Top 10 Field Sales Challenges

By Brian Tvenstrup, Chief Analytics Officer, MMC

Pharmaceutical companies today have a big challenge—how can they allocate their sales and marketing budgets most effectively to achieve their corporate goals? Although the business has experienced some recent change, there are still about 60% as many pharmaceutical field sales representatives as at the industry peak (approximately 62,000 today compared to 105,000 a decade ago), and in general the vast majority of sales and marketing expenditures are still found in the field sales channel at a typical pharmaceutical company.

But the field sales channel has suffered significant challenges and headwinds over the past decade, and there is no sign that these pressures are poised to shift direction. Macroeconomic forces, technological change, public perception, HCP access restrictions, and payer and regulatory forces have all moved in tandem to diminish the effectiveness of the traditional field sales model. There are 10 primary factors that have reduced field sales' ability to accomplish its traditional goals:

1. Loss of many blockbuster drugs—more than $100 billion in the last 5 years—leading to reduced budgets for traditional sales and marketing efforts[1]
2. Reduced reimbursement rates from public and large private payers for staple products, further compressing available sales and marketing budgets[2]
3. Significantly reduced rep access to physicians, with less than half of HCPs available to field sales, based on policy changes both by provider networks and individual practices[3]
4. Shorter duration of in-person details—averaging

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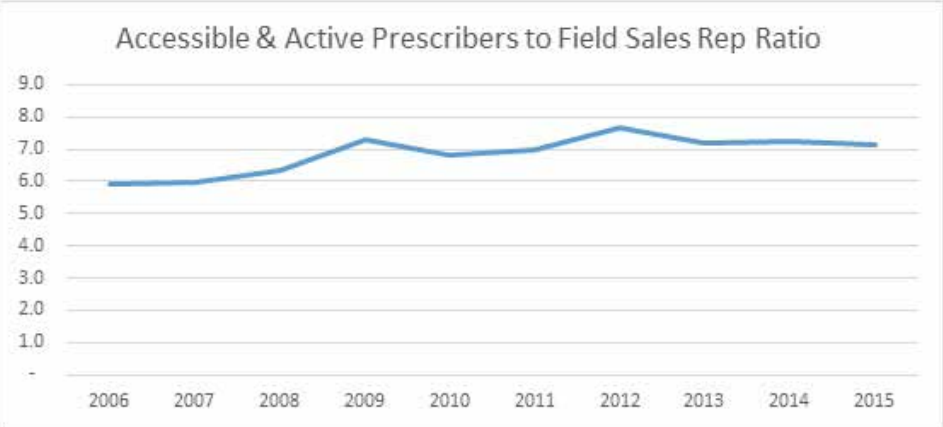
Figure 1



only approximately 3 minutes—because of tighter access rules and heavier scheduling loads in physician offices[4]

5 Increases in the average annual cost per sales rep and physician visit, due to a combination of factors including higher compliance costs, IT expenses, and declining number of average visits per year accomplished by sales reps[5]

6 Regulatory changes limiting compensation provided by field sales to HCPs and sunshine act reporting requirements for any items of value provided to HCPs[6]

7 Negative publicity caused by highly publicized scandals regarding inappropriate or even illegal behavior of sales force reps[7]

8 Compliance violations and fines associated with field sales promoting off-label usage[8]

9 Rapid technological change in the broader marketplace, leading to obsolescence of in-person marketing as a leading B2B channel[9]

10 Associated rise of digital and online media as a preferred channel for a large segment of physicians and other HCPs[10]

In fact, when all these factors are taken into consideration, the ratio of field-sales accessible and active HCPs to field sales reps has only experienced a modest increase over the past decade. Ten years ago, that ratio stood at just under 6 HCPs per rep, and today it has climbed to slightly over 7 HCPs per rep, based on current estimates. *[See Figure 1]*

Note: Ratio calculation based on separate estimates of active HCPs, accessible HCPs, and total pharma field sales reps.[11]

The market is ripe for disruption. Yet in the face of these massive environmental pressures, there has been no major realignment into a new sales and marketing model.

So why hasn't there been a larger change in the sales and marketing model in the pharmaceutical industry? Field sales has contracted by about 40% over the past 10 years, but every reduction is the outcome of a need to reduce the sales and marketing budget rather than from a true reinvention of the whole framework. The industry ratio of accessible HCPs to field sales reps is only modestly higher than it was before the reductions over the recent past, so the basic model has remained the same:

- top volume prescribers receive frequent visits from field sales reps, usually accompanied by sample delivery
- intermediate volume prescribers get sporadic visits and also receive limited samples
- a large number of lower volume prescribers receive no personal marketing attention at all and no samples
- various other marketing tactics are added to the mix in a haphazard and uncoordinated fashion, including direct mail, email, digital and online advertising, journal advertising, conference sponsorship, and similar activities
- higher volume or value HCPs that are not accessible due to geography, vacancy, or access policies are addressed sporadically or not at all

The unspoken secret of this entire model is that in the vast majority of cases, no one can quantify the marginal impact of the field

sales efforts or the true ROI of that marketing strategy. Few, if any pharmaceutical companies employ holdout controls to get a true baseline against which to measure their field sales efforts. In our own company's experience with dozens of pharmaceutical products during the entire product lifecycle, the effectiveness of field sales calls is assumed but never tested or measured directly. Moreover, where both personal and multi-channel marketing programs are run in tandem, we have seen material evidence suggesting that field sales efforts are not more likely to change prescribing behavior than other marketing efforts, although they cost significantly more.

Moreover, the basic model for how pharma companies segment the marketplace of prescribers has remained unchanged for decades, based mostly, if not entirely, on the total recent volume of prescriptions being written for a specific product or set of products (the widespread name for this practice is "deciling" of physicians). But in the world of coordinated multichannel marketing, more sophisticated and demonstrably superior models exist that incorporate multiple factors, such as current prescribing volume, market share (to evaluate potential), recent prescribing trajectory, and prescriber network influence. Additionally, these factors can be evaluated within smaller geographic units, where patient demographics and payer rules influence HCP prescribing behavior, rather than on a single, national level.

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So why does this situation persist? It is a classic example of the principal-agent problem from economics. Typical brand managers have little incentive to push for major disruptions in the business model, since they will not generally be the ones to reap any associated benefits. Brand managers are not usually in their positions for the long-term—most pharma companies use brand management for existing brands as a kind of rotating training ground for general management. Furthermore, the senior ranks of pharmaceutical executives are filled with those who rose up through the sales side of the organization; with long and generally successful careers, they typically served as a field rep and then also as a district manager and a regional vice president, and perhaps having played even more senior roles in the sales organization over the years. So, like the old saw that "no one gets fired for buying from IBM," none of these actors is willing to overturn a school of marketing that has graduated a large set of current senior executives. Sure, when economic pressures require it, they will scale back on field sales efforts just enough to balance the budgets. But there are few innovators who are willing to reconsider the entire model and can envision replacing it with something that doesn't require an army of field sales staff driving around to physician facilities to make 3-minute sales pitches as their preferred marketing tactic.

I am not suggesting that there is no role for field sales, but the overall model is in drastic need of overhaul. Field sales is most effectively deployed in situations where there is genuinely new information that needs to get in front of the physicians: new launch products, newly approved indications for existing products, or similar situations. But this isn't true in the overwhelming majority of products, which have been on the market for many years, and where all the salient facts regarding efficacy, tolerability, and safety of that product as well as other products in the same class are already known. And this is even more so in loss-of-exclusivity situations where a drug is about to lose patent protection and generics are likely to be available. In many cases, field sales efforts for these products provides little more than a high-priced sample delivery mechanism. There may also be a role for limited use of field sales for the key influencers in a given disease area: researchers or other opinion leaders who affect the standard of care far beyond their own individual patient set. However, for the vast majority of products in the marketplace, being marketed to the overwhelming majority of HCPs, the expense of a field sales call is simply not worth it, relative to other marketing alternatives.

We recommend an integrated multi-channel marketing program that uses resource allocation to determine appropriate marketing spend across the full spectrum of available channels

So what are the best alternatives? Our firm recommends an integrated multi-channel marketing program that uses a resource allocation approach to determine appropriate marketing spend across the full spectrum of available channels, both personal and non-personal, to ensure all HCPs receive the attention they deserve. One virtue of this model is that it allows higher value HCPs to be treated according to their value and potential value, whereas the current marketing model asymmetrically penalizes those HCPs that are in vacant territories or geographically remote areas (the "whitespace" problem), or with otherwise limited access by field sales personnel. Another virtue of this model is that it allows lower cost channels to fulfill the basic communication needs, where digital assets can provide a platform to distribute information on demand and also a mechanism for interested physicians to request samples or other fulfillment items. This model allows escalation to higher cost channels such as live chat, inside teledetailing, or even requesting a field sales visit based on physician interest, but does not presume that each and every physician in a given value tier requires a series of monthly personal calls.

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Sooner or later the pharmaceutical industry will experience a massive change in its sales and marketing practices. The gains will be captured disproportionally by those firms which are willing to make aggressive changes first, and can realize the cost savings without any associated loss in revenue. My prediction is that in another 10 years, the number of field sales reps in the industry will decline by another 80% from current levels. Will your firm be a leader or a follower in this transformation? •

Brian Tvenstrup, Chief Analytics & Marketing Officer at Modern Marketing Concepts, has worked 15+ years at the intersection of analytics, marketing, and information technology. He is a data scientist who provides leadership for marketing strategy and design for innovative multi-channel marketing campaigns, as well as supervising creative designers and database administrators, and managing relationships with outsourced service vendors. Prior to MMC, he was SVP for Business Analytics at MTI Information Technologies, CTO and SVP at First Equity Card Corp, and Solutions Delivery Manager at FICO.

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