

Is bigger better?

Roy Carlisle of marketing consultancy, PharmaSolutions Ltd, takes another look at what your salesforces will be doing in the New Year and asks what can be done to improve representative measurement?

While 77% of companies intend to increase their salesforce by 2005, 'such growth has not been accompanied by improvements in salesforce productivity,' according to a Datamonitor report published in 2001.¹

It is this finding that has become a topic of great interest for the pharmaceutical industry, which traditionally relied heavily on the 'blunderbuss' approach to sales and marketing. So is bigger really better? Or should the Industry be looking to optimise the performance of the salesforces it already has?

David Garmon-Jones, head of sales at Merck Pharmaceuticals, part of the Merck KGaA group, gives his views: 'New products give you a brilliant chance to see who are your best people. In an independent survey, we researched our representatives' selling skills and identified the strengths and weaknesses of our salesforce. In fact, perhaps unexpectedly, we found that our experienced people weren't always the stars – more often than not the younger people sold more.' In contrast to conventional beliefs, David suggests that this is because the younger representatives actually have less established relationships with customers, whereas the experienced representatives see customers with whom they have established the best rapport, regardless of whether or not they have high prescribing potential for a new product. These findings helped Merck sharpen its salesforce skills ahead of the launch of its FemSeven range in October 2002 and the FemTab range in 2003.

Many pharmaceutical companies are now looking to optimise salesforce performance and have invested in ETMS – or electronic territory management systems – to permit physician profiling and targeting. In fact, the Datamonitor report suggests that the number one focus of all representatives is physician targeting.

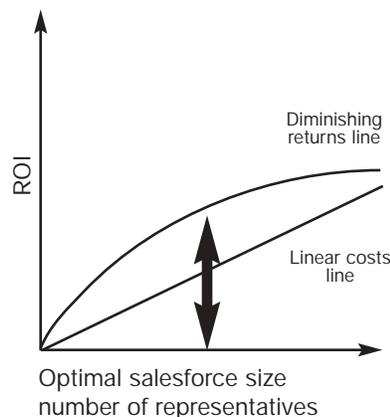
This is a trend that obviously pleases Malcolm Fitzsimmons, account director at ETMS supplier, Dendrite. However, Malcolm believes that there should be more strategic collaboration between pharmaceutical companies and suppliers. 'It's a good idea for companies to use the suppliers' knowledge of global best sales-

force practice and not make the mistakes of the past in terms of getting maximum value out of these type of systems.' He adds: 'It is relatively straightforward to use systems such as these to drive the business by measuring return on investment – even down to brick level – and the companies that maximise their ETMS investment are those that have a straightforward management mindset.'

So have some companies just acquired expensive 'all singing, all dancing' applications without thinking about whether or not they have the right performance measurement and management culture to support their ongoing implementation? Recent research into customer relationship management within the life sciences sector², has found that pharmaceutical companies are reaching the end of the first phase of CRM system roll-out and have achieved some early tactical improvements in sales and marketing effectiveness. However, it suggests there is still some way to go to realise the full strategic benefits.

Cap Gemini believes the next phase will see a transition to data management and analytically-driven systems, which will enable 'micro-segmentation of customers' and will drive reciprocal value from customer relationships. The vision here is of complementary systems, team working across complex boundaries and multi-

Fig 1 - Diminishing returns in salesforce size



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mately 'super salesforces' which will be integrated with these new processes.

All of this sounds very exciting and there are clear implications for companies working in the UK and Europe. But, apart from system development, what about salesforce organisation and size?

Of course, there is the standard model of salesforce sizing based on the simple economic law of diminishing returns (see figure one). The optimal salesforce size is the point where the gap between the two lines is greatest.

But if this is a semi-quantitative model, what does qualitative research tell us about what makes a good representative? Andrew Forman of Insight Research has conducted many surveys which illustrate that most representatives are indeed driven on call activity numbers in a bid to please their sales managers. 'Many representatives surveyed have admitted that, without sales management pressure, they would be less likely to do the activity,' Andrew points out.

This raises an interesting issue for sales directors. How do you know your sales team members are seeing the correct target doctors and how do you know that customers are being contacted at optimal levels?

Adds Andrew: 'The doctors' reaction to most calls is that representative performance is mediocre. Doctors report that they will see representatives principally because it represents a 'change from patients' or 'break from the routine,' but not to learn anything new.' Despite this apparently sad indictment of the effectiveness of Industry representatives, Andrew stresses: 'Doctors do rate representatives who can sell, because they give a level of challenge outside the norm.' This tends to suggest that doctors do actually welcome an interactive selling discussion, thus sales management should do everything to encourage it.

Should we then, as one pharmaceutical sales manager once remarked, adopt an insurance salesforce mentality and, in any given year, keep the 20% of representatives who are top performers and fire the rest? Or do we improve

our recruitment policies and training programmes?

Well yes... and no.

Andrew concludes that, in his experience, 'even the mediocre representatives can have some effect on prescribing.' So, rather than striving for an unattainable level of sales excellence, should we try to find a middle ground where the high performers continue to excel and the standards of the majority are raised to a higher level? Surely using even mediocre selling skills with the highest potential customers is preferable to 'blast marketing and selling' to high numbers of any old doctor?

There is little doubt that the selling environment of the future will be mastered by companies that follow strategic plans down to the smallest tactical detail. Matching salesforce resource and spend to the relative maturity of the product will become even more crucial and will require higher levels of analysis and senior management judgement.

So, without trying to sound like the ill-fated John Major, perhaps we should leave these visions of the future and go 'back to basics'?

Back to basics?

There is a strong case for developing and re-invigorating representative selling skills. This is particularly true if we are to move towards 'super representatives' who will call infrequently on a complex mixture of high-quality but demanding customers, each of whom will play a crucial role in the decision making process.

'What, boring old selling skills as part of our future salesforce vision?, you can almost hear some say. 'Absolutely if you want your sales success delivered,' says James Bohan, general manager of Activity Benchmarking. 'Whichever selling system is chosen by a given company, to maximise its utility it needs to become part of the culture.'

A pharmaceutical company would no doubt want lots of stars. However, as we have discussed, there are relatively few stellar performers, so the key is to maximise the albeit lesser potential of representatives who are both question marks and indeed cash cows. Of course, no one is suggesting that any representative is a dog, but questions should be asked of anyone in this category.

It is vital for companies to compare selling skills across the salesforce and, of course, to benchmark your team versus the rest of the Industry. 'Benchmarking tools are a very powerful asset, in conjunction with strong performance-driven sales management,' says James. 'Metrics such as these will become increasingly fundamental to answering questions relating to how competitive individuals and teams are compared to Industry norms.'

And could electronic solutions help boost the effectiveness of the selling resource? Erik ▶

Fig 2 - Relationship between selling skills and sales success?

| | | |
|------------|---|------------------------------------|
| high sales | STAR High skills and high sales | Cash cow High sales, low skills |
| low sales | Question mark High Skills, low sales | Dog Low skills, low sales |
| | high skills | low |

Adapted from Boston Box analysis

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Jan Scholten of Doctors.net.uk believes companies have four basic requirements for representatives.

1. To build relationships
2. To transfer information
3. To seek feedback and handle objections
4. To sell

Erik maintains that one and four are best carried out by the representative, but that two and three can be done more effectively by a synergistic online campaign. In fact, surveys have shown this can have 'at least the same impact as a representative, but a much lower cost.' In the words of one Doctors.net.uk customer: 'Our salesforce hit 22% coverage of target doctors in six months, while you reached 65% in twenty-three days.'

So how do contract sales organisations address the performance issue? As Mark Scrutton, director of syndicated sales at Innovex, says: 'Firstly, we want to deliver for our customers, so agreeing qualitative and quantitative salesforce metrics – and formally inserting them in our contracts as operational standards – is our key driver. We manage our teams to rigorous standards using key performance indicators (KPIs) and industry benchmarking on skills and productivity, because our essential proposition is that we are offering clients something of high quality – sales teams who make an immediate highly skilled impact.'

So what does Innovex do in light of the knowledge that, from 1997 to 2003, the number of calls per day dropped from almost four to under three. Meanwhile, the cost per call has increased from under £100 to over £150 and some data suggest may even exceed £200!

'We have put renewed emphasis on the role and skills of the regional business manager, as the manager and coach of high performance, skilled representatives,' says Mark. 'As well as utilising KPIs and benchmarking scores, we have established a standards programme and performance management appraisal system for salespeople and managers that is supported by an accredited training programme. We believe that management time on field visits is a basic yet key metric in driving quality performance in salespeople, for which our minimum is 60%.'

And, if we are getting closer to knowing what our representatives are doing in the field, what is the best way of incentivising the right behaviours, competencies and attributes? George Newall and Phil Guest are directors of the incentive and communications agency, Catalyst Project Management. They maintain that only when clear objectives and agreed targets have been set and translated into effective business plans, with regularly reviewed performance metrics, can you begin to consider how to effectively reward those sales people who deliver the required results. 'Most companies clearly acknowledge that an effective incen-

tive scheme is a key component in not only retaining their top performers, but in potentially attracting new talent to their organisations,' says George.

However, according to Phil, some companies' incentive schemes fail because 'conflicting priorities undermine line managers' ability to ensure timely communication about performance throughout the whole year.' So, once more, sales managers have to know what representatives are doing and, in return, they have to commit to regular feedback on how representatives are performing to make incentive schemes work.

Ring in the new?

So, as we enter the New Year, what can we conclude regarding salesforce performance management and monitoring? Certainly the pharmaceutical industry throws a good deal of money at its salesforces, but it cannot expect the wealth of new technology available in today's market to produce a performance management culture on its own. Perhaps we have given sales teams too much time off being closely managed and RBMs too much time off basic people management.

What we need to do is to add value to doctors, patients and the NHS. So, to our more focused sales teams, have a very happy performance-managed New Year. ▲

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References: 1. Salesforce Structures and Strategies. Datamonitor, April 2001. 2. Vision and Reality, Cracking the Code – Unlocking New Value in Customer Relationships. Cap Gemini Ernst & Young/INSEAD, 2002

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