STRATEGIES AND PERSONAL SALES IN PHARMACEUTICAL MARKETING – AN OVERVIEW

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Abstract

In pharmaceutical marketing, conception of a strategy for a new product market launch is an everyday practice, but one that is crucial for success. The aim of this paper is to provide an overview of the most relevant marketing strategies and personal sales techniques. Over time, numerous successful strategies and measures have been established for strategic and operational management of the pharmaceutical industry. Determination of the most effective mix of strategies and measures, combined with the right timing, is a prerequisite for achieving maximized sales of pharmaceutical products. In addition, a high level of market penetration should be sought at an early stage of a market launch. In conclusion it can be said that the following four strategies have been identified as the most important ones within the pharmaceutical business: (1) product/assortment market strategy, (2) price/conditions market strategy, (3) distribution market strategy and (4) diversification strategy. Finally, the design of marketing strategies in the pharmaceutical industry is based on an overarching corporate vision.

Key words: Pharmaceutical Marketing, Marketing Strategies, Personal Sales

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Introduction

Due to the immense financial expense involved in the development of pharmaceutical products, a successful market launch is even more essential. Strategies are identified on the basis of empirical findings, leading to success. The aim of this paper is to show which measures and procedures are necessary to achieve a successful and rapid market launch, as well as to identify the influencing factors that lead to higher market penetration.

1 The pharmaceutical industry

Due to a continuing demand for advanced therapies and intense competitive pressure, the pharmaceutical industry has enormous innovative power, which has led to new active ingredients in the past. Nevertheless, despite the continuous rise in sales over recent years and demographic trends expected to lead to an increase in the number of elderly people in need of care, increases in sales will slow down in the future, even though there is likely to be a continuing cost explosion in the health care system and resulting pressure (EvaluatePharma, 2016). In 2016, the 15 largest companies shared about half (USD 495 billion) of the total market volume of USD 1005 billion (Interpharma, 2017; Merrill, 2002).

The development of a pharmaceutical product is a costly and time-consuming process. In 2016, the entire industry invested about 20 per cent (USD 201 billion) in development (Interpharma, 2017). Sales dominate the leading treatment categories, since most companies conduct research in the same therapeutic area, often adopting similar technological approaches, leading to strong competition in respective segments.

2 Marketing in the pharmaceutical sector

Two fundamental strategic trends can be identified in the pharmaceutical sector. While companies like Novartis continue to focus on mass markets, companies such as Roche tend to specialize in smaller indications (market niche/segment strategy), especially in oncology (Fibig & Hutt, 2003). The advantages of the latter approach are obvious: (1) smaller sales teams because of fewer specialized physicians; and (2) lower marketing expenses because patients with serious diseases are usually well informed. In contrast, manufacturers of mass-produced products suffer from the enormous marketing costs of competing with both physicians and patients.

Pharmaceutical companies calculate an average duration of seven years for the development of a new pharmaceutical product. This leaves an active marketing period of a further seven years until patent protection expires and generic products enter the market (Gehrig, 1992). As a result, companies must first invest immense financial resources in product development over many years before products can be marketed and break-even is reached (Danielowski, 2003). This leads a high financial risk for the companies concerned.

In fact, although pharmaceutical companies may be in a comfortable situation in terms of profit, they may find themselves in a rather difficult position in other respects (Bruch, 2003). According to Ansell, a pharmaceutical and biotechnology company can only survive if it doubles its number of new products every year (Ansell, 2001). As health insurance funds and the insured are no longer prepared to accept maximum price increases for minimal therapeutic progress, the price leeway for many companies has become smaller. On the other hand, development costs for new products are constantly increasing. This leads to lower sales and forces companies to reduce their costs, e.g., by reducing advertising expenses in order to improve their margins. However, the possibilities for cost reduction are limited. Consequently, new ways of increasing sales must be found. This can be done by means of measures to increase the efficiency of marketing (Gehrig, 1998; Gillis, 1992). In addition, increased research spending and advances in genetics have not led to an expected increase in innovative medicines. As a result, more and more medical substances with minimally distinguishable effects are offered in the same therapeutic areas (Geller, 2003).

3 Strategies in pharmaceutical marketing

Design of marketing strategies in the pharmaceutical industry is based on an overarching corporate vision, often referred to as “the vision”. This defines the basic philosophy of the pharmaceutical company. The corporate vision determines how the company is to be perceived by the public, for example, as a sustainable, environmentally conscious and socially active company. The corporate strategy is subordinate to the company’s mission statement and defines the operational goals of the company. The marketing strategy – subordinate to the corporate strategy, in turn – specifies the implementation of these operational goals and determines the operative planning and resulting budget. The marketing strategy determines the type and manner of the planned market presence, primarily specifying which market segments are to be served with which products. Secondarily, the marketing strategy also makes statements regarding the positioning of various products in the market. In practice, successful marketing of pharmaceutical products often requires several mixed strategies (Thommen, 2012). Most pharmaceutical companies specialize primarily in drugs R&D. In most cases, these companies develop therapeutic substances, sell or trade in drugs, carry out contract research, sell licences for the active ingredients or generate revenue through private or public subsidies (Drews, 2003; Flechter, 1989).

According to Ansoff (2001), there are four basic marketing strategies, which are adapted to the product and market situation. Definition of basic strategies also depends on the corresponding technological basis of the company, such as the status and potential of technological and life-science knowledge, the medical indication area and the company's position in the value chain (field of activity).

- Better market penetration can be achieved by better customer satisfaction or creating the need for a product in an existing market (usually established pharmaceutical companies).
- A product development strategy focuses on the development of new drugs (usually biotech start-ups).
- The aim of market development is to find new applications and sales areas for an existing product on the market.
- A diversification strategy refers to the entrepreneurial orientation towards other product areas (expansion of the product range), which reduces company dependence on a single product (for example, Bayer is active in both the chemicals and pharmaceuticals industries).

4 Operational implementation of the marketing strategy

Implementation of the marketing strategy takes place by means of marketing instruments, the so-called "marketing mix". This includes the marketing instruments, product, price, distribution and communication policies relevant to product marketing. Consequently, adequate marketing strategies must be defined for implementation of the marketing mix (cf. Fig. 1), enabling pharmaceutical companies to achieve their market objectives (cf. Bögel, 2003; Kühn & Fuhrer 2017; Thommen, 2012). Design of marketing strategies in the pharmaceutical industry is based on an overarching corporate vision, often referred to as "the vision". This defines the basic philosophy of the pharmaceutical marketing strategy.

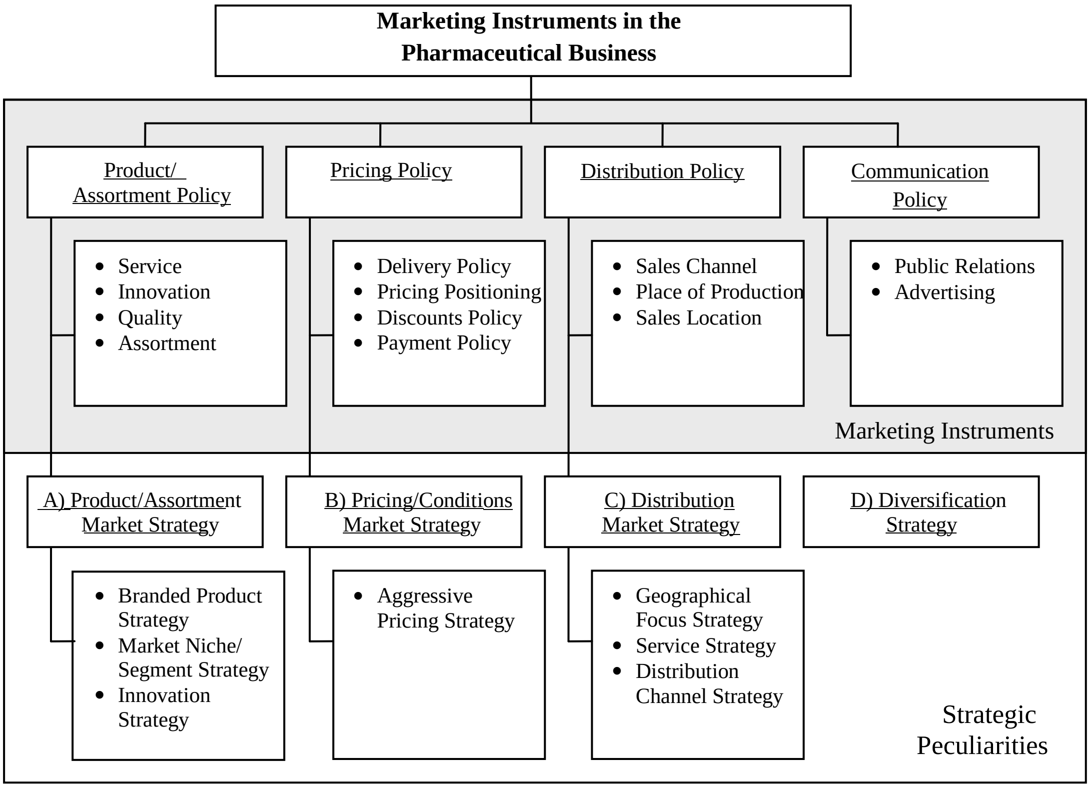

Figure 1: Overview of marketing instruments in the pharmaceutical industry (source: authors)

Market launch: The right timing for a product launch is a decisive criterion alongside actual sales and marketing strength. An early and rapid market launch of a new product (order of market entry) leads to a significantly higher market share and has a positive influence on sales development (cf. Doherty, 1995; Gehrig, 1992; Gillis, 1992; Thommen, 2012).

Communication policy: A pharmaceutical company can use public relations campaigns to create a positive image in the public eye and, by cleverly designing advertising, potential customers can be encouraged to buy (cf. Farrell, 2001; Erffmeyer, 1997). One possible approach is to label new preparations with concise names (e.g., Vioxx, Xanax, Xenical, etc.) or with pleasant associations (e.g., the Roche hepatitis drug Pegasys is advertised with the image of a two-winged horse) (Nientit, 2004). Consumers choose brands that are perceived as having the greatest efficacy rather than those with the greatest emotional sympathy bonus. In the pharmaceutical sector, however, there is the added difficulty of the end consumer rarely making the actual purchasing decision or usually having too little expertise. In pharmaceutical marketing, it is, therefore, appropriate to regard doctors as the target group, making it difficult to advertise directly to end consumers.

A) Product/assortment market strategy: This strategic approach focuses mainly on product-related market penetration measures. A product policy tailored to the needs of market participants can have a significant impact on business results. There are several marketing instruments available for designing a product policy that is appropriate to the market. By means of innovative products, a new customer base can be developed through an appropriate assortment policy (orientation according to niche, specialization or broad assortment), quality (quality differences, e.g., burning by vaccine usage) and service, enabling companies to differentiate themselves from the competition.

- Product brand strategy (corporate brands versus product brands): Product brand marketing leads to customer identification with a corresponding product (branded products) (Unger, 2003). Another possible strategy is the focus on non-branded products (e.g., generic companies with low development costs).
- Market niche or segment strategy: Companies may limit their business activities to a specific product, segment or geographical location (Fibig & Hutt, 2003). In this business field, the company is often the sole supplier. It is advantageous if the firm selects a market segment that is not of interest to the established competition and is, therefore, not served. This strategy is particularly suitable for small and medium-sized enterprises (SMEs). As such companies are mostly active in the same therapeutic field, competition is particularly strong in the respective field.
- Product innovation strategy: By introducing new or improved products, existing or newly created needs can be met. Product innovation is of great importance in the pharmaceutical sector (Von Bohlen, 2003).

B) Price/conditions market strategy: This strategic approach focuses on price-related market penetration measures. By setting the price, the company can position itself either as a discounter or as an exclusive brand. New customers can be won through the targeted granting of price discounts (discounts, advantageous payment and delivery conditions). Product prices and conditions in the pharmaceutical sector are often set by the government.

- Aggressive pricing strategy: By undercutting competitors' prices, additional market shares can be gained. The company must frequently forego profits, which becomes problematic when the competition also begins to lower prices in response. Typical of this are generic companies that undercut the prices of products whose patent protection has expired, marketing imitator products, e.g., Mepha Pharma, Stada and Biogen etc.

C) Distribution market strategy: This strategic approach focuses mainly on sales-related market penetration measures, employing appropriate sales structures. A company can differentiate itself from its competitors through special sales channels (e.g., an internet-based pharmacy) (Kuhlmann, 2003), its sales method (direct or indirect, e.g., Galexis) or third-party sales.

- Geographical strategy: By entering new countries and regions, access to a new clientele can be created. This can be achieved through cooperation with a distribution partner, e.g., Icos, Today's Group or cooperation with Eli Lilly for the distribution of Cialis.
- Service strategy: Customer-oriented and high-quality services, such as fast and fair service processing and service contracts, help preserve customer loyalty, leading to additional revenue. In the pharmaceutical sector, service marketing might be a key to future success in a global market where product research and sales alone will hardly suffice. One solution could be to offer complete service systems, e.g., support for medical practices in business management matters (practice marketing, practice management, business seminars, etc.), as well as offering additional services to loyal customers for the sale of medicines and integration of diagnostics.
- Sales channel strategy: With alternative sales channels (e.g., the internet), new customer groups can be addressed.

D) Diversification strategy: Young biotechnology companies are usually associated with a market characterized by strong competition. Consequently, these companies are forced to differentiate themselves clearly from their competitors. This can be done by taking appropriate measures in product design, quality, branding, customer orientation, product range, patents, services, becoming technical leaders or distribution. On the other hand, smaller biotech companies might develop a medical substance or process intended for a rare application and, therefore, not of interest to large pharmaceutical companies, e.g., MGI Pharma (now Eisai), responsible for discovering a new class of drugs, which are fundamentally different from previously known substances, resulting in a market niche strategy.

As a result, it can be stated that development of a marketing strategy must be based on prevailing market conditions and a given corporate strategy. There is no generally applicable strategic approach in the pharmaceutical sector. Nevertheless, there are some factors that need to be considered in order to achieve corporate success. In addition, consideration must be given to the need for prescription and non-prescription preparations to be marketed differently.

5 The sales representative is of great importance

The sales force plays a central role in successful implementation of a strategy. Since sales of life-saving or life-prolonging medicines respond unusually to advertising, the pharmaceutical industry has steadily increased the number of its sales representatives in recent years, while the number of products advertised and the number of doctors in private practice have risen less sharply (Breuer, 2003; Geller, 2003). Successful implementation of a marketing strategy obviously requires employees who are reliable and competent both in the office and in the field (Becker, 2003; Weeks, 1997). Saxe and Weitz (1982) examined the key criteria that can characterize a successful relationship with the customer and serve to qualify sales representatives. Personal motivation, ability, personality and organizational conditions were identified as the most important factors. Based on this, Gills (1998) derived the six most important (SOCO) criteria: (1) the desire (and willingness) to help customers make good purchasing decisions; (2) supporting customers' ability to identify (assess) their needs; (3) offering products that will satisfy these needs; (4) describing products (and services) adequately; (5) avoiding sales techniques that aim to influence targeted customers (e.g., deceptive or manipulative influence tactics); and (6) avoiding the use of great pressure. These criteria form the basis of a successful customer relationship and thus business success.

6 Conclusions

Basically, sales and marketing strength, as well as a quick market launch, can be identified as two important success factors. As a further component, market entry at an early stage has a significant influence on total product sales. This is particularly important because the entire pharmaceutical industry operates in a tough economic environment due to pressure from increasing prices and competition. This development inevitably forces companies to reduce their own costs. In addition, sales must be increased by creating new products demanded by consumers, and by taking measures to increase efficiency and improve marketing. The development of a marketing strategy is based on prevailing market conditions and a given corporate strategy. There is no universal strategic approach in the pharmaceutical industry. Nevertheless, various factors must be accounted for in order to achieve corporate success.

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