

## New Marketing Approaches – Translating Value

*New approaches to marketing can build upon Kotler's idea of 'exchanging value' – and argues that pharma marketers need to translate that value into genuine beneficial outcomes for its customers, for patients and society at large..*

It is over ten years since Philip Kotler defined marketing as an 'exchange of value'. As a respected Harvard Professor, people generally sit up and take notice of Kotler – love him or hate him, he is part of the fabric of marketing. Through the decade following his pronouncement, pharmaceutical marketers have experienced the kind of turbulence that Kotler loves to characterise. In Pharma, we have truly started to feel the full force of evidence-based purchasing – a challenge to the normal rules by which we have operated. For some this has meant a fundamental shift in approach, but for Kotler devotees, marketing has always been about an exchange of value, and so little has actually changed. As our world evolves, the value concept becomes ever more important for pharma marketing, after all, Value Based Pricing is now almost a household name for many of us.

In terms of our theoretical marketing base, we are brought up to think of marketing around the idea of understanding and meeting customers' needs – indeed the Chartered Institute of Marketing's own definition is 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'.

Needs are certainly a vital language in relating to our customers but, I would argue, are far from the whole story. Whilst needs are an expression of a deep customer motivation with which we can engage as marketers, they are in many ways superficial. This is especially true in our markets today, where the language of needs has evolved into the language of value. Kotler of course knew this long ago. Even a Louboutin or Jimmy Chu customer has an internal value calculation going on to complement the burning need to own yet another pair.

Kotler said that: "Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others." This definition is so simple and so obvious that I almost wonder why it hasn't been more pervasive in Pharma.

Talking to marketers at different levels, either when I'm training or consulting, I often find that this simple idea from Kotler can come as a bit of a revelation. As marketers it is too easy to get caught up in the various checklists and tools of marketing, forgetting that these are the mere trappings of a marketer and not the main event. In many other sectors, the concept of value is far more deeply embedded than it is here.

### **Approach, not Techniques**

If you are reading this master class article hoping to acquire some new marketing techniques, tools or even templates, you will be disappointed - but I hope that as you read it, you will take away something more valuable still: a new approach to marketing, a mindset that will help you to think differently, and to meet the challenges of our much-changed marketplace.

Traditionally Pharma has taught its marketers all the tools and techniques you could ever need - who can be without PEST, SWOT, TOWS, OT/SW, 7Ps, 5 Forces, Product Positioning, etc. - and ended up with a marketing process oriented purely around those things. These are undoubtedly a vital backbone to good marketing campaigns, however, they do not tell the whole story. If we focus on these alone, we are missing the vital currency that lies at the heart of our marketing effort – Value.

The affordability of healthcare is now a major concern for every economy. A sharper Global focus on affordability has inevitably spawned new structures that question the value that Pharma brings with its offerings; Regulators and Payers now sit together regularly on shared panels. They sit together on each others' panels when they want to see what's happening in another geography. They have respectable Airmiles balances. This change is profound and it's truly Global.

We look to other sectors for some sort of guardrail and of course Pharmaceuticals are not consumer goods or snackfoods - you cannot come up with a new innovation at Christmas and have it piloted by the spring. But even in FMCG, customers are fickle and may not even know their own needs. Steve Jobs was well known for not consulting the consumers that didn't even know their own latent needs for an iPad let alone be able to express them.

With such a long development cycle as ours, we have to have an extra keen eye on Value, especially as it may not be easy to understand customer needs that may not crystallise until 7-10 years out. We need a different yardstick, another way of measuring whether Society will be prepared to pay the price for our latest innovation, to fund an innovation that may not yet have even seen its first Phase II results. What will be the therapeutic endpoints that will define treatment success in 6 years' time? What will be the Standard of Care? Who will be measuring patient outcomes and importantly, how will they calculate value?

The old way of simply marketing to prescribers as a unilateral process, sometimes with a deep understanding of their needs has prevailed for a long time in Pharma. But the so called “dinner for three”, where one person orders the meal, another one pays and a third person eats the meal is now long gone, and the one that picks up the check is increasingly asking whether you really need Foie Gras, or whether mackerel pate might just be OK. Yes, Payers now question the whole buying process and rightly so. They are asking what value is; what value means for them; what value means for the population that they serve and how to calculate value? – The Payers of course are really representing us, Society.

Historically, Pharma marketers and even more so their non-marketing colleagues, viewed marketing principally as a communication function. They saw it as something that could be wrapped up in a neat package of seven Ps, but it is now, and in truth should always have been, about understanding what value means to your different stakeholder customers, and ensuring that you design the product accordingly.

Taking the first of the Ps, the Product is of course not just the molecule or the Branding. The product is crafted way before the Brand can grow a personality of its own. The product is defined by its data, by the studies that we choose or choose not to do, by the comparator, by the target patient populations, by the clinical endpoints we select and the outcomes measures that we build in. Once we have achieved reimbursement, our ability to market the product later depends on the Health Outcomes data we have generated and whether those are relevant to today’s market.

Building all of these elements with the correct settings into your clinical development plan requires a deep understanding of what customers do and will value when we bring the molecule to market from as early as Phase II. If you try and retrofit your product into the market once your pivotal study is set as others have done, it simply will not work unless you are very lucky or find yourself completely off the radar. It is this part of the mix, rather than the amount you spend on sales and marketing that has the biggest correlation with your product’s performance.

Today, if you haven't done your homework and truly understood the value equation that customers will be using, you are almost certainly are going to find yourself with a product that (whether anyone wants and needs it or not) nobody will be prepared to pay for. No matter how effective your marketing tools and techniques, if you are not creating value for the customer, no marketing strategy will come riding along to save you.

## What is Value?

So, we have established that we need a really clear understanding of what value actually means to our stakeholder customers, and of course we then find that is not as easy as you might think.

Value is a really tricky concept. How each person perceives it is completely subjective. What one person values another may not, what someone values one day, they may not the next and of course what Society values is an even more complex assembly with too many moving parts to calculate.

At the early stage of crafting our product to a target profile we need to fully understand how the disease will have evolved epidemiologically over the period of development. We need a clear sense of the patient flow now and in future and to have mapped the treatment landscape, because the world will actually look very different when you launch than it looks now.

An obvious value yardstick, you would think, might be financial value, especially given that healthcare systems worldwide appear so focused on cost. It is tempting to think this way, because financial cost is easy to measure – it's x Dollars, Euros or Yen.

So, in part, if you want to evaluate whether something is good value, you need to be able to put financial measures on the things that you consider to be valuable. A simple concept in principle, but the subject of Masters level theoretical study to even scratch the surface.

At a simple level, we all know this as consumers. If we go out to buy a car, we all perform some sort of value calculation in our heads, or maybe even on a spreadsheet, but the reality is that most of us are willing to pay more for a BMW than they will pay for a Vauxhall Insignia, even though it is difficult to argue that the BMW represents better value on a pure cost basis.

It is clear that Payers seek to eliminate – or at least make less relevant – those kind of value judgements that appear less rational. But unless your buyer happens to be a computer running a closely designed algorithm, there will always be a subjective component built into the purchasing process. And even if you were to design such an algorithm, you would almost certainly have built such a subjective component into the model.

I find myself disagreeing with business guru Bill Lee, who claims that 'marketing is dead'. As Kotler so ably spotted years ago, Marketing is a social process that has existed since time immemorial. The whole interaction is a human process, and the challenge is that everybody makes a separate assessment of what value means to them. So as Pharma marketers, we need to find as many human ways as we can to define express and create value.

## **A New Approach for Pharma?**

Whether you succeed in applying this type of focus into your marketing planning will depend on your company mindset, and where you start from. Kotler didn't invent the concept of exchanging value, he was merely articulating something which the best marketers have known for years and which Society has practiced for even longer.

The best companies have always started with the concept of value, building it seamlessly into their communication and planning process – but to be fair, it is easier said than done.

The commitment that you have to make early on in designing your whole approach around the unpredictability of a customer is quite a big step.

Perhaps this is why the value-focussed approach has taken a while to grab hold across the Pharma sector up until now. It is only with the harsh realities of current healthcare markets that pharma marketers come face to face with the ugly side of an imbalanced value equation. It's not that comfortable to find yourself playing catch-up - and increasingly if you are, you simply won't catch up at all any more.

There is no catching up; you will just be behind the curve, drifting further and further back. To say the product will not be a success would be to understate the obvious.

## **Accessing the Market in a Value-Driven Environment**

Traditionally the industry has worked pretty even handedly because most companies have come up with an innovative product every now and then, and the odd late entrant in between that funded the innovative work in the background. This pattern ensured that overall market share was distributed across a broad base of companies. The increased focus on value and innovation in the market concentrates the number of companies over time; it rarefies that competitive environment, so that fewer companies will be able to survive. Industry consolidation is here to stay, as development costs rise and diversity of pipeline innovation falls...

Alongside the consolidation we have seen, there is a whole swathe of smaller, innovative technology companies riding on the wave of technological evolution that has transformed our world. They are seeding innovations that can and do represent value – as we have seen Big-Pharma is hungry to collaborate with this sector.

As the market started to evolve, companies tackle the value conundrum by splitting their customers into two: prescriber type customers and payer type customers. They then organised themselves to fulfil the needs of each customer group with separate teams.

The fundamental error of this is of course that all of these are customers; it's just that they express their needs and value perception in different ways and different language.

This approach of course does not start by putting value at the centre of things. It starts by focusing on how we communicate with different stakeholders. Whilst value may look different to each of these stakeholder groups, market access is the ultimate expression of value – and hence a central marketing priority. We must feel sure that when a product achieves market access, it's an expression of the fact that somebody values it, and hence gives us “Access”.

The companies that are most successful are the ones that integrate all of these fundamental elements into their marketing. When they address different parts of the market, with offerings designed for specific patient subtypes using different communication tools and techniques, essentially they are active in creating, expressing and exchanging value.

### **Value-Based Marketing**

So in summary, marketing, or at least good marketing, has always been about the creation and exchange of value, even if parts of our history have allowed us to get by without fully embracing that approach. If we cannot demonstrate value, we risk commoditising what we do, which devalues the industry itself. The inability to demonstrate value for our customers means that we lose the ability to charge a premium for that value, and if that disappears, so does our long-term ability to innovate.

Healthcare customers are openly speaking the language of value right now. They are fully aligned with a fundamental principle of marketing, so it is vital that we understand and embrace the concept ourselves as marketers. We should not be surprised by, or lament, the fact that customers want to calculate the value of what is being offered to them. Instead, we should recognise that this is a great opportunity to demonstrate why Pharma is an integral part of healthcare. In short, the Industry should take great pride at the value it is able to create for Customers, for Patients and for Society at large. Wherever and however true value has been created, the Industry needs to be able and willing to demonstrate it clearly and openly and perpetuate that virtuous exchange of value that Kotler first defined.

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