Finding the focus: designing the pharmaceutical selling organisation for the 21st century

New sales models, new sales modelling

By Chris Morgan

As the healthcare market has evolved, the pressure to change the pharmaceutical selling model has increased as well. As part of these changes, the design and maintenance of pharmaceutical selling organisations have become critical to ensure long-term sales success.

Today’s sales environment only faintly resembles the environment of just a few years ago. The pharmaceutical industry has new customers with new agendas, increased pricing and prescribing pressures and maturing product portfolios. The linear, high-frequency sales approach that worked extremely well for years is becoming obsolete amid the massive changes in the healthcare environment.

So if commercial sales models must change for the pharmaceutical industry, how should they be designed?
The multidimensional salesforce

In order to build a 21st century sales model, pharmaceutical sales organisations first need to evaluate their current goals and strategies. The answers to several questions underpin the direction a selling organisation takes:

- What are the company’s desired customer outcomes?
- What must the salesforce do in order to achieve its desired business outcomes, and with which customers?
- What activities or products will deliver these outcomes?
- How is each part of the organisation best suited to meet these goals?

Until recently, large numbers of independent, high-value physicians dominated the healthcare market. They made frequent purchasing decisions, had low switching costs and did not stick to a single product or manufacturer over time.

As a consequence, large primary care sales organisations delivered simple messages frequently to a targeted group of general practitioners. The underlying logic for salesforce design was one-dimensional: size dominated coverage and frequency; coverage and frequency drove share of voice; share of voice determined market share.

The market today is more complex. New customers have new needs, and the balance of power in decision making is moving away from doctors and towards healthcare policymakers and insurers. As this happens, salesforce design takes on several new dimensions – the single dimension of salesforce size is no longer dominant. Instead, the new sales model typically centres around the key account manager (KAM), who marshals a local account team to work with a network of customers. Local account teams combine health economic executives, field medics, finance managers, product management and others, together with conventional representatives.

Because the new sales process is multidimensional, when designing the model, management must take many additional factors into consideration. First, the different roles within the sales organisation (and not its size) are the defining characteristic of the salesforce. The customers now comprise a more complex network of many
different roles; the structure that connects these roles and the salesforce’s capabilities are what makes the new model successful.

Next, delivering a frequency of sales calls is no longer the prime purpose of the salesforce. Instead, the model emphasizes a combination of different, interlocking activities that comprise a company’s market offering. The roles of the local account teams are multifaceted and not singularly focused on the number of sales calls made.

Finally, sales teams no longer seek customer ‘share of mind’ but instead aim to build partnerships that add value and form the basis of a sustainable, long-term relationship.

In short, pharmaceutical companies are seeking different customer outcomes, and must address more complex customer needs, with a broader range of salesforce ‘levers’.

Table 1, below, and Figure 1, overleaf, compare the ‘old’ model with the multidimensional nature of the emerging model replacing it. A structure that requires multiple roles and points of contact has replaced the linear, salesperson-to-doctor relationship based on frequency of sales calls. The multidimensional nature of the new model is shown as well.

| Table 1. | Old world versus new world sales model. |
| Index value | Old world | New world |
| Market share | Partnership |
| Sales | Trust |
| | Sustainability |
| | Market share |

| Customer outcomes | Old world | New world |
| Product knowledge | Improved business performance |
| Share of mind | Improved healthcare outcomes |
| | Operational excellence |
| | Control |

| Activities | Old world | New world |
| Calls | Partnership |
| | Value-added programmes |

| Salesforce design dimensions | Old world | New world |
| Size | Capabilities |
| Resource allocation | Roles |
| | Structure |
| | Implementation |
Pressure points in complex selling organisations

Because the system is more complex, it is also more volatile, and there are certain pressure points where an improperly designed sales model could break down. By drawing on some of the experiences of pharma companies that have tried transforming their sales model, we can identify some of those pressure points, illustrated in Figure 2, below.
In our experience, common disconnects arise as these multidimensional sales organisations experience growing pains. These deal with customers, the selling organisation’s capabilities, and the sales structure itself.

**Disconnects with customers**

- **The organisation’s selling model is well planned, but little thought has been put into the customer’s value proposition.** In this case, the company has built a viable sales structure, but it has not determined what value customers will derive from the new model. Key customers see new people with impressive-sounding titles on their business cards, but they do not see how it helps their business.

- **The selling organisation is not aligned with customers.** Customers operate as a loosely networked local health economy; the boundaries of these networks may not be clear, and the pharmaceutical company does not understand how these networks relate to the sales structure. There is no alignment between the sales organisation and customers.

- **There is an insufficient understanding of new customer roles and needs.** The drug firm’s sales organisation assumes what customers want. This results in customers that remain segmented on the basis of their value to the pharmaceutical firm, not the firm’s potential value to customers.

**Disconnects with capabilities**

- **New roles generate competency profiles that are too demanding.** The company cannot find the right salespeople, so ‘compromise candidates’ fill important roles.

- **The salespeople cannot deliver what the new model promises.** This can occur when a new sales model is applied but the team lacks the required competencies to implement it.

**Disconnects with structure**

- **Overloaded KAMs.** KAMs may be assigned too many direct reports in order to keep line management clear. The role then mutates into a first-line managerial position that ignores account needs.
- **Dysfunctional matrix management.** A lack of clarity over roles confuses the salesforce, breaking down the teams’ coherence, which is needed to deliver successfully the market offering.

- **Organisational systems and processes do not support the new sales model.** For example, the budgeting process may make it impossible for KAMs to access their discretionary budget fast enough to meet customer needs.

**Finding the focus**

In order to create a coherent, focused organisation, it is necessary to design selling models that align across the critical dimensions described in Figure 3, below.

![Figure 3. The new selling model needs to be aligned across critical dimensions.](image)

In our experience, three key features of modern sales model design will separate success from failure:

1. **A holistic, customer-centred approach to design**
   
   Strong sales model design incorporates all the dimensions described above, using the same fundamental logic throughout. The customer provides the ideal, ‘unifying’ driver. Customers are segmented according to needs and roles in the buying process. Market
offerings – and therefore activities – are mapped to customer needs; roles are mapped to market offerings and customer segments. Finally, roles need to be organised into a structure that aligns with customers (and a structure that is aligned internally, with itself).

2. A multi-issue approach to roles

Roles in complex sales organisations cannot be designed purely on the basis of the workload; the workload needs to be balanced with bandwidth requirements (i.e., the complexity of the tasks) and the skills required of the role.

Bandwidth, not workload, typically limits complex jobs such as that of the KAM. Anybody who has spent time managing multiple projects simultaneously will be familiar with this situation: “I don’t understand it,” says one KAM. “This role doesn’t have that much work associated with it, but for some reason I feel stressed the whole time, and don’t seem to be able to keep on top of everything.”

3. Implementation integration

A good strategy without implementation is worthless. Implementation planning needs to permeate the process from the beginning – not just the end. A pharmaceutical sales organisation cannot develop a strategy and a structure and only then consider how it will work in practice.

This is a difficult balancing act to pull off, requiring a combination of customer understanding, analytical know-how and operational experience.

However, the benefits are enormous. We have seen instances in which better alignment of the salesforce to customers can reduce the cost of sales by 10 per cent to 30 per cent. Better design of KAM roles can increase effective coverage of key accounts by 50 per cent, while rigorous selection of salespeople based on their capabilities can reduce the adoption time of a new sales model by 80 per cent.

The pressures facing drug companies are not hypothetical concerns, nor are any pharmaceutical firms immune to them. Building a sales organisation based on the interactions of multiple dimensions will not remove these pressures, but can help a pharmaceutical company adapt – and garner new sales and better customer relationships in the process.
About ZS Associates

ZS Associates is a global management consulting firm specialising in sales and marketing consulting, capability building and outsourcing. The firm has more than 1,300 professionals in 19 offices around the world, and has assisted more than 700 clients in 70 countries. ZS consultants combine deep expertise in sales and marketing with rigorous, fact-based analysis to help business leaders develop and implement effective sales and marketing strategies that measurably improve performance.

As the largest global consulting firm focused on sales and marketing, ZS Associates has experience across a broad range of industries, including medical products and services, pharmaceuticals, biotechnology, high tech, telecommunications, transportation, consumer products and financial services.

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Chris Morgan is a principal with ZS Associates based in London and Frankfurt. He has worked on a wide range of sales and marketing strategy issues, including go-to-market strategy, salesforce effectiveness, sales organisation design, portfolio strategy, opportunity assessment and targeting. In addition, Chris has worked on numerous global and regional initiatives with pharmaceutical companies to achieve results through account management. He holds a PhD in Materials Science and a BA in Natural Science from Cambridge University.