market. The key questions posed were:
1. What level of promotion investment was required to achieve brand sales goals in the region?
2. How should this investment be allocated to various EMEA markets?
3. What mix of promotion channels in each market would achieve spending efficiency?
Because of the lack of any sales data, this analysis depended upon sourcing reliable analogue data for the brand in question. The analogue data covered both sales and promotional activity. By reviewing the relationship between share of voice and market share for the key countries of the region, the company could understand the absolute level of promotional resource required to achieve its target sales forecasts. Figure 5 shows the relationship between detailing share of voice and unit share for a selection of brands. Selecting those analogues that most closely resemble the brand under analysis helps companies to identify the launch resources they will need.

The analysis of analogue data also makes it possible to understand the promotional elasticities for

An interactive and dynamic modelling programme can demonstrate how the promotional mix would impact the profit, market share and net present value of a brand over a set period of time.
various types of activities, particularly with respect to personal and non-personal promotions. Armed with these insights, the company concerned was able to identify the optimal mix for all launch countries, this had a significantly positive effect on the profit achievable across the region (see Figure 6).

SUMMARY
The advances in promotional analysis methodology, the availability of direct doctor level data and analogue comparator information herald the arrival of a new level of promotional management analysis. The experience that is now building within the industry means that it is possible for today’s brand team to address a range of promotional management challenges with a new level of confidence.

The critical issues are:
- Where do you allocate resource currently?
- Where do you get a return?
- How can you optimise spend?

The answer to these questions will help ensure future plans that are more objective, scientific and evidence-based.

WHAT NEXT IN PROMOTIONAL MANAGEMENT?
As with any analysis, the more answers we have the more questions are raised. Once a company has identified which elements of the promotional mix contribute most, it can ask the obvious next question. Why?

Understanding in more depth the dynamics of decision making within a market segment can help to cast further light on this question. Analyses now exist that can elucidate the numbers of patients being gained and lost to a brand along the entire decision chain. This helps companies to understand what points of leverage exist, and consequently where promotional resources need to be applied. Ultimately, it is possible to describe the objective of the communication strategy at each link in the chain.

Even with these insights, however, it may still be difficult to explain why one promotional element works better than another. This is because the quantitative analyses we have reviewed to date do not address the issue of quality. To answer questions about quality, other analytical tools are necessary – tools that can measure how effectively a particular brand message resonates with the market or an individual customer, or identify how effectively messages are delivered, particularly by the sales force. Companies also need to understand such issues not only in relation to their own brands but also to those of their competitors.

We shall cover the qualitative assessment of the promotional mix in a future edition of this series.

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