

# The ‘Science’ of Promotional Planning:

## Evidence-based Analyses Optimize Promotional Returns

BY DAVID GASCOIGNE, IMS HEALTH

Pharmaceutical brands are developed through rigorous scientific research. Sophisticated data analyses propel each critical step forward in the drug development process. Acknowledging this intensive, data-driven process evokes the question: Can a science-driven approach likewise be applied when establishing promotional strategies?

From the very first testing of a novel compound, pharmaceutical companies use information derived during the meticulous clinical research process to make pivotal decisions. The value of this information is unquestionable, as it will determine the success or failure of the compound. Similarly, for pharmaceutical marketers, launching a new drug or managing a mature brand can exceed or fall short of expectations based on a single key element — *accurate, comprehensive information*.

For the pharmaceutical marketer, it is essential to obtain, prioritize and act on the best available information. E-media, the emergence of new promotional channels and declining sales force productivity make promotional allocations and mix planning formidable tasks that are fraught with uncertainty and potential risk. Ad agencies, which excel

at preparing media plans and creative, eye-catching campaigns, typically lack true expertise in rigorous analytics as well as familiarity with and access to the hard data required to inform promotional planning.

Fortunately, today’s professionals have advanced techniques available to them for analyzing information about the marketing environment for promotional planning. These techniques incorporate rigorous scientific methods to assess promotional strategies and their impact on return on investment (ROI) at the brand, portfolio and market levels. In each scenario, marketing managers are able to capitalize on rich information, including benchmarks, analogs, and an array of detail regarding physician preferences, sales volume and performance drivers, to support more effective promotional planning throughout the product lifecycle. Whether marketers are focused on a single brand, an overall portfolio, or multiple countries across a region or around the world, there is evidence that highly scientific methodologies can be applied to produce higher returns.

Real-world case studies illustrate this concept and show how taking a more analytical, evidence-based approach can optimize promotional investments and generate more effective — and at times economical — sales and marketing strategies.



David Gascoigne is vice president, global promotion management at IMS, where he oversees new offerings development, ensures global consistency and alignment of offerings and spearheads thought leadership initiatives for the company’s promotion management information, analytic and consulting services on a worldwide basis. He can be reached at [dgascoigne@us.imshealth.com](mailto:dgascoigne@us.imshealth.com).

## OPTIMIZING A CHANNEL WITHIN A PORTFOLIO

Managing a brand's promotional mix is fundamental to pharmaceutical marketing. While achieving the right balance between personal and non-personal promotion may seem like a simple objective, the myriad promotional tactics that can be deployed across each of these options bring great complexity to the task at hand. Marketers often build plans based on prior-year activities, with little insight to how changes to the mix can yield significant increases in brand performance. Building greater analytics into the planning process can uncover new growth opportunities and eliminate the risks and uncertainties inherent in change.

**BACKGROUND:** A top pharmaceutical company wanted to understand the impact of key promotional activities on brand performance and to optimize the impact of the promotional budget. The marketing team also wanted to determine whether their revenue target was achievable given their planned spend and proposed allocation. The brand in question was in a relatively new drug category, yet a late entrant in the U.S. market — lagging the market leader by nearly four years. All drugs in the category had used branded and disease awareness direct-to-consumer (DTC) marketing over the past several years. The company sought to apply evidence-based analytics to determine the optimal DTC budget within the context of the total promotion mix for the brand.

**APPROACH:** The analytical approach integrated a comprehensive research design that utilized diverse yet rich data sources, prescriber preferences and attitudes, and analog brand behavior. Both branded and unbranded programs were examined, with a focus on ROI and impact on product performance. A rigorous process was employed;

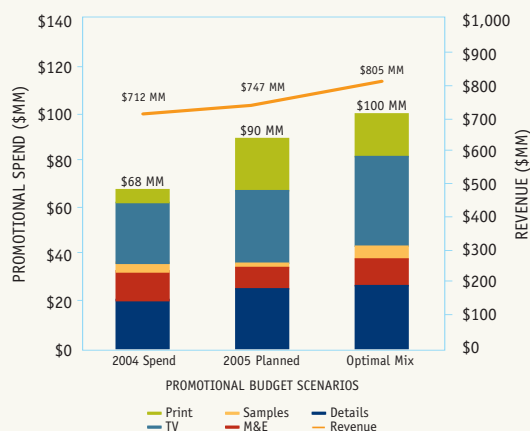
this included evaluating measures for modeling based on business objectives, examining trends and analogs in the market category, developing models to assess the impact of promotions, using these to analyze ROI, developing key conclusions, and identifying implications for future professional and DTC promotions.

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**OUTCOME:** The analysis pinpointed the impact of promotional practices and surfaced important strategic insights: Given the current response to promotional activities and market dynamics, brand performance would fall considerably short of its target. However, modest increases in the promotional budget would in turn drive significant increases in revenue — as much as \$58 million with only a \$10 million budget increase. This increase could be used to expand the current DTC program to include prime time television. In addition, the company learned that it should focus more on print advertising, which, contrary to what most marketers and promotion management experts often think, typically generates a higher ROI than television spots. This strategic reallocation projected a 25 percent-plus increase in overall ROI for the brand. (Fig. 1)

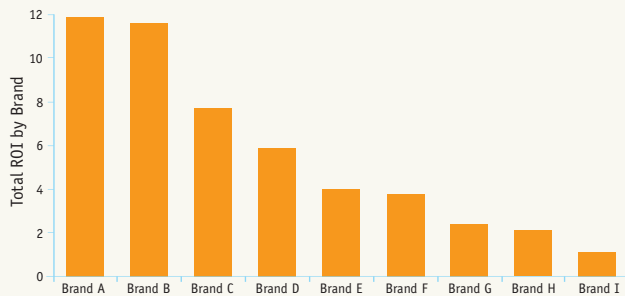
### FIG. 1 MODEST BUDGET INCREASES YIELD REVENUE GAINS OF \$58 MILLION

MIX ANALYSIS DETERMINED THAT, GIVEN THE CURRENT RESPONSE TO PROMOTIONAL ACTIVITIES AND MARKET DYNAMICS, BRAND PERFORMANCE WOULD FALL CONSIDERABLY SHORT OF ITS TARGET. BY INCREASING THE BUDGET BY ONLY \$10 MILLION, AS MUCH AS \$58 MILLION IN INCREMENTAL REVENUE CAN BE GAINED. THIS BUDGET INCREASE COULD BE USED TO EXPAND THE CURRENT DTC PROGRAM TO INCLUDE PRIME TIME TELEVISION AND GREATER EMPHASIS ON PRINT ADVERTISING, WHICH TYPICALLY GENERATES A HIGHER ROI THAN TELEVISION SPOTS.



## FIG. 2 RECHANNELING THE PROMOTIONAL SPEND DRIVES \$300 MILLION IN ADDITIONAL REVENUES

BRAND-LEVEL ANALYSES ARE AN IMPORTANT FIRST STEP IN ESTABLISHING PROMOTIONAL PLANS FOR A FRANCHISE OR PORTFOLIO. ONCE COMMON RESPONSE AND ROI MODELS ARE UTILIZED, CROSS-BRAND AND CHANNEL COMPARISONS CAN BE MADE, WHICH IN TURN FUEL SCENARIO PLANNING THAT MODELS REVENUE AND ROI BASED ON VARYING LEVELS OF MIX AND INVESTMENT. IN THIS EXAMPLE, SUBSTANTIAL VARIATIONS IN THE INDIVIDUAL BRAND-LEVEL ROI SUGGEST THAT INCREMENTAL REVENUES OF \$300 MILLION CAN BE ACHIEVED THROUGH BUDGET AND MIX REALLOCATION ACROSS THE PORTFOLIO. THESE REALLOCATIONS INCLUDED SPECIFIC RECOMMENDATIONS FOR KEY PROMOTIONAL CHANNELS AND BRANDS, ALL WITHIN THE AVAILABLE PROMOTIONAL BUDGET.



	Brand A	Brand B	Brand C	Brand D	Brand E
Details	↑	↑	→	↓	↓
Samples	↑	↑	↑	↑	→
Meetings & Events	↑	↑	↓	↓	↓
Journals	→	↑	→	↓	↓

### OPTIMIZING THE MIX ACROSS THE PORTFOLIO

More rigorous analyses also can refine the overall promotional mix, which includes detailing, e-marketing, sampling, meetings & events, public relations, and journal-related activities. This “mix” serves to enhance the overall performance for a pharmaceutical company’s portfolio from new products to more mature ones. By developing scenarios that can predict incremental revenue growth, companies can establish appropriate budgets — and more effectively allocate funds across various promotional channels. Modeling the ways in which different funding scenarios affect revenues and portfolio performance over time yields critical information that ultimately improves ROI and strengthens a company’s competitive edge.

**BACKGROUND:** A major pharmaceutical company wanted to look at its promotional investments across a nine-brand portfolio to identify major spending inefficiencies and to use the findings to maximize the impact of the company’s promotional investment across the nine brands. Traditionally, the company established promotional strategies and budgets for each brand individually. However, it couldn’t make promotional effectiveness comparisons across brands, nor was it able to pre-determine what brand — and overall portfolio — performance would be given various promotional budget levels and allocations.

**APPROACH:** The analysis incorporated models that were built according to physician specialties and product form/strength, demonstrating the percent of annual prescriptions written by physicians that were contributed by each major promotional channel, and was supplemented with additional promotional data. Response curves and marginal ROI curves were subsequently developed to support multiple optimization scenarios, which demonstrated the ways in which brand performance was impacted by shifts in funding and channels. In addition, numerous benchmarks were utilized to compare and analyze the impact of detailing, samples and DTC given that the brands were in different phases of the product lifecycle.

**OUTCOME:** Findings demonstrated there was opportunity for substantial reallocation of the total promotional budget across the portfolio. Scenarios were developed that suggested that incremental revenue growth of up to \$300 million could be achieved with the current budget — depending on the degree of reallocations of funds across brands and the optimization of the promotional channel mix within brands. This substantial gain demonstrates the power of evidence-based analytical approaches and has significant implications for franchise leaders, who often make difficult trade-off decisions without being able to predict the short- and long-term impact these choices will have on their portfolios. (Fig. 2)

## OPTIMIZING THE MIX ACROSS COUNTRIES

Cross-geography planning presents similar opportunities for enhancing promotional efficiencies and effectiveness. Optimizing the promotional spend for pharmaceutical products is a process that entails examining the level of promotion required to achieve brand sales goals in a specific region; determining the optimal allocation of investment across a market that encompasses many countries; and leveraging the most efficient mix of promotion channels in each country's market. Disparate data sources, geographic differences, and pricing and payer influences make cross-country/cross-region comparisons particularly challenging, but advanced analytic techniques illuminate areas of marketing and promotional opportunity.

**BACKGROUND:** A vice president of marketing for a major pharmaceutical company wanted to meet an expected level of promotional ROI for a new drug launch. The drug was in a highly competitive class that included varying levels of promotion across the region. Uptake of the drug class was known to be generally slow due to payer-imposed restrictions. Additionally, it was acknowledged that breaking through to a more standardized use of the drug class would require concentrating promotion against the primary prescribers of the class. Comprehensive analysis of 22 markets was used to create analogs that would help establish — and optimize — promotional budgets in the first three years. Such comparisons to historical references provided an invaluable business context to make optimal allocation decisions.

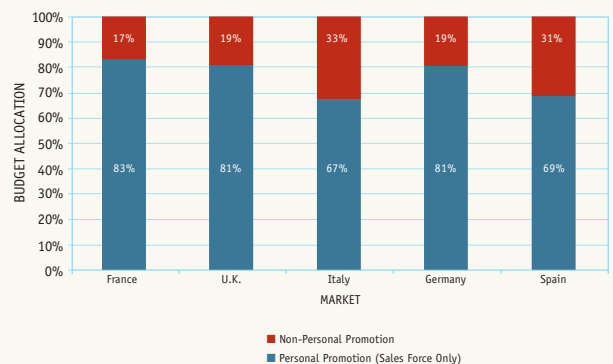
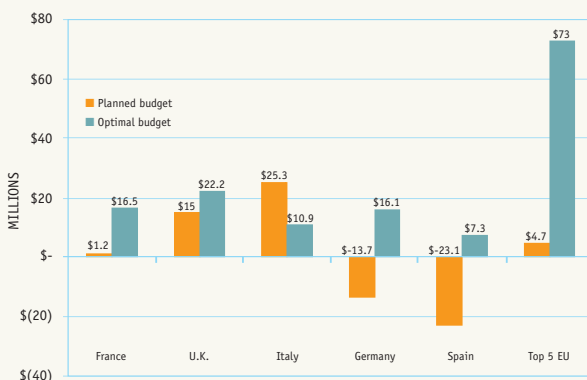
**APPROACH:** Analyzing 22 diverse markets presented numerous obstacles, so local factors such as retail vs. non-retail, GP vs. specialist prescribing mix, market size and potential, and pricing and market access factors were examined and clustered based on their similarities. Primary research and secondary data provided further inputs to the creation of predictive promotion response models, which drew heavily on promotional benchmarks to test the reasonableness of spending in each country. In this manner, the ideal promotional budget by major channel for selected markets was identified, along with additional insights on the merits of personal and non-personal promotion.

**OUTCOME:** For the launch brand, the share of the expanded drug class was estimated by using extensive analog analysis. Market share was projected which related Year 3 exit volume share to three-year average promotional share of voice. This methodology generated recommendations for the optimal promotional budget and provided specific guidance for managerial consideration. Interestingly, the major competitors in the class appeared to have under spent on personal promotion for collective market launches. Further analysis indicated that greater emphasis on personal promotion across the EU compared to what was originally planned for the brand would generate additional revenues. By optimizing both the mix of promotion as well as the weight, \$68 million in incremental revenue could be realized versus that which had been projected under the original planned budget. (Fig. 3)

*continued*

### FIG.3 COUNTRY-LEVEL ANALYSES UNCOVERS \$68 MILLION IN INCREMENTAL REVENUES

TO EXECUTE EFFECTIVE PROMOTIONAL PLANNING ACROSS MULTIPLE COUNTRIES, LOCAL MARKET DYNAMICS WERE EXAMINED AND FACTORED INTO SUBSEQUENT CHANNEL AND BRAND ANALYSES. AFTER EXTENSIVE ANALOG MODELING, THE OPTIMAL WEIGHT AND MIX FOR BOTH PERSONAL AND NON-PERSONAL PROMOTION WAS ESTABLISHED. THROUGH THIS ITERATIVE APPROACH, AN ADDITIONAL \$68 MILLION IN INCREMENTAL REVENUE OPPORTUNITY WAS IDENTIFIED VS. WHAT WAS PROJECTED UNDER THE ORIGINAL BUDGET.



## ANALYTICAL RIGOR DRIVES BETTER RESULTS

Multi-dimensional approaches to building and applying analogs illuminate important strategic insights for promotion optimization, and are a clear input to achieving a truly optimized promotional mix. Advanced techniques are available today, but remain largely unexploited by pharmaceutical companies, who may lack the expertise, resources or access to analogs and benchmarks required to fully apply them.

Increased competition, regulatory challenges and a rapidly globalizing market make infusing greater analytical rigor into promotional planning a strategic imperative. By taking a more evidence-based, analytical approach, pharmaceutical companies of all sizes and specialties can gain a significant competitive advantage and enjoy greater commercial success. •

## Test your knowledge of pharmaceutical promotion

1. During the first year after launch, detailing is the most important means of driving brand performance. How much is a 1% detail share of voice typically worth compared to 1% sampling share of voice?
  - A. 3 times a 1% sample share of voice
  - B. 5 times a 1% sample share of voice
  - C. 10 times a 1% sample share of voice
2. You're launching a new brand, and management is expecting a 10% market share within the first year on the market. In order to hit this target, what promotional share of voice will be required?
  - A. 10% share of voice
  - B. 20% share of voice
  - C. 30% share of voice
3. Most pharmaceutical promotion has focused on which of the following as a means of achieving sales goals?
  - A. Increasing new patient starts (acquisition)
  - B. Switching patients from other brands
  - C. Driving patient compliance/persistence
4. What is the typical ROI for DTC advertising?
  - A. DTC doesn't have a positive ROI; it generates negative returns
  - B. Break-even
  - C. 2 to 1
  - D. 5 to 1
  - E. 10 to 1
5. When managing a portfolio of brands, should the level of promotional budget always be related to the brand size?
  - A. Yes
  - B. No
6. In many instances, pharmaceutical companies can increase sales for a given brand or portfolio by reallocating the current promotional mix (spending and/or channels) without increasing budgets. What's the typical sales increase that can be expected via promotion mix optimization?
  - A. Up to 10%
  - B. 10 – 20%
  - C. Greater than 20%

## PROMOTIONAL PLANNING: KEY POINTS TO CONSIDER

- Many pharmaceutical companies assume that bigger brands require arbitrarily larger budgets than smaller brands. IMS analysis across multiple brands and therapy areas suggests that, in many instances, promotional programs for larger brands deliver diminishing returns and are over-funded. Smaller brands often deliver higher returns on promotional investment, a key consideration when establishing budgets and promotional plans for a franchise or portfolio. Companies can achieve greater gains for the same level of overall investment, potentially breathing new life into languishing brands or capitalizing on competitive dynamics.
- Promotional plans and budgets are often established based on historical activities and spending. IMS analysis suggests that significant revenue gains are achievable within 12 months if these plans are re-examined and optimized. The gains represent untapped growth opportunities and are particularly significant in crowded markets where multiple brands compete for market share and share of voice.
- IMS analysis of nearly 100 brand-specific studies on DTC advertising, including the impact of both branded and unbranded campaigns across print and television shows that, under the right circumstances, and using appropriate planning and measurement models, DTC delivers a positive ROI that is, on average, 2:1. Further analysis across IMS's normative database of DTC campaigns and related ROI suggests that there are three often-related brand and market characteristics that influence the ROI for DTC advertising:
  - The size of the brand and marketplace
  - The level of persistency (refill rates)
  - The price of the brand
- Too often, pharmaceutical companies overemphasize new patient starts as the primary means of achieving performance targets. IMS consultants have found that patient compliance and persistence represent an area of significant — and underutilized — opportunity when it comes to setting brand strategy and meeting or exceeding brand goals.