

Great expectations

Pharma companies that embrace deeper engagement with agencies can drive increased value

Anyone who has read the PricewaterhouseCoopers Pharma 2020 report can readily understand why the industry is under such financial pressure these days. The arguments do not need to be laboured here but, in short, it is because the blockbuster model has suddenly become a dim and distant memory, regulatory complexity is allowing fewer entities to market, payers and secondary technology appraisals are limiting prescribing choices, a focus on chronic diseases means burgeoning R&D costs for uncertain returns from smaller patient populations, and so on. Actually there is nothing short about that list, and it could go on and on.

Collaboration

The potential benefits that may be provided through collaborative working have been expounded upon on various industry platforms. This is where the pharma industry abandons the 'go it alone' model in favour of networking with a number of external organisations and suppliers with whom it is able to share the costs and, consequently, share the rewards. In the old days this was called outsourcing, but to use an equally old cliché, we are witnessing the future today, at least for some companies.

Firms using such a hub and spoke system aim to manage the value chain so that as much of the value added remains in the hub as possible. The manufacturing, distribution, R&D and sales and marketing functions can all be outsourced to strategic suppliers who commit by contract to push as much value through to the hub as they can, as evidenced through their mutually agreed working processes.

Opportunity

With regard to the sales and marketing aspect, though, experience suggests that the real opportunity to drive value is yet to be fully realised. Competitive rates are, and will continue to be, a cornerstone of driving value for clients. However, the European Association of Communications Agencies (EACA) believes more value



can be created for clients through closer working with their agencies.

True engagement with agencies, so they can configure relevant service offerings which allow the company to achieve greater process efficiencies, perhaps even within their own organisations, can deliver value in far greater abundance than shaving a little more from the hourly rate, or reducing the hours on a scope of work.

Advantage

For companies taking full advantage of this approach, the benefits to the bottom line have been extraordinary, not just by delivering increased profits through internal cost reduction, but by raising, rather than lowering, their expectations of the service levels agencies are capable of providing.

In an ideal world, this may require a restructuring and reinvention of roles at both the client and agency and the development of processes which ensure the right resources can be brought to bear in the right place and at the right time. A good example that demonstrates how competitive advantage and added value can be achieved is in realising the potential of globalisation.

Globalisation

The factors driving globalisation are numerous. Communications now

transcend borders as physicians and patients increasingly obtain healthcare information from the internet and doctors regularly travel to other countries to find the latest clinical information at medical conferences. The regulatory institutions in major markets are, to a greater or lesser extent, working towards harmonising their processes. At the same time, pharmaceutical manufacturers are recognising that building one global brand can be both more cost-effective and strategically sound than supporting a multitude of country-specific brands. As a result, both large- and medium-sized pharmaceutical companies have investigated going global, or at least regional, with their advertising campaign development. And yet, unlike examples in the consumer world, successful multi-country campaigns for pharmaceutical products have proved somewhat elusive.

Accountability

Partly, at least, this may be a function of traditional management infrastructures, where the local affiliates in each market own the profit and loss statement (P&L) and report to a regional executive who has no accountability to global brand leaders. Because the affiliates do not report to global marketing, the division has no authority to bring them to a consensus

around a global or regional campaign.

Traditionally, in this model, the local affiliate works with agencies in their own markets to develop their own campaigns. The advantage of this approach is that the campaign is suitably targeted to the local physicians. However, because there is no consistent messaging or look that supports the brand globally, this approach wastes costs and may be confusing to customers who encounter the product in more than one market.

“The campaign is developed... and tested independently of the local marketers”

Attempts to solve this problem have resulted in the ‘exported’ global campaign approach, where the campaign is developed, more often than not in the US, and tested independently of the local marketers, then exported to the affiliates in the form of a brand

book with very little flexibility for optimisation for the local market.

Typically, the result is the choice of the creative approach that offends the least, rather than works the most. Local marketers feel disenfranchised and are somewhat predisposed to show why the centrally produced campaigns will not work in their markets. Then, substantial sums may have to be spent on providing a ‘back-end fix’.

Win-win situation

So is there a win-win alternative which can result in better work, produced more cost effectively? Here are some suggestions:

- In an ideal world, structure the marketing organisation to be brand-centred rather than territory-centred. Align people with the brand, regardless of where they sit, rather than with the territory. Involve local brand team members in the development of central strategy
- Involve your agency in forward planning, insight generation and message development to help ensure high quality inputs which help mitigate the potential for sub optimal outputs

which need to be fixed at the end

- Use your agency to help manage the process of implementation at the local level
- Engage deeply at regular intervals with the senior management of your agency to plan resource requirements for the next three months, six months, following year. If they do not have them, work with them to build them, rather than look to expand the agency roster unnecessarily (and expensively). As the pharmaceutical industry faces increased financial pressures and competitive challenges, some companies have recognised that they can work smarter and more cost effectively by strengthening their agency relationships. The EACA is committed to fostering deeper client-agency partnerships, which means the two sides can enhance the value of the brand, increase returns on marketing investment and achieve mutually agreed goals too.

The Author

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Chris Ponty, business unit director, MSD/Schering Plough

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