

# Effectiveness on the pharmacy targeting – A hidden source of additional sales

**W**hen was the last time that you run a holistic pharmacy targeting exercise? Very unlikely question, as the Commercial Director has many more day-to-day fires to fight, and this is more like – strategic, let’s say. Nevertheless, a pharmacy profiling, segmentation and targeting exercise is, on its own, a much more valuable project than just a list of pharmacies – the list is just the cherry on the cake. Is this something companies realize? Well, sparingly...



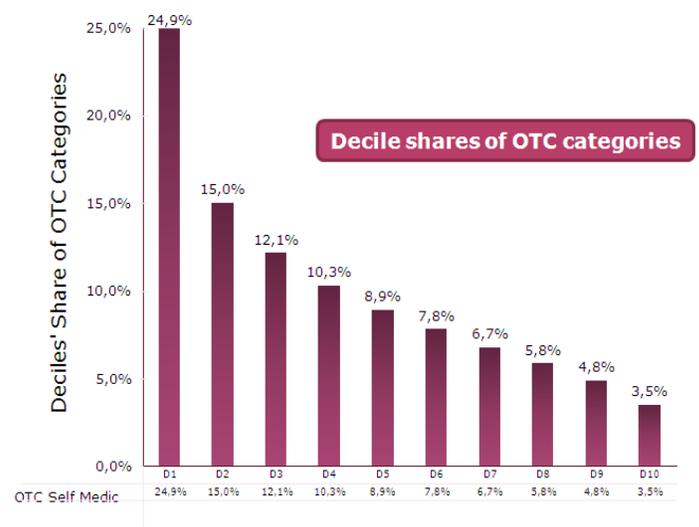
## Pharmacy Targeting – The hidden reasons

Your sales force’s CRM system looks like always – overarching acceptable performance, frequency of visits, aligned with the current list of selected pharmacies –the odd-out coffee-house, as expected,.. nothing remarkable. Nevertheless, your people seem not to be able to follow the market. Why?

The pharmacy market is not as dynamic as the FMCG retail one, but, as a counterpart, it is much more concentrated. In some therapy areas and OTC classes, up to 65% of the sales can be concentrated in just 25% of the pharmacies! Miss one, and you miss a lot of money – how much? It’s easy to calculate once you know your market’s concentration, as can be seen in Figure 1. Is it worth to detail on deciles 6 – 10? Shouldn’t the effort be concentrated in the top deciles? And... how do you know your people are not “missing out” these pharmacies?

Would the pharma market be solidly stagnated, it would be easy to pinpoint pharmacy potential once and for all, but pharmacies open and close, get refurbished, dynamics of the people change –the new up-and-coming areas, shopping centres, real

state developments, tram- and bus- stop stations, let alone consumer’s trends and fashions... In Poland alone, last year, 700 pharmacies closed, 300 new opened and at least 2000 had change their “potential” status, due to socio-economical trend changes. Austria is a more stable country –from a legislative and development point of view, yet, at least 10% of the pharmacies change their status year-on-year. And these 10% of pharmacies might represent as much as 30% of the total sales, for example in the cold & flu category!



## Pharmacy targeting is easy, but it is much more beyond just a list...

This leads to a second question – how do you define your strategy for pharmacy targeting? Is it based on a single-leading product? Or the company strategy focuses in a full-range portfolio? If that is the case, do you know which is the correlation of sales per pharmacy among the different categories of products? Would the correlation of sales be high, then it's relatively easy to focus on the key pharmacies "top of the list", as they will be for all products. But, what happens if the correlation is low? That means that there are few pharmacies that are of high potential for all categories at once, which might mean that you need to cover and reach a great deal of the about 1400 pharmacies in Austria. Would this provide a sound RoI to your probably already strained sales force? Or maybe it's time to tier products to push selectively through different marketing mix channels?

Prior to any targeting exercise, these relatively easy two calculations (that can be obtained in a working week)- would give you a better understanding of the market situation and some heads-up on your strategic planning for the rest of the year.

## Do I need pharmacy targeting?

Once that the strategy is –if needed- realigned, or frozen in its current status, it is time to calculate the usefulness –and worthiness- of a pharmacy targeting exercise. This is also almost a back-of-the-envelope calculation. It passes through the calculation of two different parameters; Figure 2 depicts a typical decile-analysis (comparison of MS vs value per pharmacy, ranked by deciles) that will help putting things into perspective

The first thing to notice is the average MS vs the MS of your product in the top decile(s). Would you be empowered with the resources and knowledge to reach the average MS in the top decile, you could be making a difference of Top decile (Average MS – MS) x top decile value. (In the example graph,  $(10.4\% - 8.1\%) \times 7.5M \text{ €} = -2.3\% \times 7.5M \text{ €} = 177,000 \text{ €}$ . And that's just on the first decile! This is what we call "money left on the table".

In addition, you can also calculate what is the amount of money that you are "throwing to the bin"; i.e. all the effort that goes to the lowest deciles – clearly, the ones in which your RoI is zero or negative. That is also relatively easy. Following the same example, let's assume that your bottom 2 deciles account for . Following the assumption that your SoV = MS, we can confidently say that, in the case example, the company has allocated about 17% of the effort to these two deciles. That is 17% of the effort too much. Assuming that the company has 8 pharmacy reps, and that each one costs (fully loaded, gross), about 80,000 €/year, there is  $80,000\text{€/year} \times 8 \text{ reps} \times 17\% \text{ ineffective time} = 109,000\text{€/year}$  are being "thrown to the bin".

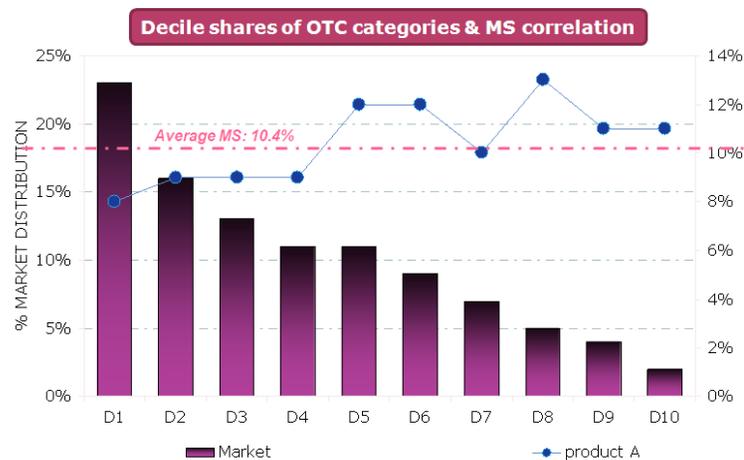


Figure 1

## **Pharmacy targeting – whose line is it, anyway?**

Add parameters, (money left on the table + money thrown to the bin”) and you will know if it is the time to run a full exercise of pharmacy targeting. Unfortunately, legislation and privacy laws prevent any stakeholder to have insights into the turnover by category of pharmacies, which makes the exercise a little bit more challenging. There are two ways of saving this obstacle: the first is internal: the utilization of the sales force for the objective profiling of the pharmacy, based on a holistic scanning, is a manner, with pros (awareness of the process, best practices...) and cons (resource utilization with low RoI, true objectivity on the profile). The second way is external: utilization of models that re-create the pharmacy universe sales, based on statistical multi-variable approaches and pharmacy panel insights and that provide a full-scale objective profiling, ready to be segmented based on the discussed strategy, provides a quality controlled, objective approach to pharmacy targeting that does not distract the sales force from their objective (sales) and assures timely completion of the project.

Pharmacy targeting is an initiative that includes awareness of the common mishaps, education on the basic concepts and methods, analyses of the correlation between markets, re-alignment of the strategy, if needed, analyses of money left on the table and money thrown to the bin, optimization of segmentation based on the (re)vamped strategy, discussion of resourcing improvements, list of pharmacies based on decided strategy, profiling and segmentation, and staged best-practice processes for implementation. The pharmacy targeting takes only 4 weeks, and makes wonders for the whole organization – with immediate benefits, quantifiable and measurable within 3 months.

For further information on best practices, profiling, segmentation and targeting in pharmacies, check [www.zarzia.com](http://www.zarzia.com) or contact us at [office@zarzia.com](mailto:office@zarzia.com)