

Sales Excellence in the Pharmaceutical Industry

A Roland Berger Perspective



4th Annual Pharmaceutical Summit
Sales Force Effectiveness Europe 2006

Barcelona, Spain

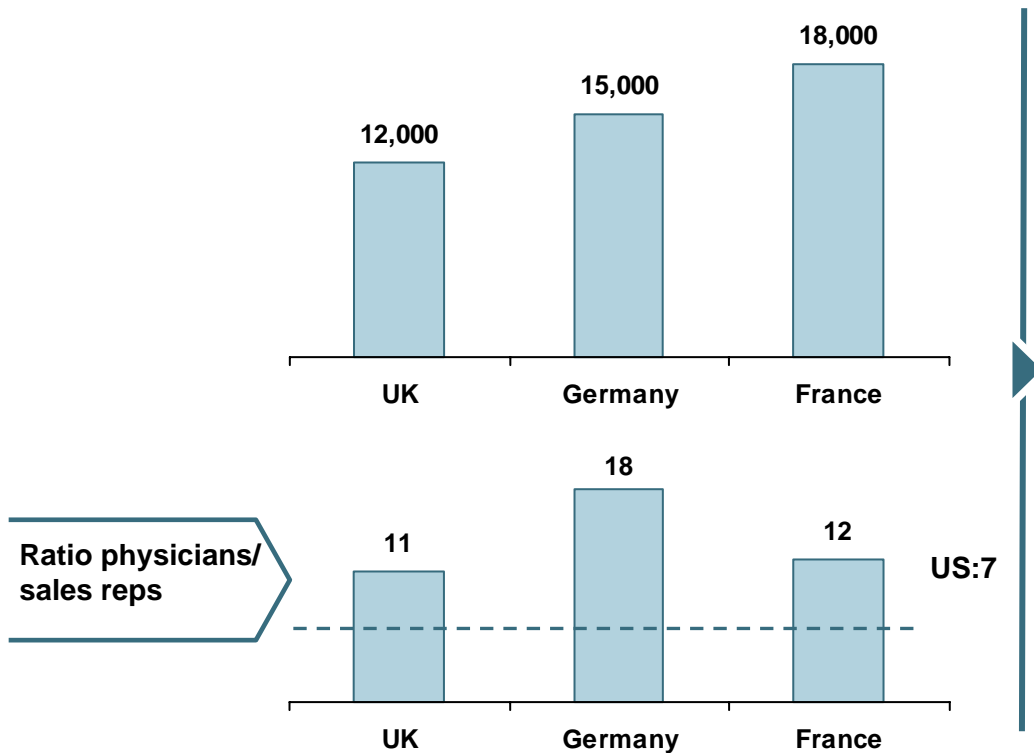
March 13 – 15, 2006

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A. The need to change pharmaceutical sales and marketing

Though less fierce than in the US the arms race of sales forces in Europe resulted in significant growth

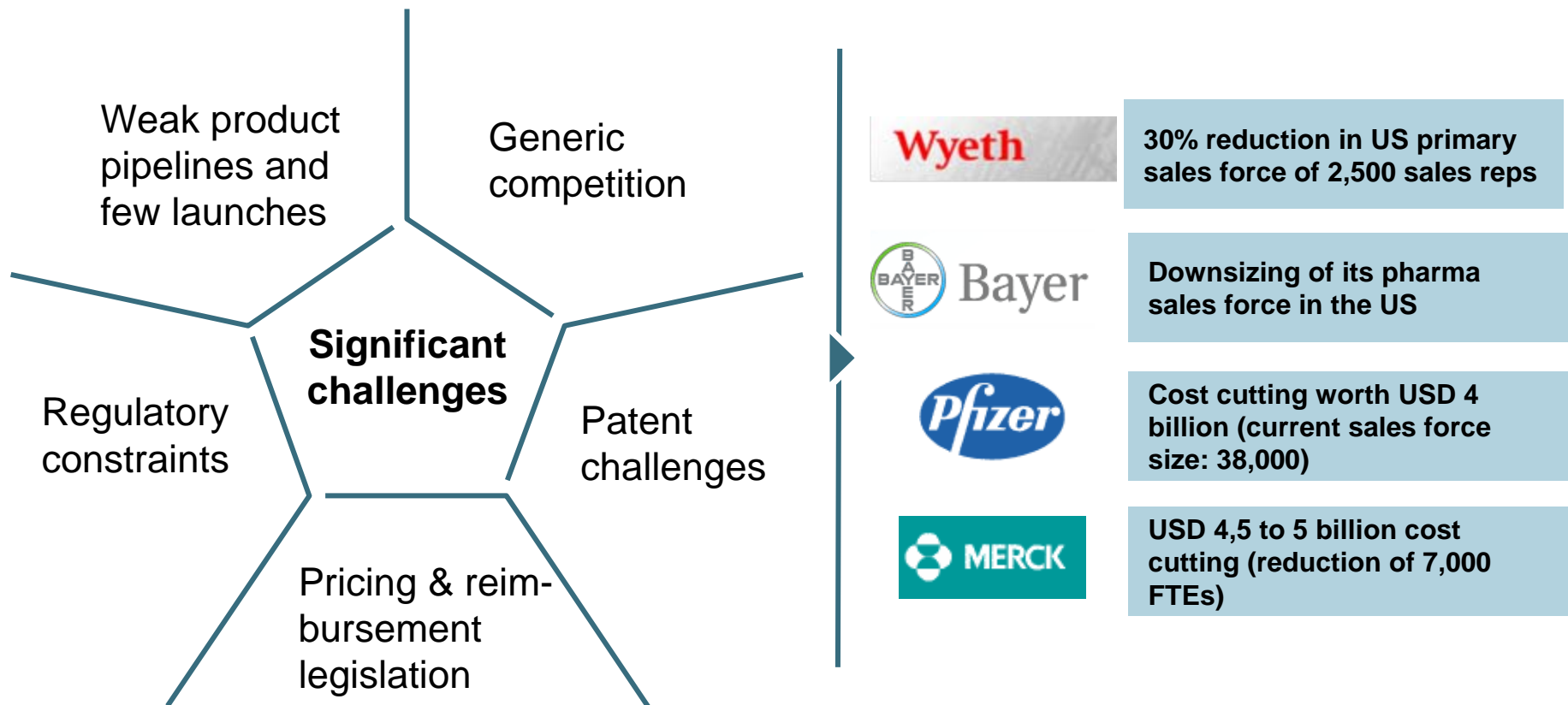
Number of sales representatives, Europe



- Over 60% growth of European pharma sales reps during last 5 years, especially in Spain and Italy
- ≈100.000 sales reps in Europe represent 80% of promotional spent
- UK, France and Germany have stagnant sales reps numbers

Significant pharmaceutical downsizing due to challenges

Challenges and selected cost reductions of pharmaceutical companies



Sales Force Effectiveness aims to increase sales force productivity

AS-IS SITUATION

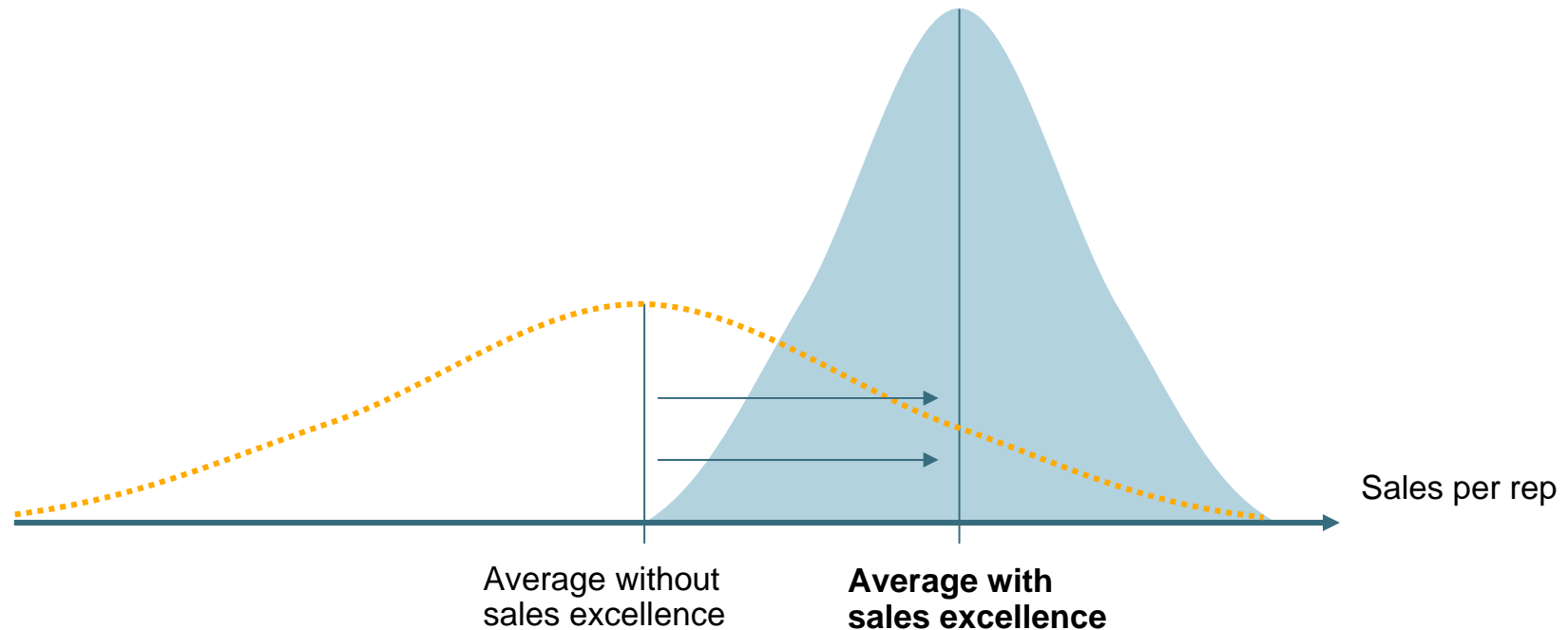
- Most pharma companies still experience **sales growth** driven by successful product launches
- Highly **decentralized sales & marketing** structure in place with "in field resources" as "affiliate silos"
- A **changing healthcare landscape** leads to increasing **price pressure**
- Additionally, **new approaches for pharmaceuticals sales & marketing** are emerging

DRIVERS FOR SALES FORCE EFFECTIVENESS

- **Increase sales force productivity** during a period of successful business performance
- **Reevaluate** the "traditional" pharmaceutical **sales model**
- **Define a best practice approach** using innovation, creativity and competency within affiliates
- **Measure** the productivity **impact**
- **Provide an action plan** for implementation

How can the average sales rep perform as today's stars?

Ideal shift of the performance curve

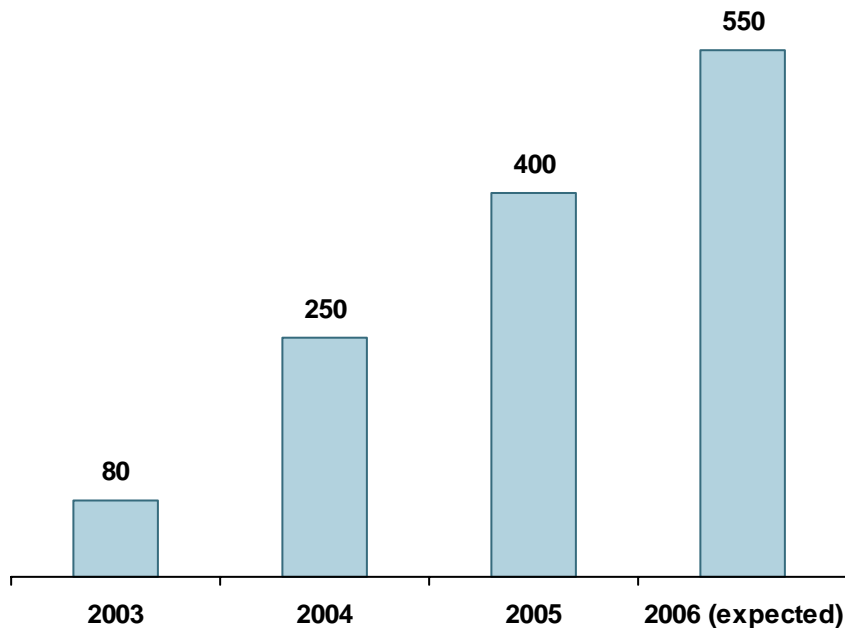


"The days of armies of sales reps in the field driving revenues are over. It will no longer be about numbers and volume. Now the focus will shift to productivity and performance of the sales staff who remains."

April 15, 2005

Increasing attention to sales force effectiveness in Europe

Attendance at Eyeforpharma sales force effectiveness conferences [number]



Key topics of interest

- Innovative sales models
- Resource allocation strategies
- Training, coaching and development of sales reps
- Performance management and incentive schemes
- Customer centric sales strategies

B. The comprehensive and modular Roland Berger approach

Sales excellence requires ongoing, multi-year relentless execution



Secure sustainability through upfront training for sales managers and reps



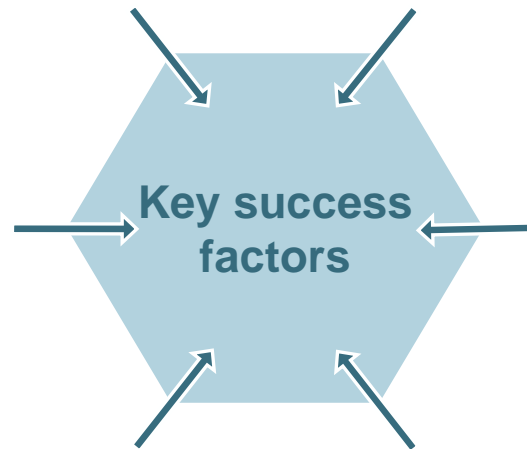
Anticipate and address very dynamic healthcare environment at a local level



Transfer advanced sales and marketing concepts outside the industry



Focus on pragmatic, easy to implement tools and concepts during the next 1-2 years



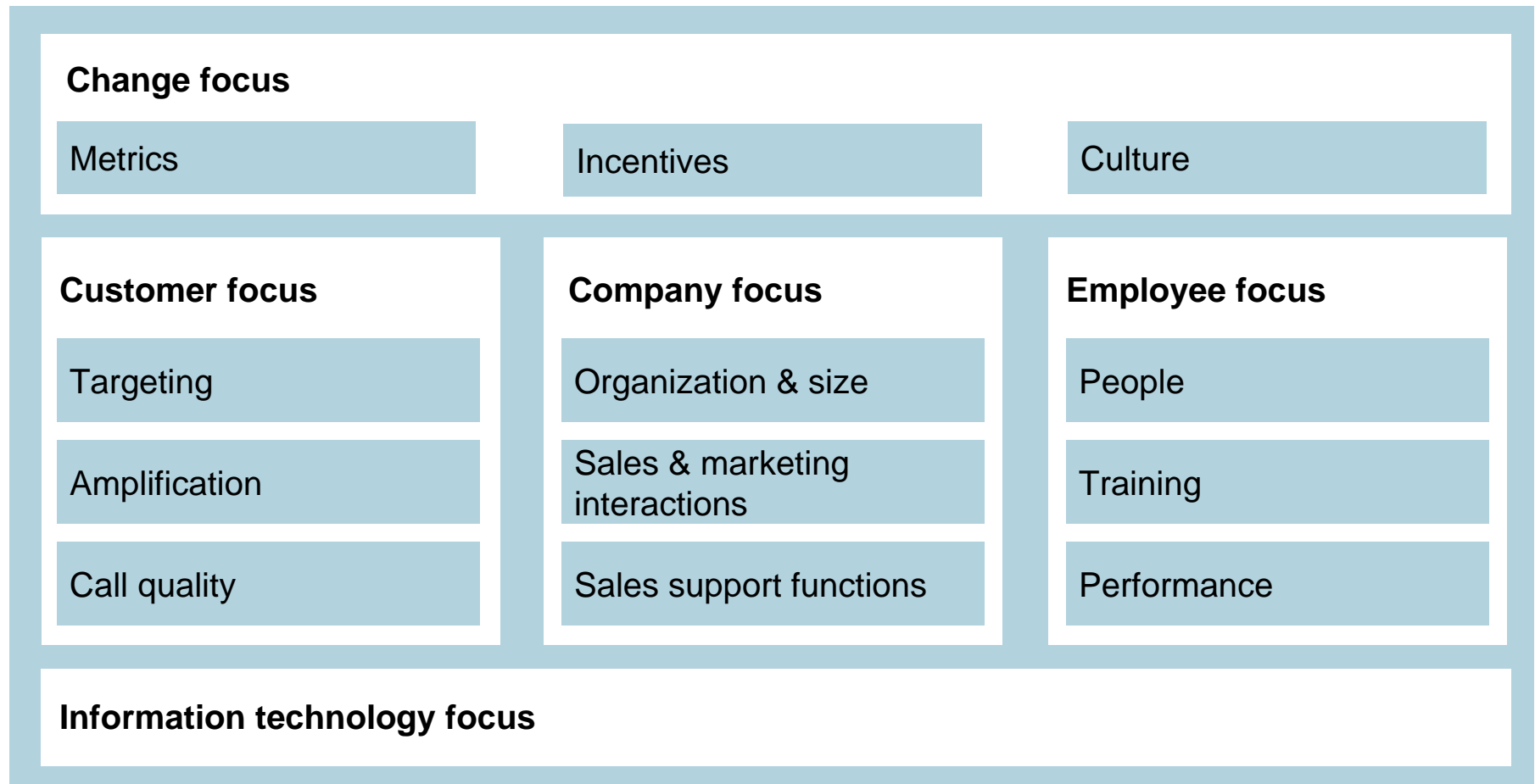
Leverage IT to prevent it from becoming a barrier to change



Combine top-down and bottom-up approach to obtain country buy-in

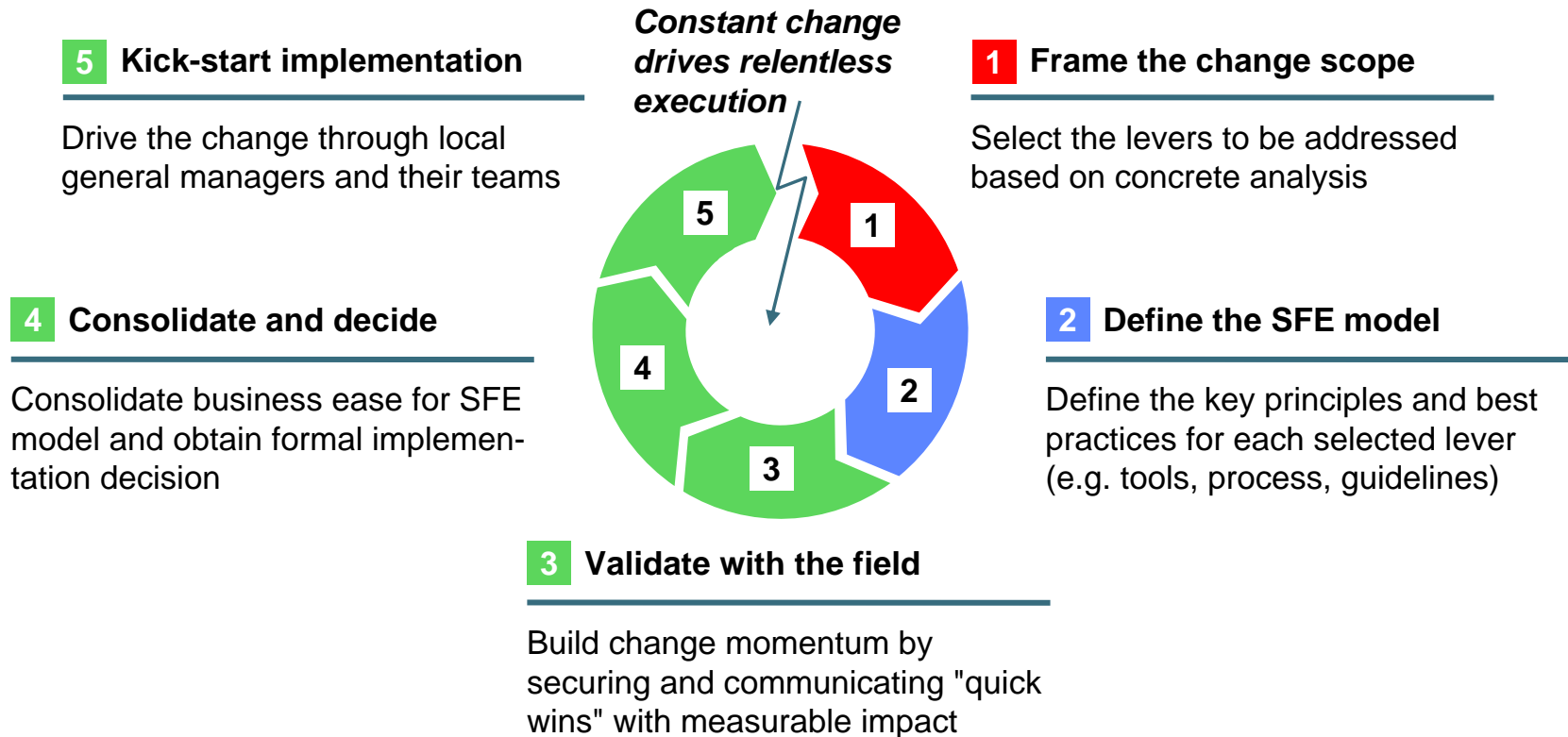
Roland Berger's sales force effectiveness model provides a holistic picture

Key levers of Roland Berger's SFE model



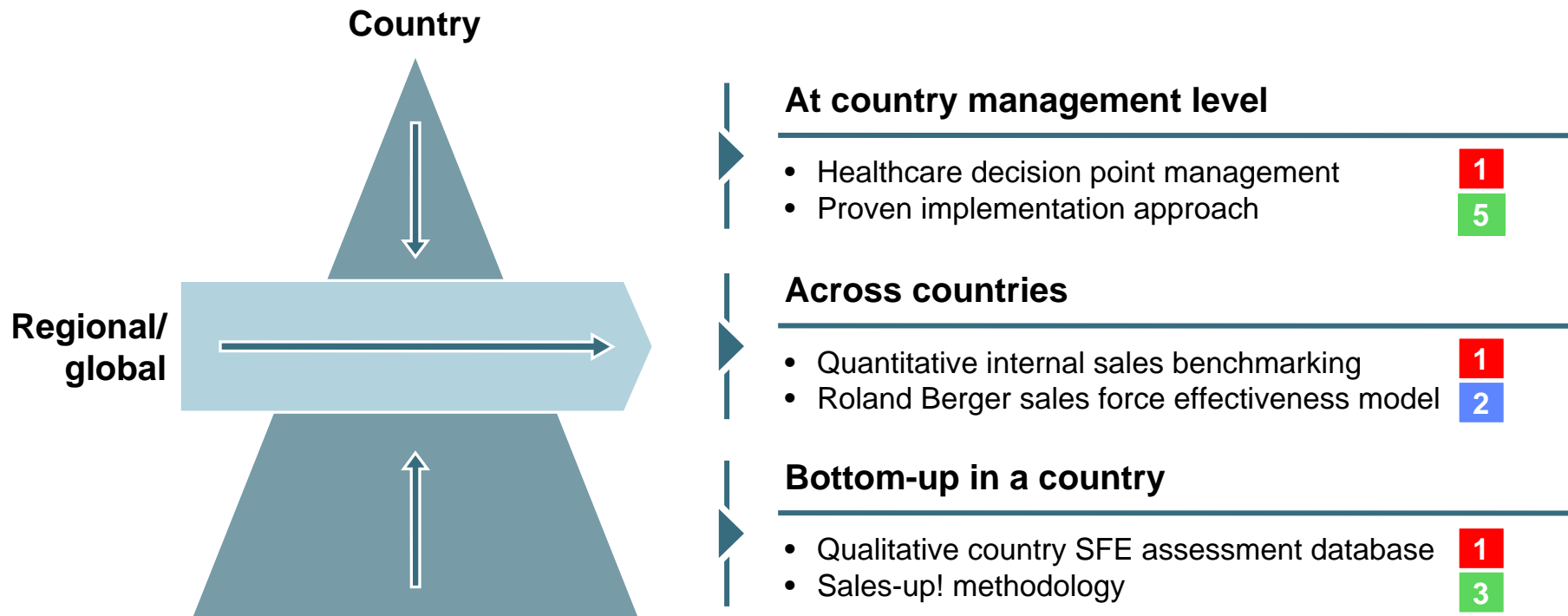
Roland Berger has a proven comprehensive and modular approach

Steps to achieve sales excellence



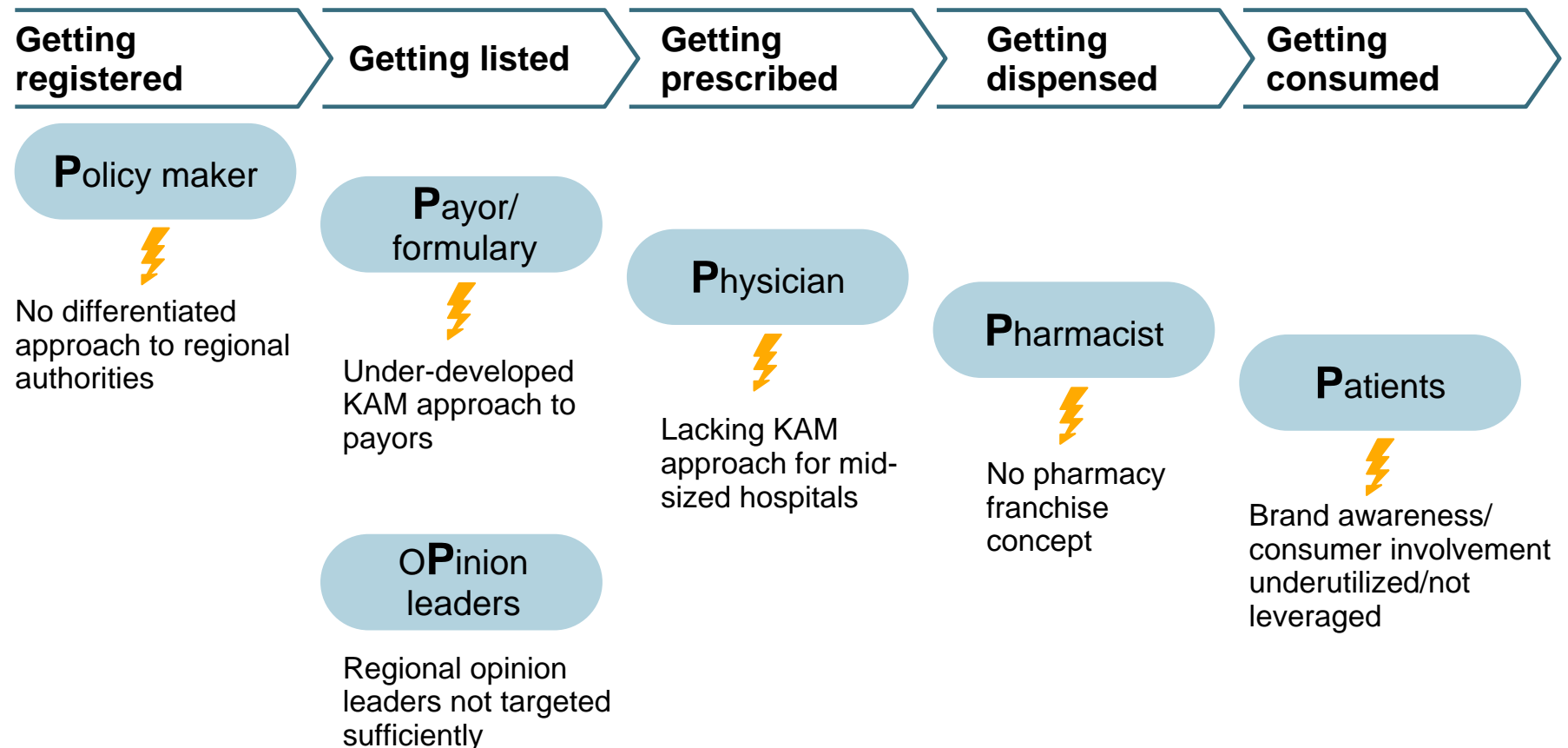
Roland Berger has applicable methodologies and tools at all levels

Selected Roland Berger methodologies and tools



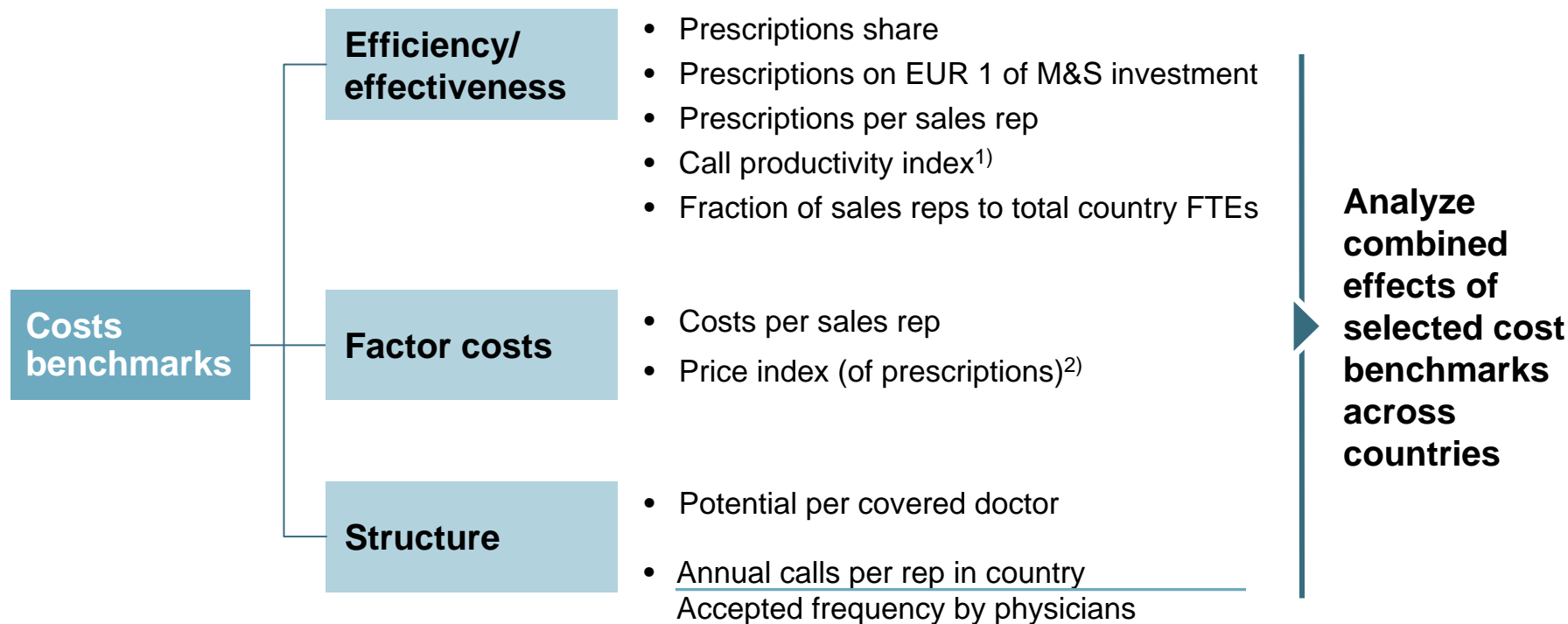
Analyze healthcare decision point management

Roland Berger 6-P analysis



Benchmark sales costs quantitatively across countries

Roland Berger quantitative sales benchmarking approach



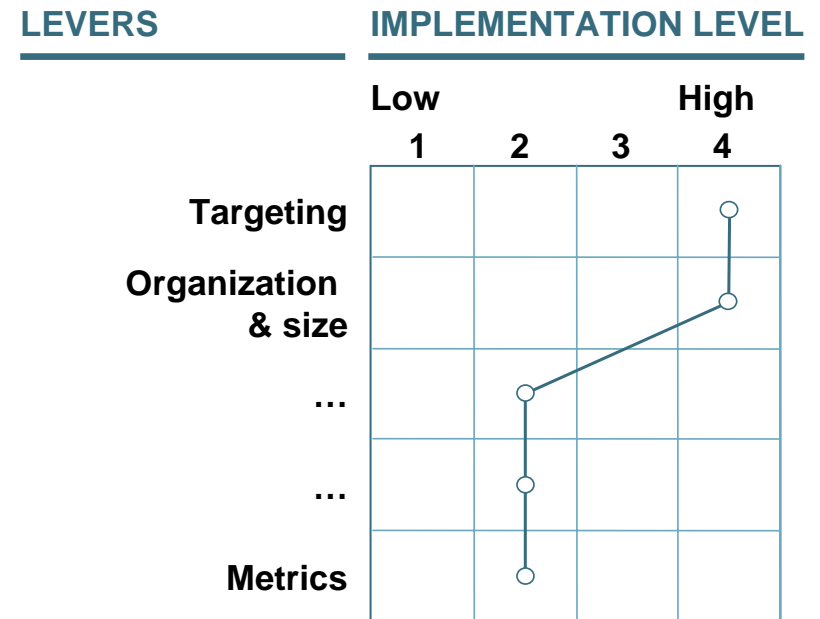
1) Annual calls per rep compared to industry average

2) Only relevant for costs comparisons relative to sales

Assess selected SFE levers qualitatively

Roland Berger qualitative country SFE assessment database

- *Roland Berger SFE assessment database*
- *Focussed set of analysis questions per lever*



- *Consolidated assessment per lever*
- *Complemented with qualitative input on country examples*

Build on our large collection of external examples

Selected external examples

Sales & marketing interactions

PRODUCT TEAM	WHO	<ul style="list-style-type: none"> • Cross functional team with essential sales participation • Core team formed by product manager, product physician, clinical research, district managers
PRODUCT CHAMPION	WHAT	<ul style="list-style-type: none"> • Responsible for development of strategic, operational and marketing plan • Manage entire product life cycle • Prepare action plan and deliver action plan roll-out
ACTION PLAN ROLL-OUT	WHEN	<ul style="list-style-type: none"> • At least quarterly product performance meetings
ACTION PLAN ROLL-OUT	HOW	<ul style="list-style-type: none"> • District managers express field-based view and collect sales force input • District managers gather competitor intelligence • Team leader defines agenda and organizes meetings

Metrics

FIELD FORCE ACTIVITY

- Calls per field day
- Calls per rep
- Meeting contacts per rep
- Field days per rep
- Share of voice
- Manager coaching day share

FIELD FORCE TARGETING

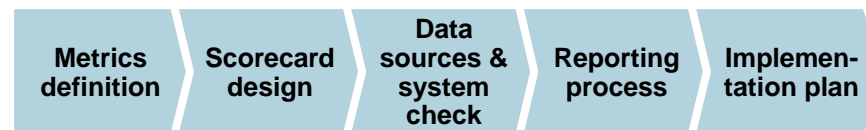
- Coverage rate
- Call allocation rate
- Targeting effectiveness ratio

FIELD FORCE QUALITY

- Coaching days per rep
- Customer satisfaction index
- Call quality index
- Retention of high performers
- Turnover of low performers
- Field force satisfaction index

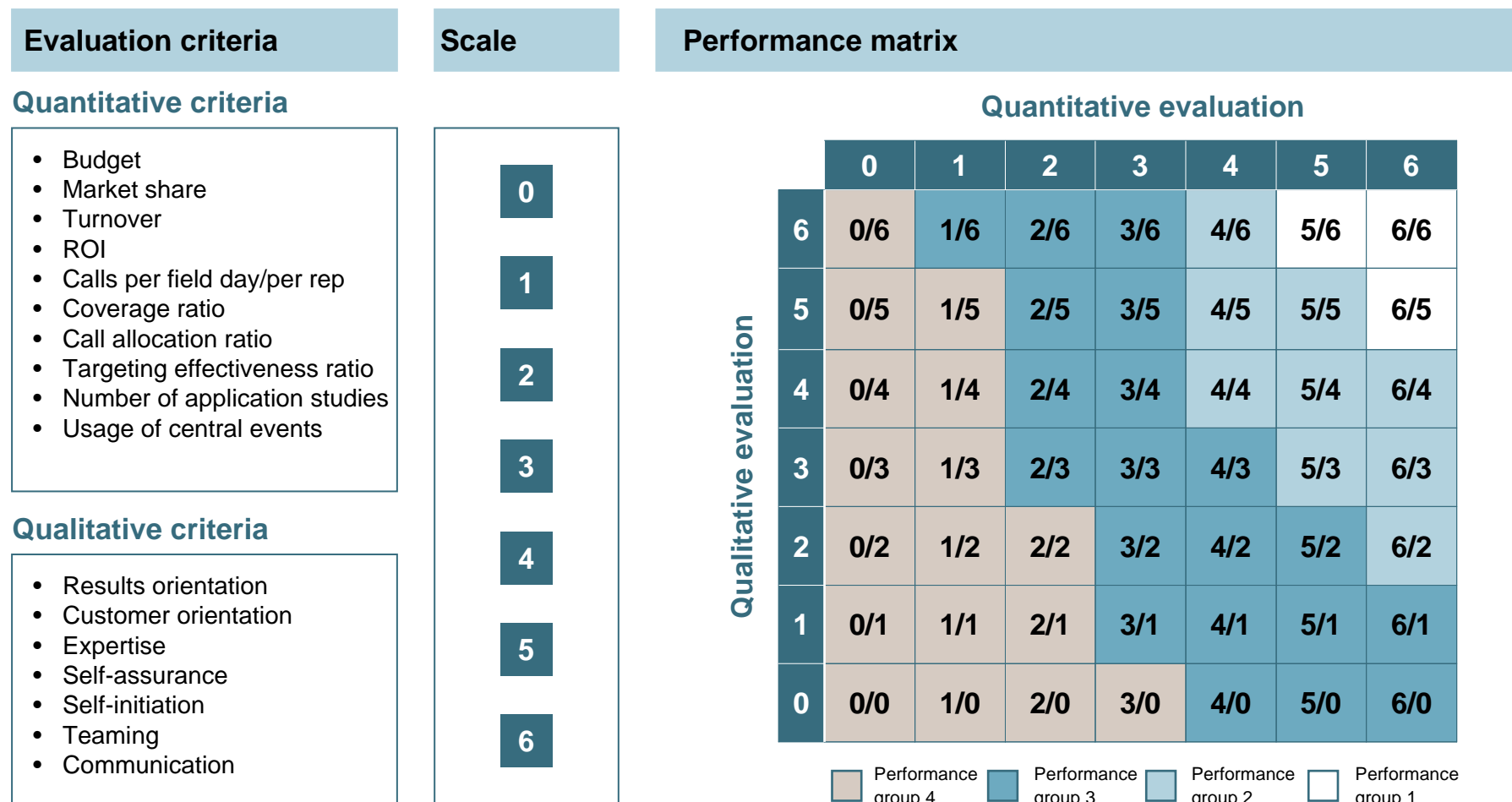
FIELD FORCE PRODUCTIVITY

- Sales per rep (price indexed)
- Sales growth per rep (price indexed)
- Units per call
- Field force cost ratio
- Market share



Quantitative and qualitative criteria for performance assessment

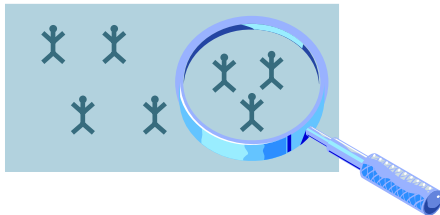
Selected external example for performance



Targeting is about „doing the right calls“

Selected external example for targeting

Targeted customers



- Define **segmentation criteria** to select the most profitable customers (e.g. concentration curve based on potential)
- Document and review the **future potential** of customers regularly
- Cluster the customers and address them consistently as **segments**

Coverage strategy

- **Reach**
- **Frequency**

- Define a specific **coverage strategy** for each segment
- Formulate **reach and frequency objectives** per segment
- Monitor execution by segment on a regular base

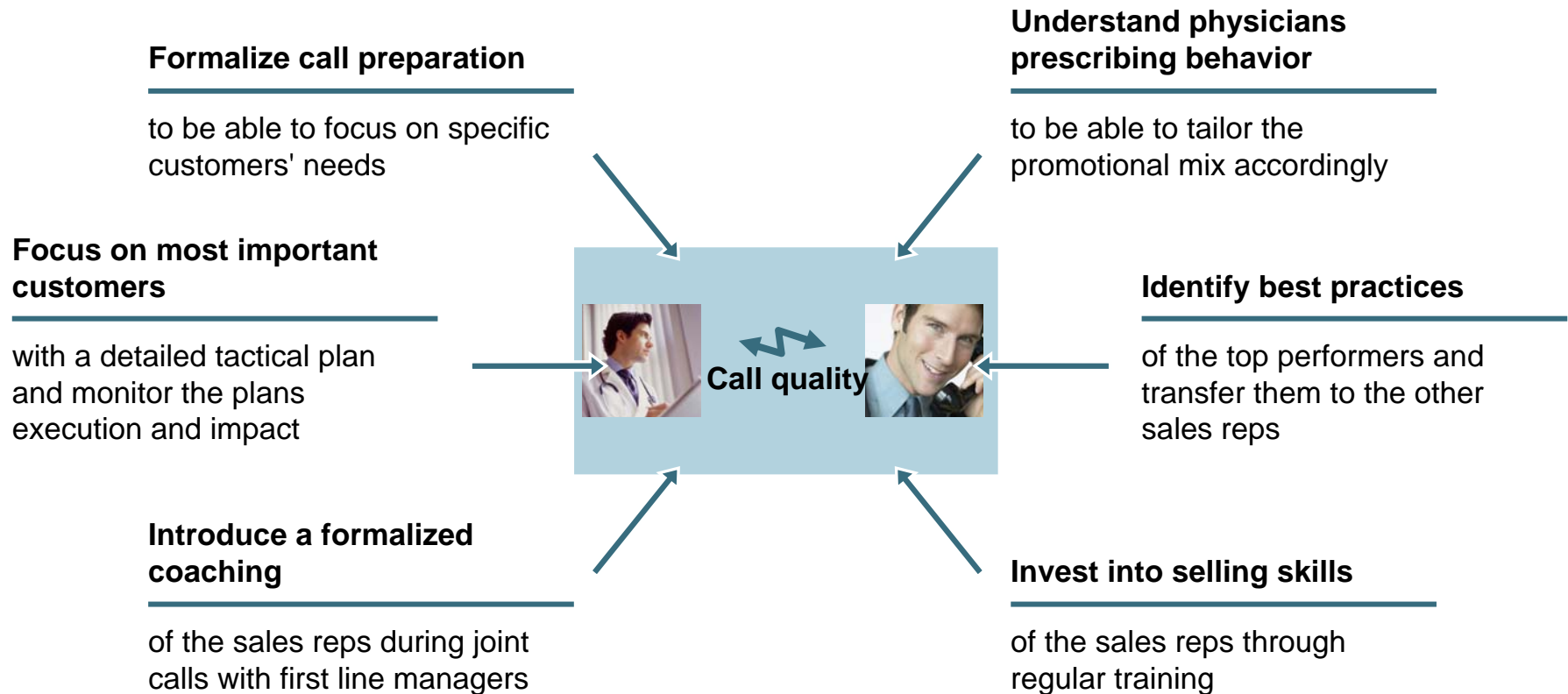
Process, team & measurement



- Define an overall **process** with a clear vision, purpose and value
- Install a **cross-functional team** to execute the process
- Monitor the **effects** of targeting at sales rep/team level continuously

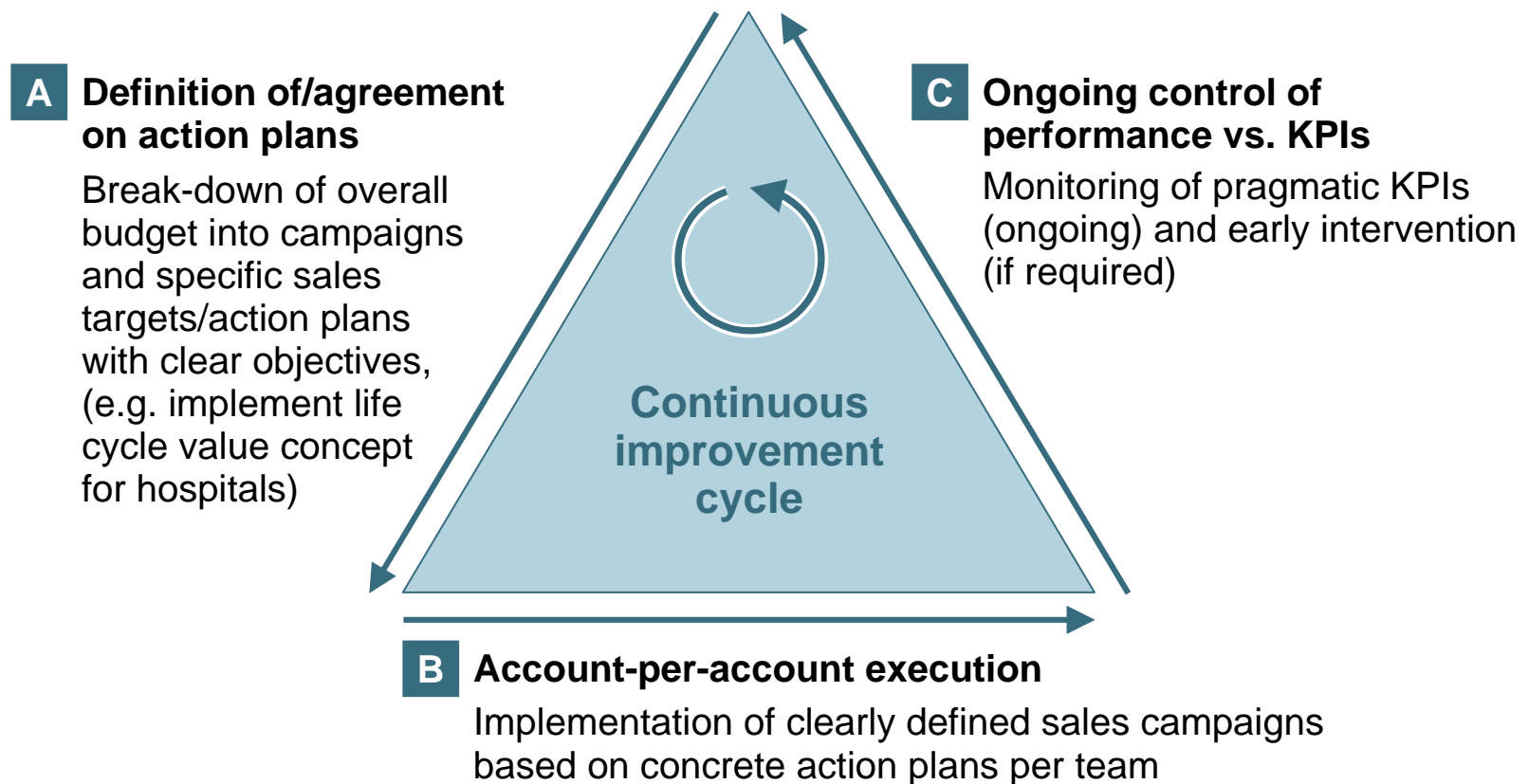
Call quality is about „doing the calls right“

Selected external example for call quality



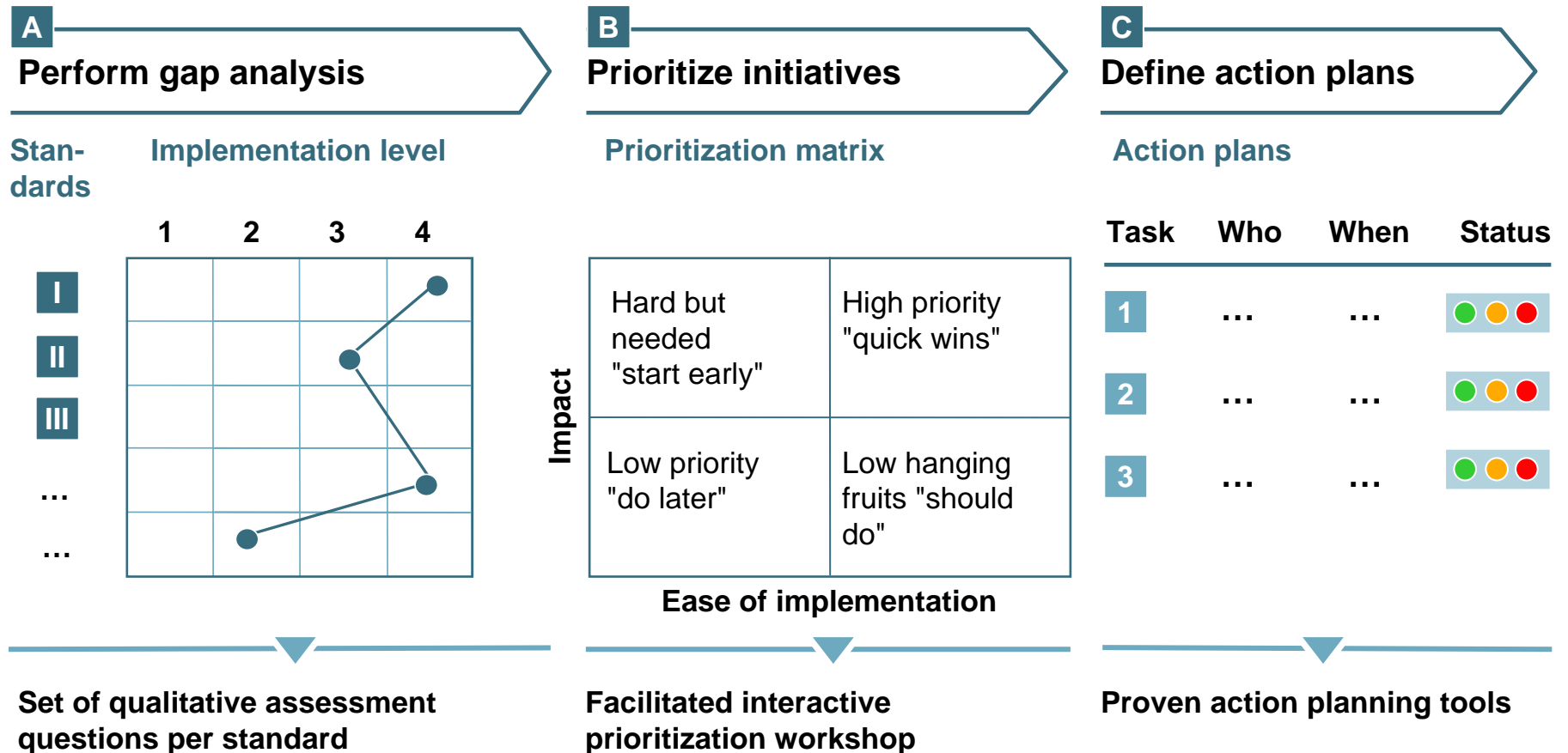
Validate impact through focused field initiatives

Roland Berger Sales up! methodology



Generate the necessary momentum for the implementation

Roland Berger implementation approach



D. Why Roland Berger Strategy Consultants

Driving pharmaceutical sales excellence with Roland Berger

Proven track record with vast pharma sales experience	Tried-and-tested methodologies and tools provided at no costs (e.g. Roland Berger assessment database, healthcare 6-P analysis)
Pharma industry and process expertise	Numerous projects in pharma industry help us understand the problems fast and derive workable solutions, (e.g. pan-European launch strategy)
General sales and marketing expertise	Our Competence Center Marketing & Sales serves as a platform for global best practice solutions (e.g. quantitative sales benchmarking)
Strong healthcare knowledge	We are driving the transformations of national healthcare systems across Europe working for leading payors and providers
Able to manage complexity	Our tools, project methodology and teams help deal with complexity fast and efficiently as more than 900 corporate transformation projects testify
Customized approach	We tailor our methods and models to the customer's specific requirements and provide stringent solutions by working closely with the customer's resources
Mature and highly skilled team	We know the specifics of the pharmaceuticals and healthcare market and can still provide an outside-in perspective

Our key to success: Interdisciplinary consulting teams

Our industry and functional competence centers

<div style="display: flex; justify-content: space-between;"> INDUSTRY CC FUNC-TIONAL CC </div>	Auto-motive	Chemicals & Oil	Consumer Goods & Retail	Engineered Products & High Tech	Financial Services	InfoCom	Pharma & Healthcare	Public Services	Trans- portation	Utilities
Corp. Strategy & Organization										
Information Management										
Marketing & Sales							Consulting Team			
Operations Strategy										
Restructuring & Corporate Finance										

Our Competence Center Pharma & Healthcare ensures industry expertise and extensive experience in Sales Force Effectiveness



- We have detailed project experience in marketing and sales projects for clients in the pharmaceutical and biotech industry in all relevant markets in Europe, the US, as well as Asia

- Numerous marketing and sales projects focusing on effectiveness, efficiency increase, sales coordination and business planning
- We have numerous consultants with hands-on experience working for pharmaceutical companies prior to joining Roland Berger as consultants

- Pan-European Sales Force Effectiveness project
- Marketing and sales efficiency program for a top-10 pharmaceutical company in Europe
- Sales efficiency program for a leading biotech company in Europe
- Sales Up coaching in GP and hospital markets in Germany, France, UK, and Italy
- Regional business plan training for sales organizations
- Sales force organization in Switzerland
- etc.

The Pharma & Healthcare Team comprises an international network of experienced consultants



PHARMA & HEALTHCARE TEAM

- Partners with industry experience in 20 international offices
- About 70 consultants with industry-specific professional experience
- Strong practices in Germany, UK, France, Italy and Spain

Driving sales excellence across Europe through new practices and standards

Case study 1: pharmaceutical Sales Force Effectiveness in Europe

The objectives

- Introduce “selling excellence” practices to improve sales force effectiveness across Europe
- Facilitate international cross fertilization by sharing existing best practices across countries
- Build-up a self-learning organization by continuously evolving standards to the next levels

The approach

- Pan-European core team from largest countries with senior sales and marketing managers
- Dedicated lever sub-teams to develop recommendations how to reach objectives
- Roll out across Europe with a gap analysis followed by detailed implementation planning

The major changes

- Defined cross-functional targeting process with individual sales rep commitment for call plans
- Introduced a comprehensive set of KPIs across Europe (“what gets measured gets done”)
- Formalized a clear performance management process including a performance appraisal model

The results

- Approximately 20 tangible standards defined with concrete tools that can be used across Europe
- Sales excellence model approved for global use by responsible executive committee member
- Training program set-up for local SFE teams to be able to take-on implementation responsibility

The initially European project was rolled out on a global basis

Maximizing launch effectiveness of a first-to-market oncology product in Europe

Case study 2: oncology product launch strategy in Europe

The objectives

- Ensure readiness of all relevant organizational units of the company to maximize launch effectiveness for the client's key oncology product
- Conduct a pan-European country gap assessment regarding launch readiness
- Facilitate roll-out of pan-European launch plan including continuous tracking of execution

The approach

- Pan-European team including general managers, BU heads and senior marketing managers
- Launch readiness assessment along five work streams (Marketing, Medical Affairs, Pricing & Reimbursement, Supply Chain, HR)
- Roll out across Europe with continuous intranet based program management tracking

The major changes

- Major gaps regarding launch readiness identified in most European countries
- Key initiatives to maximize launch effectiveness defined and prioritized for most European countries
- Pan-European launch action plan agreed and followed-up for one year

The results

- Successful first-to-market launch of a new oncology product
- Over-budget sales uptake in first two years after launch
- Action planning tool used also for other projects throughout the organization

Increased launch effectiveness translated into tangible business results

Reorganization and strategic re-positioning of Europe's largest university hospital

Case study 3: reorganization of leading university hospital

The objectives

- Define future business model, considering recent changes of the regional healthcare policy and the identified funding gap
- Reorganize centers of excellence to gain a sustainable competitive advantage in Europe
- Set-up and track a pan-organizational action plan through continuous program management

The approach

- Close cooperation with management and supervisory board
- Overall program management for reorganization and business planning
- Liaison with healthcare policy decision makers

The major changes

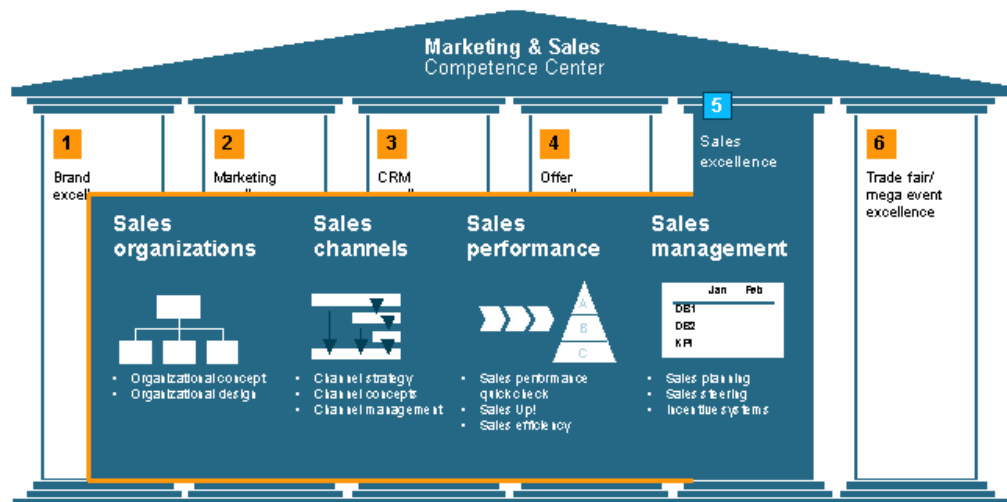
- Redefined short-term and long-term strategy and business plan
- Revised concept for centers of excellence
- Approved concept for the realignment of administration, IT and laboratory medicine

The results

- Identified funding gap addressed by comprehensive business plan
- Action plan for all overhead functions and centers of excellence defined and followed-up continuously
- Initiated first cost savings (e.g. outsourcing of facility management, headcount reductions)

Identified funding gap addressed by a comprehensive action plan approved by advisory board

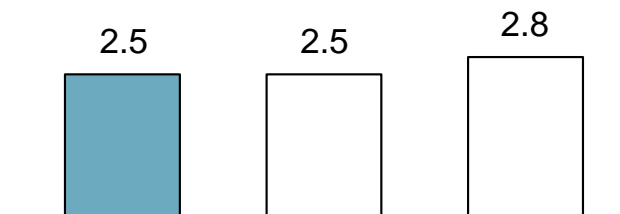
In cooperation with our Competence Center Marketing & Sales, we also ensure access to non-pharmaceutical best practices in sales



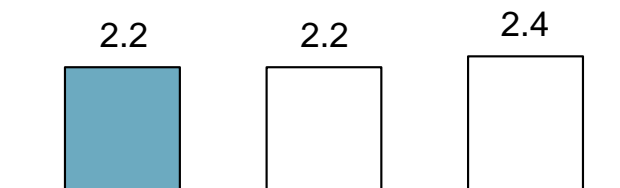
Our consulting approach "Creative Strategies that work" puts us ahead of the competition



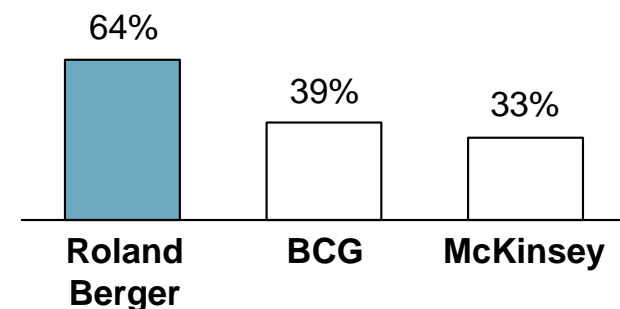
Creativity¹⁾



Experience¹⁾



Implementation success²⁾



1) School grades from 1-6

2) Share of projects with successful implementation

For lasting impact, contact us



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