Regional Marketing: Healthcare in a Whole New Light

An Essential Part of the Marketing Mix for Marketing and Sales Executives

With rapid changes in the market, healthcare reform, and a new emerging commercial model, driving brand performance is increasingly challenging. Tighter budgets and smaller sales forces make it more difficult than ever to get your message to healthcare professionals (HCPs).

However, rapid change creates opportunity. One aspect of this change is the fact that millions of previously-uninsured consumers will be entering the healthcare market, thus creating a significant opportunity for companies that are prepared. This preparation begins with understanding how healthcare reform, the new commercial model, and other market factors will impact the pharmaceutical industry and, ultimately, brand performance.

Regional marketing is now an essential element of the marketing mix, resulting in increased return on investment for many brands. In order to capitalize on so many market changes, marketing and sales executives need to view healthcare in a whole new light.

HEALTH REFORM TODAY

The Patient Protection and Affordable Care Act was signed into law in March 2010. This law, combined with the Reconciliation Bill also signed in March, represents the most substantial change to the health system since the passage of Medicare. In fact, the Congressional Budget Office estimates that approximately 32 million previously-uninsured consumers will gain healthcare coverage with these new laws.[1] Opinions vary on how this influx of newly-insured patients will impact the pharmaceutical industry. Citigroup analyst Charles Booradу estimates that U.S. drug sales will be four to six percent higher by 2019 as a result of health reform.[2] Others argue that drug manufacturers will bear the initial costs of drug reform. One fact, however, is generally accepted; health reform is impacting the commercial payer landscape and this will require change in pharmaceutical marketing strategies. In other words, those who do not adapt to the new landscape will suffer the consequences.

Additionally, the closing of the Medicare Part D prescription drug coverage gap, the infamous Part D "donut hole," will significantly increase pharmaceutical volume from the senior market. The Centers for Medicare and Medicaid Services (CMS) project that healthcare spending will account for nearly 20% of GDP by 2017.[3]

NEW COMMERCIAL MODEL IN THE PHARMACEUTICAL INDUSTRY

Rapid change in the market is driving a trend toward a new commercial model—one in which customization at the portfolio and environment levels is necessary. The new commercial model must recognize regional differences and amplify the need for regional strategies and promotion to adapt to the changing landscape.

The convergence of these changing market factors causes pharmaceutical brand marketers to rethink current strategies and processes. With so many new consumers entering the market, understanding the factors that influence brand performance at a regional level is critical.

Other factors to consider:

- Increased managed care controls will impose stronger restrictions on physicians' prescribing options, resulting in greater regional variation in Rx performance.
- The increase in scrutiny by state and federal regulators of pharmaceutical sales practices is expected to continue.

Healthcare spending will account for nearly 20% of GDP by 2017.[3]

- Rapidly-changing characteristics of the U.S. population will result in substantial pockets of differences in prescription drug sales potential due to age, income, ethnicity, and the ability to pay within smaller and smaller geographies.

- Increased access to information by the patient in a self-directed manner will render some marketing efforts more effective and others less efficient.

- Physician time constraints will continue to decrease sales representatives' access to HCPs.

Regional marketing, as a complement to a company's national brand strategy, is becoming a crucial component of marketing plans in today's rapidly-changing marketplace.

With so many variables impacting healthcare stakeholders, pharmaceutical companies must look deeper into the data to thrive in today's environment. Thus, regional marketing, as a complement to a company's national brand strategy, is becoming a crucial component of marketing plans in today's rapidly-changing marketplace.

So, when should pharmaceutical marketers consider regional marketing? The answer lies in whether the brand has regional variation.

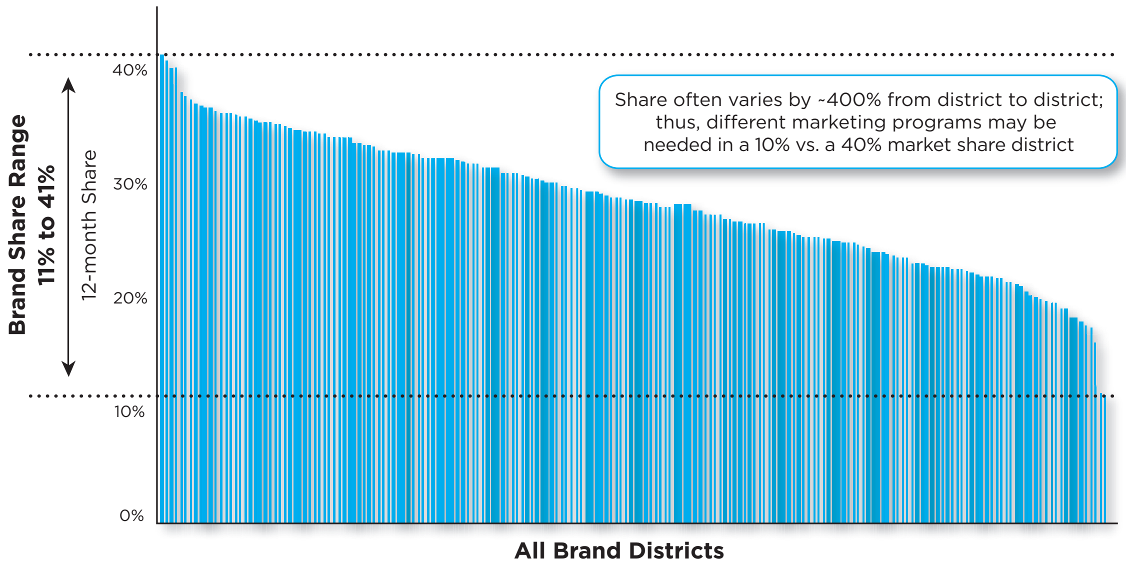
Regional Variation

The chart below illustrates variations in brand performance by region for a sampling of major disease states. The national market share for each brand is listed in the middle column, with low region and high region on either side. Notice the wide range in market shares; the high region often has twice the share of the low region, and in some instances the high region has four times the share of the low region.

CATEGORY	Region—Low	National Market Share Index	Region—High
ONCOLOGY	22.2% Pittsburgh	31.7%	45.6% San Diego
DIABETES	4.9% Los Angeles	8.0%	11.7% Minnesota
ANTI-PSYCHOTIC	3.3% New Jersey	6.5%	11.8% West Virginia
PAIN	6.3% Boston	12.4%	26.7% North Dakota
COPD	15.7% San Francisco	21.0%	33.4% Knoxville
NERVE PAIN	4.2% Massachusetts	9.8%	18.1% Corpus Christi
YOUR BRAND	???—???	??	???—???

In fact, market share for most brands can vary by as much as 400% from district to district across the U.S. (see graph below). Logically, the lower market share districts will need different programs to boost share compared to the higher market share districts. Treating all districts the same will result in lower performance, under-utilized resources, and missed opportunities.

Most Brands Have Wide TRx Share Variability



Two Markets... Same Product... Polar Opposites

While data analysis and segmentation approaches are prevalent when preparing national marketing plans, the exercise is seldom performed at the regional or district level. National averages often mask the true variation that exists on a region-by-region, district-by-district basis, and the causes of the variation go undetected.

Treating all districts the same will result in lower performance, under-utilized resources, and missed opportunities.

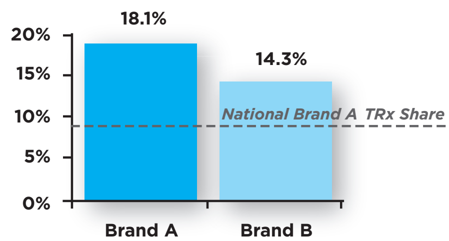
For example, two markets were examined for the same pain drug. The markets are similar in size, market opportunity, and formulary status, but the data shows polar-opposite results (see graphs on next page).

When conducting analysis at the market/district level, one is able to determine that the first market is a "Brand Receptive" competitive market, meaning there is high use and reimbursement for leading branded products, while the other is a "Sales Force Access" competitive market, meaning there is limited rep access to physicians, resulting in poor call plan performance. The polar-opposite results of these two markets illustrate differences in the key market drivers that lead to the varying Rx performance.

Brand Receptive Market

Annual Sales, Brand A: **$17 MM**
NRx Volume Growth: **24%**

Regional TRx Share Performance

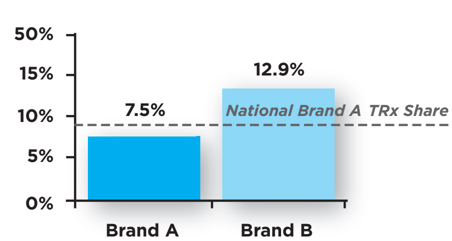


Key Market Drivers:
• Prescriber (Specialists—High Market Share)
• Prescriber (PCPs—Average Market Share)

Sales Force Access Market

Annual Sales, Brand A: **$7 MM**
NRx Volume Growth: **9%**

Regional TRx Share Performance



Key Market Drivers:
• Place (Sales Force—Poor Reach)

Additional expertise is required to formulate programs and deploy action plans based on this strategic foundation.

On its face, one might conclude that the rep in the “Brand Receptive” market is simply better at his or her job than the rep in the “Sales Force Access” market. Traditionally that has been a common viewpoint. However, analyzing the data from these markets shows that there are many drivers impacting results beyond just the reps.

Once the market drivers are understood, it becomes apparent that each market requires different strategies and tactics to improve results. For example, in the “Brand Receptive” market Brand A is the market leader, so it has significant opportunity to broaden the base of prescribers and thus drive product performance by educating PCPs with local specialists. On the other hand, in the “Sales Force Access” market Brand A faces significant competition from other brands, so it needs a strategy to grab market share. That market may require field force access and non-personal promotion strategies that improve reach with target physicians.

These strategies will lead to regional program development and deployment that will be different—yet effective—for the respective markets. Developing strategies targeted to the specific regional drivers can significantly enhance brand performance while reducing inefficient marketing spending on tactics that won’t work for that region.

Considerable depth of experience is required in translating the analyses produced by multiple data sets to generate insights that form the foundation of a regional strategy. Additional expertise is required to formulate programs and deploy action plans based on this strategic foundation. Translating insights to recommendations for action that will have a high probability for success should involve the brand team, regional marketing personnel, and the assistance of a deeply-experienced regional marketing services partner.

Making Regional Marketing Scalable

To make these insights worth the brand's time and resources, regional strategies, programs, and deployment need to impact more than just the individual "Brand Receptive" and "Sales Force Access" markets (previous page). Identifying other markets with similar drivers is critical to making this regional approach scalable.

However, if done right, enhancing your marketing plan with regional strategy, marketing, and deployment can significantly enhance your brand's sales performance. A regional approach identifies specific opportunities for regional sales growth and/or market share increases that national marketing plans may not fully recognize or prioritize if plans are made based on national averages only.

To develop a plan, brand marketers must first understand market variations and the key drivers behind these variations. Even though formulary continues to be a key predictor of market share in many geographies, other market drivers can have a significant impact on brand performance at the market level.

The drivers that have been shown to impact product performance at the local level are listed below.

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Key Drivers of Regional Performance: The 6 Ps

Payer	Dynamics of the entities financially responsible for healthcare and Rx (e.g., Government, Employer, Cash)
Provider	Dynamics of the entities administering the healthcare and Rx processes and facilities (e.g., Health Plans, Integrated Delivery Systems, PBMs, Hospitals, Clinics)
Population	Patient dynamics influencing healthcare choices and Rx use (e.g., Age, Gender, Income, Education, Ethnicity, Disease Prevalence)
Prescriber	Dynamics of the parties advising patients on healthcare and Rx (e.g., Specialty, Affiliations, MDs/1,000 patients)
Product	Product's market-level performance relative to the nation and competition (e.g., Sales $, NRx Share and Volume, Compliance)
Place	Additional dynamics for the market providing context for the other drivers (e.g., Field Force, Political Environment, Legislation)

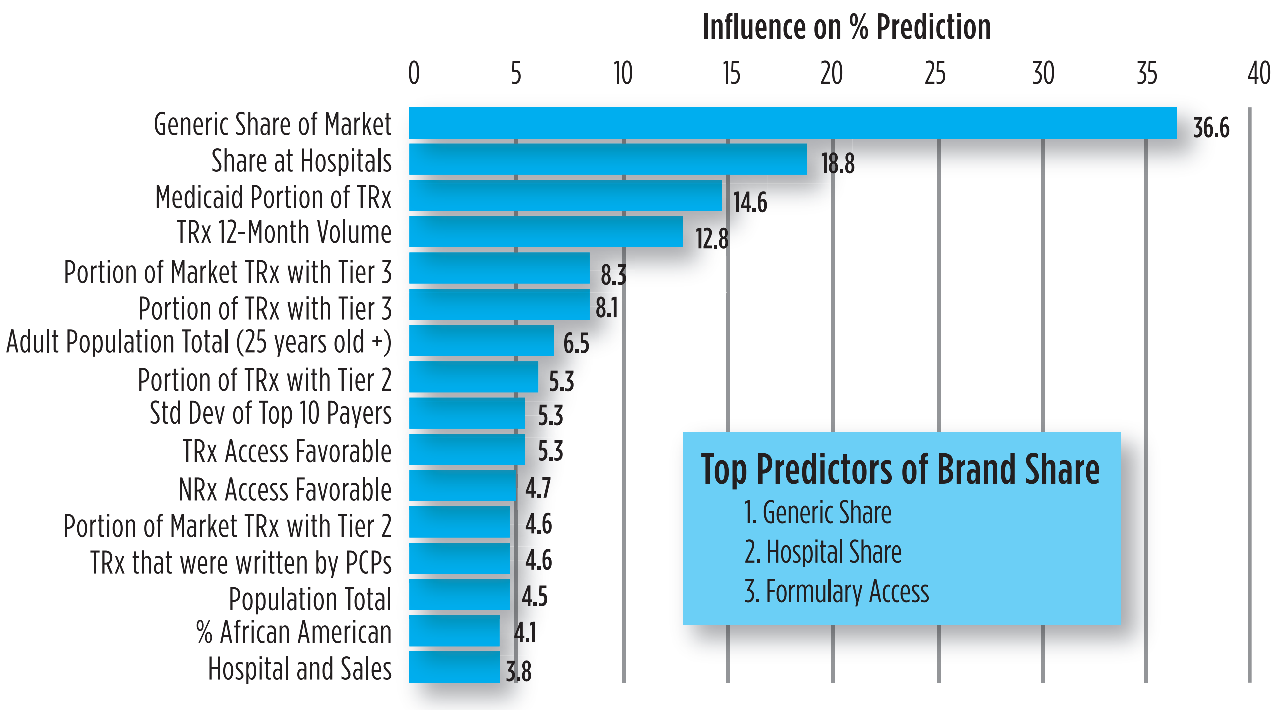
A market driver analysis uncovers the key district-level drivers that correlate to brand performance.

MANAGING THE SIX Ps—MARKET DRIVER ANALYSIS

With the many regional factors impacting your ROI, and the variations that can occur by market, region, and district, it's easy to become overwhelmed by the data and revert back to the safety zone of a one-size-fits-all marketing strategy. The companies that will succeed in today's marketplace are the ones that find a way to leverage all of this data in a manageable way. Furthermore, sales leadership should be focused on the unique market drivers within their region—with the right strategies and tactics. Consider the benefits of a detailed data analysis for your product portfolio or brand. A market driver analysis uncovers the key district-level drivers that correlate to brand performance.

In the example below, one major brand recently conducted a market driver analysis. More than 150 variables from the 6Ps (Payer, Provider, Population, Prescriber, Product, and Place) were analyzed across districts using both single and multivariate regression to look for positive and negative correlations to brand performance. This chart shows that generic share, hospital share, and formulary factors such as Medicaid and Tier 3 access have the strongest correlation to predicting brand performance.

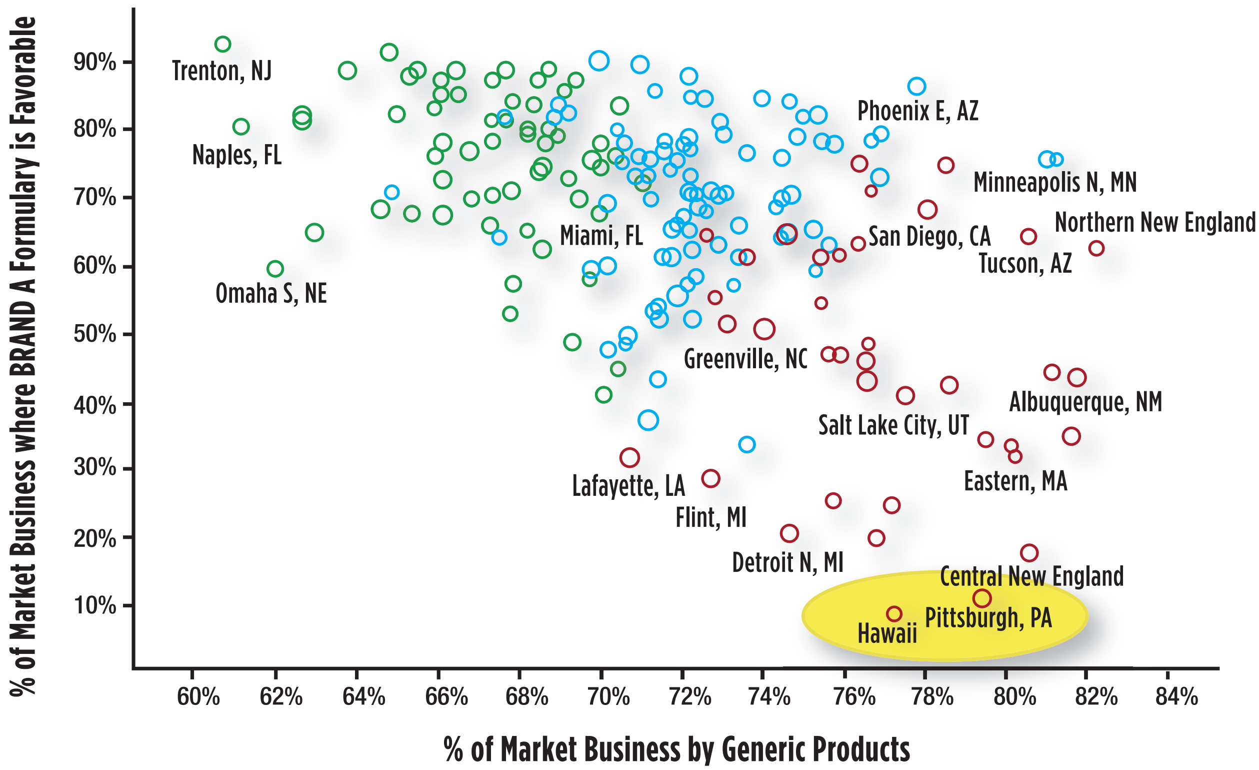
Top Drivers of Brand Share



Once the statistical analyses were completed, qualitative interviews were conducted with field leadership to uncover potential drivers not accounted for in the quantitative analysis.

Then, districts were grouped by their common market drivers.

Quadrant Analysis and Clustering Helps Group Similar Districts



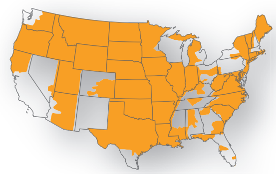
One key benefit of market driver analysis is that it groups districts based on performance drivers, rather than geographic proximity. For example, given the thousands of miles of distance between Pittsburgh and Hawaii, you typically do not think of them as similar markets. However, in the analysis illustrated above, they were grouped together by the various similar factors driving market performance for this brand. In this case, they share common market factors of very high generic penetration combined with low favorable formulary status. They will likely need the same tools and resources to succeed.

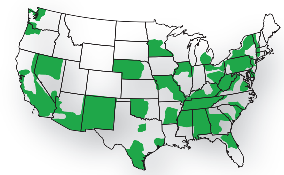
Qualitative interviews were conducted with field leadership to uncover potential drivers not accounted for in the quantitative analysis.

MAKING REGIONAL MANAGEABLE

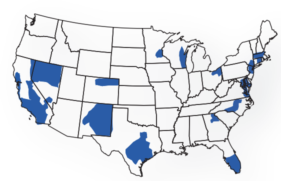
In order to ensure scalability of the strategy and deployment tactics, markets with similar drivers should be grouped together. These scalable driver groups are then used to develop regional strategies and tactics to improve brand performance. As a result, resources are allocated effectively at the regional/district level. The chart below illustrates four of the field force district groups for this brand and the primary strategy for each group.

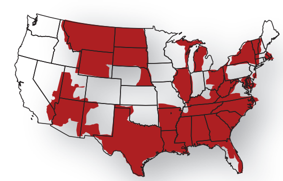
Regional Strategy and Marketing Plan





# of Districts	Population: 40	Specialist: 25
Driver Group Definition	• High prevalence in the market, or multiple risk factors	• High number of specialists • Large volume markets • Good formulary coverage
Strategy	• Educate physicians and patients on disease state	• Maintain brand share with specialists • Leverage access via strong pull through
Tactics	• Tactic A • Tactic E	• Tactic B • Tactic F





# of Districts	Sales Force Access: 30	Brand Receptive: 35
Driver Group Definition	• Poor call plan performance among top quintile HCPs • Good formulary coverage	• High branded share • Good formulary coverage
Strategy	• Improve access to HCPs • Implement non-personal promotion	• Maintain branded differentiation messaging • Maintain/grow current base of writers
Tactics	• Tactic C • Tactic G	• Tactic D • Tactic H

These scalable driver groups are used to develop regional strategies. Similar markets are not always in the same geographic area.

Regional marketing should not be viewed as deploying a few local tactics and then waiting to see if they work.

Note that geographies in, for example, the Specialist-driven markets are not always next to each other on the map; hence, similar markets are not always in the same geographic area. Also note that the same markets may fall into multiple driver groups.

Importantly, both existing national tactics and new regionally-based tactics were deployed to drive performance for this brand.

Regional marketing has proven to be effective for many pharmaceutical brands. In order to maximize its impact, take a strategic approach and make it part of your overall brand plan.

TURNING INSIGHTS INTO INNOVATION—MAKING IT REAL

What is regional marketing, and how is it working in the healthcare field today?

Regional marketing is a strategy to enhance overall brand performance. Similar to a digital or multicultural strategy, regional marketing is a platform to drive market share based on the needs of the targeted audience. Regional marketing should not be viewed as deploying a few local tactics and then waiting to see if they work. For example, your digital strategy is probably not solely, "build a website." If your brand employs a multicultural strategy, it probably goes beyond taking a key patient education brochure and translating it into Spanish.

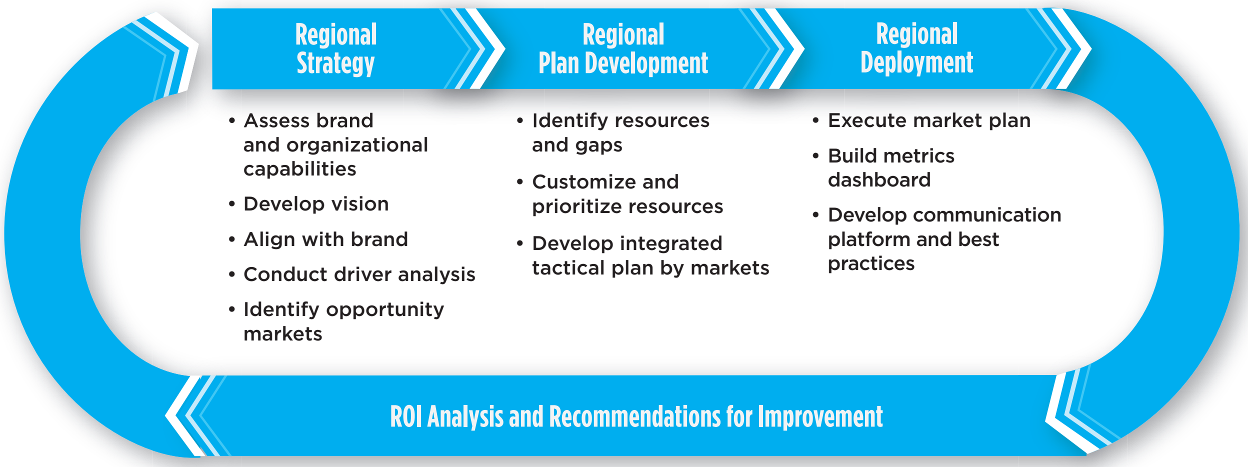
If you view regional marketing as just tactics deployed locally, then you will miss substantial opportunities to gain even higher results. The regional marketing strategy needs to consider the insights from the specific region, including data from the 6 Ps to identify the key drivers in that region.

Regional marketing consists of three disciplines (see illustration, next page):

> **Regional Strategy**—First, assess the many factors influencing brand performance in the region, and evaluate the company's capabilities for handling regional marketing. Second, develop a vision for how regional marketing innovation can help your brand. Then work to gain sales and marketing leadership alignment and collaborate with your regional counterparts. Most importantly, conduct an in-depth driver analysis to understand regional differences for your brand; identify the drivers and group the markets based on drivers in order to capitalize on opportunities specific to those grouped markets.
>
> **Regional Plan Development**—Once the strategy is in place, develop market plans that allow you to make the most out of your district groups. Customize and prioritize your resources based on the market opportunities. Identify available resources and build additional marketing tools as necessary to address regional differences. Ultimately, you will need to develop an integrated tactical plan and document how you will measure success.

Regional Deployment—Finally, execute your regional marketing plan with precision and deploy tactics rapidly. Build a solid communication plan and platform for sharing best practices. Measure and analyze results. Regroup regularly with your regional counterparts and your regional marketing partner to continually refine your plan.

REGIONAL MARKETING ROADMAP



CONCLUSION

Brand marketers today need to take on the challenge of assessing regional customer needs and developing integrated plans to meet those needs.

New programs and tactics are emerging rapidly to capitalize on regional marketing insights and opportunities. Highly-segmented and personalized promotional strategies are becoming critical to brand success. Optimizing promotions through strategies such as inclusion of patient-level and managed care insights have been shown to have a dramatic effect on ROI.[4]

Brand marketers today, with the support of their regional counterparts as well as a strong regional marketing partner, need to take on the challenge of assessing regional (and even local) customer needs, customizing materials, and developing integrated plans to meet those needs. This collaboration is critical to bring regional marketing innovation to the market in an effective and scalable way for today's pharmaceutical marketers.

HEALTHCARE REGIONAL MARKETING (HRM) is a marketing services firm that provides in-depth regional market driver analysis (patent pending) as well as a wide spectrum of regional marketing solutions. Specifically, HRM helps brands in the pharmaceutical and healthcare industries understand regional variability and how it affects sales performance. Then, through regional marketing programs, HRM helps improve brand performance. In addition, HRM synchronizes the needs of marketing and sales and provides hands-on support in the field and at headquarters to turn regional strategies into action.

HRM is one of the fastest-growing marketing companies in the United States, with growth rates comparable to the top 15% of companies on the 2009 Inc. 500® list.[5] HRM, which enjoys relationships with a number of major brands in the pharmaceutical and healthcare industries, has offices in Cincinnati, New Jersey, Cleveland, and Seattle.

Jeffrey A. Spanbauer, Senior Vice President

Jeffrey A. Spanbauer is a founding Principal at Healthcare Regional Marketing in Cincinnati. He delivers a range of strategic advisory services to major clients in the pharmaceutical industry and oversees the deployment of regionally specific marketing programs that drive brand results for his clients.

Prior to HRM, Jeff was a marketing leader with Procter & Gamble and Pfizer, where he had management responsibility on several top-tier brands. While at Procter & Gamble he worked with global customers, such as Wal-Mart, and worked on major brands including Pantene, Pert Plus, and Physique. Jeff then joined Pfizer's Pharmaceutical division where he successfully fulfilled a range of marketing roles across various markets and worked on multiple brands, including Lipitor, Norvasc, Celebrex, and Zoloft. Jeff holds an MBA from the University of Illinois and an undergraduate degree from North Carolina State.

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