

A primer on marketing effectiveness

Enter any healthcare marketing leader's office during the expense budget planning cycle and you are likely to hear the following question: "How are we going to get our marketing programs funded this year?" But really the biggest question is, "Doesn't senior management understand how important it is to fund marketing?" The answer to the last question is often, "No".

Why is it so common today that senior management's level of dissatisfaction with Marketing's output is only exceeded by the Marketing Department's dissatisfaction with their funding level? Perhaps this is because unlike other departments, Marketing's role is ill-defined in the minds of many senior managers. Most business leaders understand that Manufacturing is responsible for producing products, Sales sells products, and Finance is responsible for invoicing and billing, tax management and maintaining positive cash flow.

What of the Marketing Department? Is Marketing responsible for training the sales force, or is that Sales' responsibility? Do they identify product features, or is that R & D's responsibility? Is Finance responsible for analyzing profitability and making pricing recommendations, or is that Marketing's role? These examples are only a few that demonstrate the role ambiguity of Marketing. Often marketing is limited to its most commonly recognized role, advertising and promotion.

But limiting the Marketing role is a mistake. Marketing usually employs individuals with well-rounded skills -- "jacks-of-all-trades". A marketing person will tell you that project variety is what excites them about their job. This article examines important skill sets for marketing personnel and suggests methods for maximizing marketing effectiveness.

The Possibilities: An Example of Marketing Impact

Let's start by examining a real-life example showing how effective marketing can generate incremental revenue and profit. When I was hired into my first marketing job, I was relegated to launch a product that no other marketing manager wanted; I was assigned the "dog" product. The sole feature of my product was its larger size. Conventional wisdom held that this larger size allowed patients to use fewer products every day. Since the organization could not increase the premium enough to compensate for the decreased utilization, management was convinced the product would reduce revenue and profitability. What a product for the budding marketer to start a career!

After a few weeks of unsuccessful attempts to devise a profitable pricing strategy, I gained an insight. Why do patients need to use this product to reduce utilization when some clinical studies indicated that patients really need a higher treatment dose? This revelation spurred an investigation into the need for higher dosing. Our clinical advisors agreed that increasing the patient dose held merit, as long as patients could tolerate the larger sized product. We confirmed patients tolerated our larger sized product during overnight use or less active periods of the day, so clinical studies and supporting documentation were developed. Once the product received FDA approval, we positioned it as an easy way to increase dose for undertreated patients.

The product generated incremental profit from the outset. The “increased dose” concept spurred further development, resulting in numerous other products to increase patient dosing. All these products generated hundreds of millions of dollars in incremental revenue and profit, and unquestioned leadership for the company over a fifteen year period.

What is the lesson from this example? The choices companies make about how to position the product can have a dramatic impact on profitability. Marketing is the author of product positioning; it can have a positive bottom line impact on organizations.

Marketing Definition

Marketing’s chief role is to create the value surrounding a product; value drives customer demand. Marketing tasks often labelled “Up-stream marketing” involve building the customer needs, desires and wants into a company’s product portfolio. Using direct customer dialogue and working with R & D, Marketing integrates these needs into product features and validates product design for customer use. But in many organizations today, engineers develop new products without marketing input.

“Down-stream marketing” encompasses those activities conventionally viewed as the marketing role, i.e., designing a compelling customer message that communicates product value to induce customer purchases. Sometimes management views down-stream marketing only as a sales support role. But, in order for today’s organization, to be effective, it needs Marketing to perform a broader role.

The Marketing Competencies

Not all Marketing Departments are capable of performing this expanded role. So how do senior managers know whether their Marketing Department can successfully perform? Management needs to hire people with a specific skill set, called marketing competencies. Table 1 lists eight such skills.

Strategic planning
Translating customer needs
Decision analytics
Messaging
Competitive analysis
Customer advocacy development
Pricing
Reimbursement

Table 1: Marketing Competencies

Strategic planning is defined as the analytical tasks that help the organization understand and pursue long-term growth opportunities. It is often described as the ability to see “the big picture” or articulate a long-term vision of the product portfolio, or business unit. Employees that possess this skill can plan out a product or business roadmap, identifying key activities that will drive greater market penetration, profitability or similar business goals.

Two formal strategic planning responsibilities are usually assigned to the Marketing Department. First, is the marketing plan, a plan of the activities that the company should perform over the year to support achievement of the organization’s annual business goals. Typically, this plan includes activities such as: a) new products being launched, replaced, or modified; b) new marketing programs to support the customer acceptance or use of the products; c) sales training and collateral material to support the sales effort; and d) market research for defining pipeline product needs. Most plans propose actions to mitigate or eliminate the organization’s key market challenges.

A second strategic planning activity is the product launch plan. (Note: while products are referenced here, these concepts apply equally to services.) Starting this plan 12 months before launch is essential for medical products to allow ample time to develop and test clinical messaging. The launch plan covers the key factors required for successfully introducing the product, including:

- Financial targets
- Target market description, including market size
- Product positioning and customer value statements
- Customer education and in-service support materials
- Field support activity, including sales training
- Product promotion, including advertising and collateral
- Pricing and discounting
- Competitor management
- Expense budgets
- Milestones for measuring progress

Translating customer needs is the ability to collect and utilize customer data for product development. Integral to this skill is the ability to perform data collection

techniques such as personal interviews, focus groups, real life observations and questionnaire administration. For any of these methods to be successful, marketing personnel need experience in question development and active listening.

A second facet of this competency is the ability to communicate discovered needs to the research team so they can develop winning feature sets. Skillful marketing individuals do not communicate features. They communicate the customer need. R & D defines how the product can best satisfy customer need.

Marketing's role in translating customer needs continues throughout the development process because decisions affecting the customer are encountered throughout this cycle. When tradeoffs must be made, marketing input is required in order to maximize customer value, and ultimately company sales. Sometimes conflicts occur when a design suboptimally addresses customer need and Marketing feels obligated to press for alternatives that fulfill it. Superior marketing groups can support their position from carefully conducted market research. However, they should also possess the business judgment to balance business needs with customer needs.

Decision analytics describe the logical thought processes that Marketing uses to make fact-based, analytically-sound business decisions. This skill is important for many marketing responsibilities like estimating product demand, developing revenue and profitability forecasts, conducting price sensitivity studies, or generating market share and product penetration estimates. While other disciplines could perform these tasks, Marketing is best equipped because these analyses must take into account all four customer personalities: user, clinical, technical and financial.

Messaging refers to activities that generate product feature and benefit communications to the consumer, usually through sales collateral or advertising. Messaging is fact-based, derived from intimate customer knowledge. Most successful marketing personnel possess a blend of creativity and insightfulness that help them translate basic market facts into compelling reasons for customer action. Skilled marketers have a grasp of language that allows them to communicate benefits succinctly and powerfully. In the healthcare industry, clever wording is less important than clinical accuracy. Therefore, understanding clinical terminology and concepts help the marketer develop optimal messages.

To successfully develop good messages, marketing personnel must be able to translate product features into customer benefits. Now features are important because they describe the overall function of the product. But, features do not compel customers to buy; benefits stimulate customer purchases. A benefit is the value that the customer receives through the product. Therefore, optimal messaging communicates benefits. The average customer needs to be told how the product improves their situation because this is not intuitive to customers. The best messaging communicates a prioritized list of benefits, promoting first those benefits most likely to induce customer purchase behavior.

Competitive analysis is associated with compiling relevant competitive data upon which strategic plans and tactical activities are based. At first glance, competitive analysis does not appear to be a complex skill. It is easy to obtain information from product brochures and company websites. Indeed, much valuable information can be gleaned. However, greater levels of understanding are necessary for decision-making. Information in this level of detail is more difficult to find and often requires an ability to deduce strategy and activity from threads of evidence obtained from a multitude of sources.

For example, your messaging does not occur in a vacuum, so understanding your competitors' features and benefits is necessary for success. Products that unsuccessfully address customer needs fail quickly. So, it is likely that your competitors' products possess features and benefits that provide competitive advantage over yours. But, each competitive product will have disadvantages too. The astute marketer can dissect competitive messaging, identify benefit gaps and embellish the advantages of his / her own company products to create winning messages.

Competitive analysis also plays a critical role in helping an organization drive business results. But, for this to be true, Marketing must apply solid business judgment to the data. This allows a marketer to project competitive activity and develop countermeasures for managing the competitive situation. Competitive analysis doesn't just identify competitive threats. This knowledge must be used to develop an action plan that anticipates future moves by the competition, creates barriers to competitive success, and defines and implements new competitive strategies and disruptive business models.

Customer advocacy development is obtaining customer support for a company's product. Medical product customer advocacy requires development of independent influential clinicians sufficiently convinced of a product's benefits that they are willing to convey their belief to the larger clinical community. This marketing technique is an important adjunct to traditional selling through sales representation for a couple of reasons. First, physicians are inundated by product messages; each touting product superiority. Yet, mounting economic pressures for maintaining their practice reduces the time physicians can spend sifting through marketing messages. Second, clinicians are trained to make logical fact-based conclusions; unsupported benefit statements carry little weight. Therefore, much of today's sales collateral is viewed with skepticism, because the information is considered embellished, perhaps even distorted. In this milieu, disseminating product information through clinical advocates can be effective because the message is conveyed scientifically, with credibility.

Increased regulatory and clinical society pressure to maintain separation between clinician and manufacturer makes this marketing tactic a challenge. However, given the importance of this technique on product sales performance, the experienced marketing person will develop methods to employ customer advocacy in their marketing plan.

Pricing is a well-understood skill, but it is not often viewed as a marketing task. Many corporate functions can set price, but too often pricing is then driven by product cost. While product cost must be factored into pricing, profitability can be hampered if cost is the major determining factor. The value that Marketing brings to pricing is its techniques to ground pricing on customer perception of value, an approach that leads to more profitable product pricing.

Before finalizing price, a competitive pricing comparison that incorporates price and value is performed by Marketing. This means that competitive pricing decisions are made in light of the relative customer value between products. It is not just a price comparison. Experienced marketing personnel will understand the role list price plays in light of industry discount practices. These steps provide validation of a mutually beneficial price for the customer and the corporation. The astute marketing manager will also evaluate costs of alternative therapeutic approaches and indirect competition when setting price

Reimbursement is as critical to healthcare product success as regulatory approval. Left unmanaged, or managed too late in the product launch process causes significant delay in sales and profitability. The financial decision-maker will block product acquisition until reimbursement from payors is defined.

The most effective marketing team incorporates activity and messaging into programs that affect the financial buyer, with different needs. Marketing defines the needs and communicate benefits to these customer types. Often, this results in data-driven activities that define clinical cost effectiveness versus other products and other therapeutic alternatives, as a pathway to a positive reimbursement ruling.

Conclusion

The Marketing Department can be a valuable resource for any healthcare organization if senior management: a) understands the potential value that it can bring; b) identifies the expanded marketing role required for business success; c) hires individuals with the required marketing skills, and d) funds the department to an appropriate level. This article discusses eight key skills that, if incorporated, allow Marketing to make a positive bottom-line impact on the organization.

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