

Optimizing the product launch plan

The product launch plan is a critical component for commercializing any product (or service). This planning tool analyzes the marketplace and documents the commercial activities needed to successfully market the product. It is a key milestone for the organization and is often the final step before senior management allocates launch resources. The launch plan guides commercial milestone monitoring and establishes launch performance accountability. This article explains important launch plan concepts and is intended to help the reader better prepare for commercialization.

Launch Plan Components

While the final document receives the most emphasis, in fact the data collection, business judgment and commercial activity planning required to generate the plan is most important. Table 1 lists the topics reviewed in this article. Expense budget and commercial milestones are important, but self-explanatory, sections that will not be discussed.

<u>Launch Plan Components</u>	<u>Subsections</u>
Objective	Financial Qualitative business Customer
Key factors for success	Key vulnerabilities
Market assessment	(See Table 2)
Commercialization strategy	Product features and benefits Product positioning Promotion Pricing Reimbursement Sales support
Competition	
Contingency planning	

Table 1: Launch plan components

Objectives

Often overlooked, launch objectives are important because they set expectations and define commercial activities for the product launch. Superior launch plans establish financial objectives, qualitative business objectives and customer objectives.

Financial objectives: The launch plan needs to identify product revenue and profit contribution. Usually the Finance Department projects expense and profitability. The launch planner is responsible for revenue projections, which are typically based upon market size, competitive share and pricing factors.

However other factors are necessary to ensure accuracy. Selling cycle is one important factor. It measures the time required for an individual customer purchase decision. Especially in the product introduction phase, a full selling cycle is required. The launch planner needs to incorporate into the financial projection the time to introduce the product, position it, trial it and negotiate the final sale. If the revenue projection does not incorporate the selling cycle into its revenue calculations, sales will be overstated, especially in the first few months. As a suggestion, use the average selling cycle for the company's previous generation product or similar products in the market. Before finalizing, determine whether there are factors that could compress or extend the selling cycle for this product.

The speed of product adoption is another factor. It measures market acceptance of the product and is used for purchases further out from launch that cannot be identified on an account by account basis. Don't attempt to calculate adoption using a mathematical approach because this will result in an unrealistic adoption rate. Avoid straight lining the maximum penetration rate projection used to justify the product development investment. Market research could define adoption. If the company lacks this data, examine historical product adoption rates of similar products in the marketplace. If your product is replacing an existing company product, use the previous product's adoption rate. If unavailable, use the adoption rate of a competitive product.

Launch planners often believe that their new product's particular advantages, together with proper execution of their superior launch plan will drive faster adoption. Be aware that all passionate business people believe this, but most do not achieve accelerated penetration. So don't develop anything other than pragmatic revenue forecasts.

Qualitative business objectives: Products have more than a financial impact on the corporation. These qualitative objectives are important to consider. Some common qualitative objectives are: enhancing the company's image in a particular market segment, protecting share loss or gaining share, establishing a presence in a new market, or winning a battle of public opinion. Select those that are most appropriate to the business situation. Articulating these business objectives in the launch plan leads the company to implement commercial activities that achieve them.

Customer objectives: A successful product launch plan describes the win-win situation for the customer and the company. Customer objectives define how the customer wins - the value delivered to the customer. So, customer objectives help commercial launch investment prioritization. In addition, customer objectives help the company identify key messages that can be integrated into sales collateral.

Key Factors for Success

An important part of the launch plan is defining the Key Factors for Success (KFS), which are those factors expected to drive a successful launch. Define the top five factors, since any number greater than this will dilute focus, and develop an action

plan and for each. Achieve launch plan success by implementing activities to drive KFS.

Key vulnerability factors: Just as the plan should identify factors that drive success, it should identify factors that can prevent a successful launch – Key Vulnerability Factors (KVF). The plan needs to prioritize KVF's and develop action plans to mitigate their impact on the launch.

Market Assessment

Assessing the market is an important component of the launch plan. The market assessment characterizes the marketplace that the product is entering. With this knowledge launch planners are better able to identify, develop and implement commercial activities that will spur growth. Table 2 lists the factors to include.

<u>Market Assessment Factors</u>
Underlying pathology
Condition incidence / prevalence
Relevant importance versus other clinical problems
Prevention approaches
Current monitoring and treatment approaches
Clinical and economic consequences of poor treatment
Outcomes
Issues with current techniques
Diagnostic methods
Customer profile
Key decision makers / key concerns
Purchasing dynamics
Market size
Market growth rate
Customer Segmentation
Market Trends
Cost of treatment
Competitive landscape
Pricing of competitive products
Competing therapies
Regulatory requirements
Coding and reimbursement
Implications of new government standards
Implications of industry group standards
New technology impact

Table 2: Market assessment factors

Commercial strategy

The launch plan's commercial strategy identifies the company activities required to drive product market penetration, and is comprised of six sections:

Product features and benefits: This portion of the launch plan transforms the important customer needs identified in the market assessment into a set of compelling messages defining the customer benefits. Be certain to focus on benefits (the value provided to the customer) not the features (the action performed for the customer). Benefits often fall into one of these categories: cost effectiveness, ease of use, functionality, or efficiency. Prioritizing the benefits is important for succinct messaging in the promotional campaign.

Product positioning: Product positioning helps customers understand how the product fits within the customer environment. First, define the value proposition, a one or two sentence description of compelling customer benefits that drives customer purchase behavior, to serve as the base message for all sales collateral. Support the value proposition with other important benefits. Position the product against the company's predicate product, and differentiate it from competitive offerings.

Pricing: Pricing is a key component of the launch plan. There are many different prices, each needs to be established. Because pricing is such a sensitive issue, it is best if launch plan pricing has been customer verified before launch.

Start by setting the Average Selling Price (ASP), since this is the figure that ultimately drives the product's financial results. ASP is the average price paid across the entire customer base. When setting ASP, base it on the value the product delivers to the customer, which should have been measured during the development and clinical testing stages. One way to set a value-based price is to compare the product to existing products and quantify how the product enhances the customer experience. Look specifically for ways the product reduces the total cost of use and capture some savings through your price.

Keep in mind a few general pricing principles. Market dynamics dictate that decreasing price is always more acceptable to customers than increasing price. In addition, early technology adopters are generally less price sensitive than later adopters. For these reasons, err on the side of higher pricing. Pricing and economic claims are better accepted when supported by solid health economic data. For maximum impact, cost benefit studies need to be completed prior to launch.

Once the ASP is set, apply the standard company discount schedule to define pricing for all customer classes. Then, use the company discount rate to back-calculate List Price. Use List Price in product catalogues. Next, estimate the percent of customers in each discount class and use these figures to recalculate ASP. Compare the calculated ASP to the target ASP. If differences are significant, refine the discount schedule or modify the list price to obtain target ASP.

Reimbursement: Reimbursement is a unique factor in the healthcare market and needs to be considered in the launch plan. Payors have significant influence on pricing. They have the market power to set payments for procedures which impacts product pricing. They can also deny payment entirely, if the treatment is not considered beneficial or proven.

The manufacturer's product is often part of a broad payment category for a particular disease condition, known as a diagnosis-related group (DRG). In this situation, payor reimbursement decisions do not directly impact product pricing. The pricing challenge for these products is ensuring that the hospital payment has sufficient funding for other cost components of the procedure. In some instances, the product is the major cost of a procedure. Then payor decisions have a direct impact on product price and the company needs to negotiate directly with payors.

Promotion: It is important that the product launch plan describe the promotion campaign - those methods used to communicate product information to the customer. Traditionally, promotion covers marketing collateral such as sales brochures, specification sheets, technical papers, relevant clinical articles, and advertising programs. Use the benefits developed previously for the concept pieces that you incorporate into this plan. An effective approach is to focus on educating the customer rather than selling because healthcare customer decision-making is fact-based and usually not subject to an emotional appeal. Marketing hyperbole damages product and company credibility; it does not enhance it. Be careful to ensure promotional materials contain only product claims substantiated by clinical data because the FDA has stepped up clinical messaging review and enforcement. Creative promotion should be based on tying customer benefits to visual images to enhance recall, not generating unsubstantiated claims.

In today's healthcare marketplace several new factors need to be incorporated into the promotion plan. Customers are more apt to obtain their product information using methods other than your sales team, predominantly through the Internet. To assist these self-sufficient customers the launch plan should consider establishing a product-based website to disseminate information. Another launch plan approach is to establish an Internet presence using social media approaches such as forums, customer-specific blogs, Wikis, podcasts, video sharing (YouTube™) or social websites (Facebook™, Twitter™). Some simple approaches are free, but to be effective the plan needs to include staff funding to manage Internet promotional activities.

Another major component of the company promotion efforts is customer education. Of course this should include typical customer training materials like inservice videos, posters and inservice guides. However one traditional method, company-sponsored weekend educational events at exotic locations, is perceived to unduly influence clinical decision-making. As a result clinicians today are pressured by the public and their peers to avoid these events, and some states have banned their use. Even minor promotional give-aways can be viewed suspiciously. If education is a key to your product's success, the launch plan may need to incorporate other types of training sessions, perhaps through local and national trade association meetings.

As part of the launch plan, examine whether a pre-launch awareness campaign concerning the underlying clinical condition addressed by the product is warranted. Generating interest in the problem can potentially stimulate demand and accelerate adoption for the product when available. Typically a pre-launch campaign involves educating the market about the incidence, prevalence, severity and clinical consequences of the condition, as well as diagnostic and conventional treatment methods. The campaign should utilize traditional approaches, such as white papers, clinical articles and expert panel recommendations, as well as internet strategies.

Sales Support: Personal selling is the mainstay customer communication mechanism for the majority of medical manufacturers, either directly or via distributors. Therefore, the launch plan needs to document the materials and programs that will support the sales staff. Typically the launch plan should address sales training materials and schedules, identify sales scripts, presentations and inservice support materials, and develop materials for overcoming expected sales barriers. To help reps better manage pricing, the launch plan should also elaborate on product and therapy economics, including cost benefit data and profitability models.

Competition

Dedicate a separate section of the launch plan to competitive features and benefits. This focus allows the company to develop a true understanding of the competitive environment. Focus attention on the competitors' product weaknesses, upon which your product can capitalize. The launch plan also needs to devise strategies against competitive strengths so the sales team is prepared to overcome competitive positioning and objections.

Contingency Planning

Incorporate contingency planning into the launch plan. Realistically, no launch unfolds as planned. Competitor's can sometimes find a fulcrum to hurt sales. The launch plan needs to anticipate the competition's reaction to market entry and develop strategies to counter each of their likely actions.

Plan for situations that might occur too. For instance, the environment could change in a detrimental manner, or customer purchasing behavior can change. Prepare this section by reviewing the key vulnerabilities outlined in the plan previously and identifying tactics to address them.

Conclusion

The launch plan is a key management tool for ensuring a successful new product launch. It communicates activity to the entire organization and serves as a final senior management review before commercialization resource allocation. By utilizing the concepts explained in this article, marketing personnel will increase the likelihood of successfully penetrating the market with the company's new products or services.