Consumer goods and financial services have readily embraced new technologies for marketing mix analysis. They now rely on predictive analytics for insight into their marketing spending. A recent independent research report wrote predictive analytics is playing a “pivotal role in the planning and day-to-day operations of your business.”¹ Relative to other industries, many pharmaceutical companies have been late adopters. Most pharma marketing managers recognize the need for better predictive analysis. Yet why have pharma firms resisted technology-driven predictive marketing mix analysis when those systems are being used successfully by their peers in other industries?

SAS and Pharmaceutical Executive decided to answer that question. On their behalf, Strategic Market Research conducted confidential TDIs (telephone depth interviews) with senior pharma marketing executives to find out why there is a gap between the perceived need for marketing mix predictive analytics and use of the latest technology available to do that kind of analysis.

¹ “The Forrester Wave™: Predictive Analytics And Data Mining Solutions, Q1 2010,” Forrester Research, Inc., February, 2010
Need for Better, More Timely Marketing Mix Assessment

Respondents were very clear on the need for better, more real-time marketing mix analysis. They cited several factors:

Sales reps have less impact. With budget cutbacks driven by the new commercial model, there are fewer feet on the street to talk to health care providers. Cegedim Strategic Data estimates that 60 percent of total marketing mix spending in 2009 was on the salesforce. According to Cegedim data, worldwide spending on sales force promotion remained flat in 2009 while overall marketing spend was up 1.6 percent. Although still the dominant channel, sales reps are getting less time with physicians. Meetings with time-challenged physicians can be as short as two minutes. In football, teams get a two-minute warning indicating it’s their last chance to score. Marketing managers should take heed that the two-minute warning is buzzing for pharma sales reps.

Regionalization. To survive, pharmaceutical companies have to monitor marketing spending in regional markets. Tracking multiple regions and products makes the marketing mix analysis even more complicated.

Problems in Current Marketing Mix Data Analysis

Traditional marketing mix data analysis is clunky. It tends to be historic and not predictive, and is marginally useful for decision making. Data is usually dumped into spreadsheets without any sophisticated diagnostic tools. Here are some of the concerns voiced by respondents:

Secondary data time lags. The typical biannual evaluation of marketing mix is insufficient given increased market competition across more regions. There is a lag between analyzing secondary data and actual events. “I wish the data were more real time,” said a director of media and promotion strategy. A vice president of international
specialty products notes, “Secondary data is often based on the last six to nine months of data, so by the time you get it, it’s not prospective.”

**Analysis is outsourced and costs are high.** Vendors of secondary data often conduct marketing mix analysis for pharma market research departments and act as consultants to review the data. The vendors send the data to the companies’ marketing departments, which then request more cross-correlations and refinements. Weeks may pass for successive iterations of aging data, which becomes costly (and stale). “We contract out the salesforce effectiveness and promotional response analysis because it’s resource intensive and we don’t have the expertise,” said a vice president of international specialty products.

**Not regional or granular enough.** “I would like to see regional differences for brands so I can align spending with coverage, patient populations, etc.,” remarked a vice president responsible for international product management. “The analysis is not always broken out this exquisitely.”

**New channel spending can’t be tracked.** As firms shift away from sales reps to more spend on websites and education, marketing managers don’t know how to collect data. “I’m not sure how to track more indirect programs such as consumer and web initiatives,” admits a vice president of commercial operations.

**Too much reliance on seat-of-the-pants.** Most of the respondents admitted that informal, ad hoc assessments of individual channels were the norm. “After people present their analysis, we then do a gut feeling session,” said a director of marketing. “We try to make an educated guess on how the budget should be divided.”

But guesses educated or otherwise leave companies vulnerable. The typical bi-annual or ad hoc evaluation of marketing mix is insufficient to deal with increased market competition across more regions, less effectiveness in existing channels and the emergence of new channels. C-level management echoes that theme by putting pressure on marketing managers to provide optimal allocations across regions, channels and brands. How do you do that with data that is six months old?

"Traditional marketing mix data analysis is clunky. It tends to be historic and not predictive and is marginally useful for decision making."

**Predictive Marketing Mix Analysis**

Marketing managers interviewed for this white paper did have an ideal for their marketing mix analysis system. They want greater speed, stronger predictive accuracy and better competitor data for.
benchmarking. They also want transparency and more robust models. Said one marketing manager: “I don’t want a black box. I want to understand the inner workings of the model.” They want a dynamic model that can help them respond quickly to the market.

Predictive marketing mix analysis systems satisfy many of those ideals and resolve many of the problems encountered in older marketing mix analysis systems. They offer the following benefits:

**Integrate a wide range of data with wide a range of visualizations.** The software system should be able to set up and integrate data from internal and external sources. This includes data from mainstream pharma data vendors plus reports on individual sales calls, econometric forecasting and financials. Models can be built from data already warehoused and new data can be added as it comes in and analyzed with a wide range of visualizations.

**Capture social media data.** As DTC shifts from product-driven TV and radio ads to Web-enabled educational sites, a system needs to be able to capture data from those sites. For example, rather than advertising an epilepsy drug, a pharma company might provide a website that deals with the medical, social and psychological implications of that...
disease to promote consumer awareness. Data from visitors to the site can be captured and incorporated in media mix analysis systems. Text analysis that uses natural language processing can mine the data for reactions and attitudes. Similarly, relationships between groups and networks from social media could be captured and fed into a media mix analysis system. An integrated system can combine this qualitative data with quantitative data on sales and econometric forecasts.

**Generate what-if analyses and simulations.** Next-generation marketing mix analysis can perform what-if analyses to simulate what would happen when a variable in a marketing mix is changed. Old-school marketing mix analysis systems merely provide a static snapshot of the past. Predictive marketing mix analysis systems can give marketing managers answers to questions posed by finance and senior management. The answers can be buttressed by statistical analyses that can provide more assurance than intuitive, seat-of-the-pants guesses. Push a button and next generation systems can automatically run analyses, which optimize expenditures across geography and media channels.

**Change projects into processes.** Predictive marketing mix systems can turn marketing mix analysis from a one-off project to an ongoing process. As the data is updated, analysts can run simulations and forecasts that escaped old-school marketing mix analysis. Marketing mix analysis becomes a portal to interactivity by taking historical trends and running simulations on the impact of shifts in advertising and marketing spending by product line, region and channel.

**Extends mature stage of product life cycle.** As products age, original brand plans need to be changed. Predictive marketing mix analysis systems can help fine-tune marketing spending as the product moves toward patent expiration. To maximize their ROI, marketing managers can analyze the optimal point of investment.

**Independence.** In the past, many marketing managers outsourced their marketing mix analysis to their advertising agency or secondary data vendor. Independent software vendors now offer hosted marketing mix analysis packages. This avoids potential conflicts of interests from outside consultants and puts the analyst back in the driver’s seat with prebuilt analytical dashboards.

Today’s pharma business climate demands precision business analytics. What was once a luxury is now a necessity. Brand winners will be defined by their predictive insights. Companies have the data, the processing capability and the analytics. All they need now is to use them.

For more information on predictive marketing mix analysis, please contact:

**Patrick Homer**
Global Life Sciences Sales and Marketing Practice Principal, SAS
E-Mail: patrick.homer@sas.com
Phone: +1 919-749-5875

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