Analytics - To divide into elemental parts or basic principles and act from an understanding of those parts and interrelations.

Despite all the discussion about Sales and Marketing Analytics over the past five years, only a handful of organizations have enjoyed any level of success from their efforts. When it comes to understanding which demand-influencing activities are driving positive outcomes, most companies have no idea where they are, what they aspire to be, or how they are going to get there. Strategy has been based on software marketing campaigns rather than an honest assessment of an organization’s needs or capabilities. Basic strategic principles of identifying long term goals are ignored, replaced with software implementations that over-promise and under-deliver. The challenge of developing an effective solution will only become more pronounced as the industry continues to reach a mature state. The good news is that many of the obstacles that are on the horizon for life sciences have already been addressed in other industries, which means there are many lessons to draw from. None of the lessons is more important than the fact that there is no easy way to turn immense amounts of discrete data into actionable and predictive insights.

Sales & Marketing Analytics in its Simplest Form

1. Identify potential demand-influencing levers
2. Define potential outcomes and assign values to each
3. Capture assumptions about how levers influence outcomes
4. Test those assumptions – Confirm or refute your beliefs
5. Document your findings, teach the organization, and repeat the cycle
Many variables have delayed the widespread use of Sales and Marketing Analytics - including healthcare reform and the fact that traditionally profitable organizations are unfamiliar with the concept of balancing cost cutting measures against investment in future growth opportunities. Historic considerations include increasingly competitive markets, commercial compliance, restricted visibility to sales data, larger product portfolios, and shrinking margins. While each of these is important, there are three drivers in particular that are fueling the conversation today.

1. The shifting balance of power within the sales cycle
2. Complexity of data structures
3. The evolution of technology

Three Key Sales and Marketing Analytics Drivers

The balance of power is shifting within the sales cycle

As physician access becomes increasingly limited and the concept of patient-centric marketing takes hold, far more variables must be accounted for when determining sales and marketing effectiveness. Payer and government organizations are exerting more influence. Traditional physician detailing is becoming obsolete. Pharmacists are learning to exert their influence through the ability to substitute generics. The patient is better informed and potentially self-diagnosing on the internet. All of this means that analytics must look beyond the myopic view of sales data trends and try to define the most valuable interactions. This has to be executed across an increasingly complex product mix with fewer resources. This means that you need a data set that has the ability to account for all the variables that contribute to sales cycle outcome to drive value added analysis.

The data just gets more complex

After generations of IT infrastructure built around ERP systems, one would expect data integration issues to be a thing of the past. Unfortunately this is not the case. Even with these allegedly integrated solutions, the ability to tie data across functional areas has been a challenge for even the most basic business reporting efforts. Sales and marketing is no different. They receive information across multiple internal platforms while depending on third-party organizations to manage and provide master data, sales reporting, and market intelligence. This challenge will increase exponentially as the industry slowly warms up to cloud computing as a viable option to manage secure and confidential data. Flexibility is the key consideration as there is no anticipating which direction data infrastructure might go, especially considering the evolving regulatory climate.

Technology continues to evolve - rapidly

The final key driver is the pace that technology is evolving. Take a look at what consumer products companies have been able to achieve, moving beyond tracking simple demand signals and incorporating multiple levels of discrete input into effective predictive modeling. The latest advances in technology have brought the idea of advanced analytics out of technology labs and empowered fact-based decisions at both the management and operational levels. Imagine the impact of Moore’s Law (Intel co-founder Gordon Moore predicted that the processing power of a chip will double every two years) combined with the price of memory dropping to historically low levels. This is supported by significant gains in analytical database space fueled by intense competition. Technologically speaking, the formation of this perfect storm has enabled the mainstreaming of advanced analytics. While all of this has led to a lot of potential promise,
it is important to first develop an effective process before investing in high-powered software. A Ferrari can only get you so far without knowing how to drive. Investment in software is important, but without foundation it is a dangerous bet.

The Sales and Marketing Analytics Maturity Model
One of the common mistakes made around analytics is over extension. Often times, there is a desire to leapfrog from a developing to a leading organization without addressing the fundamental building blocks that bridge the gaps. The ultimate goal of analytics is to better understand the impact that the various levers of the sales cycle have on contributing positive return on your sales and marketing investments. An organization is far better served making a steady progression against the goal rather than trying to shoot for the moon. The investment and commitment required to make modest improvements over time is manageable, but increases exponentially with additional complexity. It is critical to define what type of functionality your organization really needs to be competitive and slowly build towards that goal. The three phases outlined help provide some guidelines around what type of capability should exist before trying to move forward.

Phase 1 – Developing
Companies in the developing phase typically possess the basic functionality of generating batch reporting, which answers questions that are known in advance. This means mostly answering the “what” questions, such as:

• What is my national marketing spend by region, area, division, and territory?
• What is the market share of my drugs compared to my competitors?
• What is the order frequency of a pharmacy compared month over month?

Typically, the data structure is poorly integrated and there is no ability to view data cross functionally. Often times reporting is outsourced to external firms. There are no formal definitions of influencing levers that drive the business, and potential outcomes are loosely defined. The timing of when data is available is not clearly understood and often different departments will report inconsistently. Data is often accessed through static reporting. At this point, an organization is best served improving the master data framework and defining the existing data landscape rather than investing in costly software projects.

Phase 2 – Managing
During this phase, end users are given free rein on how they want to use available data. The idea is that the type of questions that might be asked is not known in advance and tends to be more exploratory in nature. Ad hoc reporting and standardized queries are used to access data. In addition to the “what” questions, this stage answers the “why” questions with a focus of getting to root cause analysis. This stage is critical as it lays the internal foundation to truly understand the data and builds the tools that will move you towards optimization.

At this point, an organization should be able to define the policies and definitions around data and regularly perform data cleansing. There should be a basic harmonization of systems across different functional areas to ensure consistent and meaningful reporting. Data governance and stewardship exist, and rules around updates are understood. Organizations typically have standard business intelligence tools in place but without cross-functional visibility. Data mapping and timing is understood for both internal and external data sources. Some formal continuous learning cycles are set up so that basic assumptions are documented and confirmed over time. At this phase the focus is rounding out the infrastructure and building credible history, as well as institutionalizing the process of feeding information back into the organization.

Phase 3 – Optimization
The next logical step is to use historical knowledge and market intelligence to predict what will happen if a business parameter or assumption is changed. This represents the holy grail of predictive analytics. Data is accessed through demand data analysis, explorations, and interactive data models. This capability provides answers to multi-tier questions, and more importantly, shapes answers based on a variety of inputs.

• How will a marketing campaign offset competitive spending in a specific territory?
• What combination of pricing versus influencing will drive optimal ROI?
• What combination of spend most effectively establishes brand recognition within a new product launch?
About Clarkston Consulting

Clarkston Consulting is a different kind of management and technology consulting firm. We deliver a unique experience for market leaders within the Consumer Products and Life Sciences industries. Considering professionalism, expertise, and value as prerequisites, we take service a step further through our unyielding commitment to the success of people as individuals, both our clients and our employees. By combining integrity, adaptability, and a whatever-it-takes attitude, we have achieved an extremely high rate of referral and repeat business and a 9-year average client satisfaction rating of 97%.

2. Capability: Predictive analytics is a highly technical area of analytics that requires a deep understanding of statistical modeling. These experts are not always available within an organization and identifying this skill set is part of the long term process.

3. Infrastructure: This is an important decision to make from a cost-benefit perspective. Nothing destroys credibility quicker than a system that takes forever to process the simplest of requests.

A Measured Approach Leads to Success

Advanced analytics represents a journey in which the goal is to answer questions that haven’t occurred to the organization yet. Targeting quick solutions that provide big wins is a unrealistic approach that will undermine the ability to truly engage in meaningful and value-added analysis over the long term.

In the days of social and viral media, quick reaction time will become increasingly important but this has to be balanced against historic priorities such as compliance, stability, scalability, and standardization.

Tomorrow’s leading organizations are going to be the ones that can quickly identify and exploit opportunities. This is a lesson that has been observed across every mature industry and will be no different in life sciences. A strategic plan must be assembled with a reasonable and measured approach to build the structure and capability necessary to transition to a leading organization. As your infrastructure becomes more mature, start to leverage the next generation of tools to view sales, marketing, and influencing activities holistically. The capability to identify and drive profitable activities is as much an art as it is a science that must be mastered over time through plenty of practice. Make no mistake that the time to act is now to define your vision and execute.