
Marketing Masterclass

Excellence in medical marketing: Origins, definition and precursors

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Abstract The maturation of markets such as pharmaceuticals, medical devices and diagnostics means that superior strategic marketing skills are now a necessary precondition for competitive advantage in those markets. This paper uses extensive prior research and original empirical work to characterise 'Marketing Excellence' and the organisational conditions that are the precursors to achieving it.

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INTRODUCTION: MARKETING EXCELLENCE AS A LIFECYCLE PHENOMENON

Those companies for whom the customer is a physician or related medical professional, such as pharmaceuticals, medical devices and diagnostics, have long accepted the product lifecycle as a guide to their strategic planning.¹ The lifecycle concept is seen to provide a dynamic overlay onto static market analysis,² especially when the drivers behind lifecycles are understood.³

Less commonly considered by medical marketers is the concept of industry lifecycle, the aggregate of the product lifecycles in a sector. Yet industry lifecycle is often cited by academics as fundamental to strategic management.⁴ From the perspective of strategic management, evolution of the industry lifecycle implies a parallel evolution in the competencies required to create sustainable competitive

advantage.⁵ Industries which are at embryonic or growth stages are most often led by firms with the greatest research and development capabilities. By contrast, the dominant players in industries in their mature stage are usually characterised by their strategic marketing skills.

Those markets in which the customer is a physician or related medical professional have shown clear indicators of evolution in their industry lifecycle. The 40–50 years following the Second World War demonstrated characteristics of an industry in its growth stage: double-digit growth rates, high levels of innovation and the penetration of every developed and developing national market. From the 1990s onwards, however, the industry showed all the signs that it is maturing. For example, pharmaceutical industry data show that growth rates have declined and new product launches have slowed significantly.⁶ Synthesising this evidence that the medical products industry is

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maturing and the strategic management perspective that such maturation implies a shift in the basis of competitive advantage has important ramifications for the industry. In short, the combination of these two factors suggests that Research and Development competencies will become necessary but insufficient precursors to competitive advantage and that superior competency in strategic marketing will characterise future market leaders.

This observation, supported by both an extensive literature and industry data, also fits with anecdotal observations that many companies have now developed Marketing Excellence training and development programmes with the intent of improving the competencies of their marketing teams and thereby creating or maintaining competitive advantage. This paper seeks to support those objectives by elucidating the nature of market excellence and the organisational precursors to achieving it in medical markets. Its findings are based primarily on the author's PhD thesis⁷ and augmented by observations made during strategic implementation in many of the world's leading companies in

pharmaceutical, medical device and diagnostic markets.

DEFINING MARKETING EXCELLENCE

The starting point in understanding Marketing Excellence is to define marketing. While often confused with marketing communications activities such as personal selling, advertising etc, marketing is more fully understood as the entire process of understanding and satisfying customer needs.⁸ This is graphically and clearly explicated in Figure 1, taken from the work of McDonald.⁹

This four-stage iterative picture of marketing enables the definition of Marketing Excellence as being much broader than simply being good at advertising and sales materials. Further, given that most definitions of excellence stress the relative superiority of an entity to its comparators, true marketing excellence must encompass superiority in all four stages to a degree that is demonstrably and functionally greater than that of the competition. A firm can

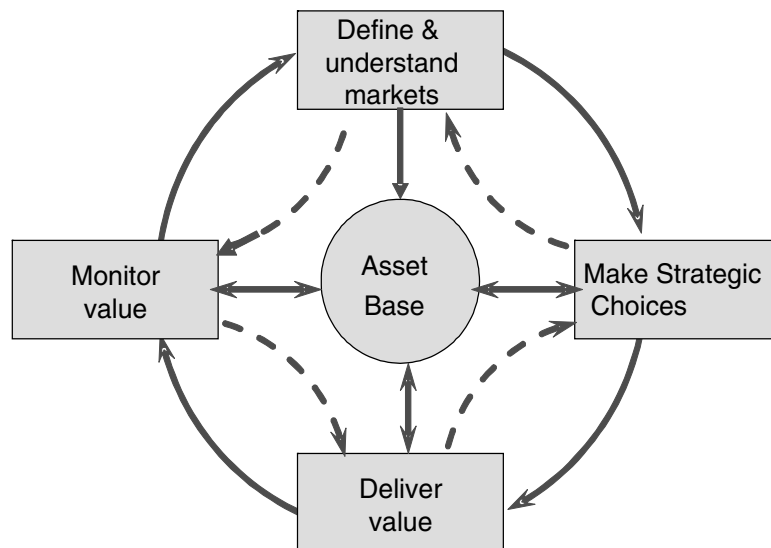


Figure 1: The marketing process

Table 1: Contrasting typical and excellent practice in market definition and understanding

Typical market understanding	Excellent market understanding
Unquantified observations of 'far environment' trends, such as demographic bulges or technological advances.	Rigorous mapping of the 'far environment' factors and how their implications interact with one another. Results used to model future scenarios
Comparison of direct competitors' features and benefits with own product.	Systematic assessment of trends in both direct and indirect competitive forces (eg Porter's Five Forces)
Quantitative assessment of market defined by product (eg Statin Market)	Needs-based segmentation analysis of differently motivated segments within each market sector.
Trade-marketing campaign aimed at key distributors.	Quantified 'market-mapping' exercise revealing routes of all products through channels to patient. Supported by value chain analysis.
Minor product efficacy differences incorporated into sales aids.	Objective, quantified SWOT analysis used to drive targeting and strategic choices.

therefore be said to have Marketing Excellence when it has the capability to execute all four stages of the marketing process in a manner that is practically superior to the competitors.

EXCELLENCE IN DEFINING AND UNDERSTANDING MARKETS

Marketing Excellence begins with a practically superior ability to define and understand markets. Typical, nonexcellent, companies define markets in terms of therapy areas and product categories. It is common to have detailed, quantified knowledge of the market in terms of product usage, market share trends etc. Such practice is characterised by being product-oriented and focused on the 'near' environment of customers and competitors. As a result, it often does not identify the factors driving the market or the key issues the marketing strategy must address. By contrast, excellent practice in defining and understanding the market begins with defining the market in terms of customer needs and understanding the implications of not only near but also 'far environmental' factors, such as social, legal, technological trends. Excellent practice is customer-need-oriented and places a premium on understanding what opportunities and threats arise from the external environment. The final characteristic of excellent practice at this

stage is the alignment of internal positive and negative factors (respectively, strengths and weaknesses) with external opportunities in threats. It is this alignment process that leads to the identification of the key issue that the marketing strategy must address.¹⁰

Self-assessment of marketing competencies in market definition and understanding is difficult because of the cognitive biases of most managers (see for instance Hodgkinson¹¹). It is further compromised by cultural artefacts such as the use of jargon, which often allows managers to disguise product-led behaviour as market-oriented. By way of elucidating the differences between typical and excellent practice in this part of the marketing process, Table 1 provides five contrasting pairs of observations taken from companies in this study.

EXCELLENCE IN THE MAKING OF STRATEGIC CHOICES

Having defined the market in terms of customer needs and identified, by a process of SWOT alignment, the key issues to be addressed, Marketing Excellence then requires the making of choices regarding marketing strategy. Note that, again, this does not refer to choices regarding marketing communications strategy, which involves choices regarding audiences, messages and media. As defined by Drucker¹² and Mintzberg,¹³ marketing

Table 2: Contrasting typical and excellent practice in making strategic choices

Typical strategic choices	Excellent strategic choices
Target segments defined according to product usage (eg high prescribers) Targeting based solely on sales potential.	Target segments defined according to needs, motivations and attitudes (eg 'innovative sceptics') Targeting based on profit potential, reference value and firm's competitive strength with that segment.
Same value proposition made to all targeted customers.	The 'outer' elements of the value proposition, such as communications, sales team and customer experience tailored to each target segment.
Strategy similar to main competitors.	Strategy avoids head-on competition by targeting different segments and adopting a clearly different positioning.
Strategy makes little allowance for firm's strengths and weaknesses.	Choice of value proposition and target customers strongly influenced by firm's strengths and weaknesses.

strategy choices are primarily those regarding which market segments to target and what value propositions to make to them.

In typical companies, these crucial decisions are sufficiently diffuse so as to represent no clear choice at all. As a result, the marketing strategy fails to concentrate valuable resources. Even when specific targets are identified, the target is heterogeneous in its needs. As a result, even compelling propositions create customer preference in only part of the target. More often, the value proposition is not well tailored to the target, fails to address the key SWOT alignment issues and is insufficiently differentiated from the competition.¹⁴

By contrast, excellent strategic choices narrow their focus, target tightly and make an offer that is compelling to each target segment, but not to others. In the best companies, this choice of target and offer makes use of the company's distinctive strengths and is different from the strategic choices made by rivals. Further, it anticipates the way the market segmentation is evolving under the pressure of the far environmental factors.

Self-assessment of strategic choices is again obfuscated by biased management judgment but, given that this is the point at which perceptions of value are critical, these choices are especially hindered by

subjective judgments of the value created by the product, the sales team or the company brand. By way of elucidating the differences between typical and excellent practice in this part of the marketing process, Table 2 provides five contrasting pairs of observations taken from companies in this study.

EXCELLENCE IN DELIVERING VALUE

Steps 1 and 2 of the market process deliver a set of decisions regarding which customer segments to target and what value propositions to offer them. If made in an excellent manner, these decisions will clearly and strongly align the company's distinctive strengths with market opportunities and its relative weaknesses so as to negate the extant market threats.^{7,15} Stage 3 therefore involves the implementation of those strategic decisions in terms of actions and resource deployment.

Typical practice in value delivery arises from the often weak market understanding and strategic choices that underpin it. It is characterised by beginning with the product, rather than the targeted customer and emphasises promotion of that product. By contrast, excellent value delivery considers the entire 'marketing mix' including not only the product and

Table 3: Contrasting typical and excellent practice in value delivery

Typical value delivery	Excellent value delivery
Value delivered mostly by the product	Considers the entire process in which the product is used from diagnosis to treatment to measurement of outcomes.
Sales and marketing effort mostly directed at selling the product	Sales and marketing effort adds value to the customer, by improving outcomes or reducing prescribers, payor or patient costs or inconvenience in some way.
Supply chain mostly directed at delivering product	Supply chain adds value in some way, such as reducing costs in obtaining and storing the product.
Pricing and payment process mostly directed at optimising profit.	Pricing and payment process structure adds value by reducing overall costs of purchase or financing.
Purchasing process mostly directed at reducing administration costs and optimising sales	Purchasing process adds value by reducing direct or indirect costs or increasing customer convenience.

promotion, but also channels to market, human resources and the entire customer experience. In doing so, Marketing Excellence at the value delivery stage is characterised by a concern for how the marketing mix creates value for the customer, rather than just sells the product.

Both self-assessment and implementation of value delivery typically involves an expansion of involvement from, usually, office-based marketing staff to field-based sales staff. Consequently, the major factors hindering excellence are often those concerned with organisational behaviour: poor communications, internal politics and system or process failings. By way of elucidating the differences between typical and excellent practice in this part of the marketing process, Table 3 provides five contrasting pairs of observations taken from companies in this study.

EXCELLENCE IS MONITORING THE VALUE

Stage 3, delivery of value, is complemented by stage 4 of the marketing process, monitoring value. This in turn leads to improved market understanding, thus closing the iterative loop.

Typical practice in the monitoring practice owes much to accountancy processes. It is characterised by mostly financial measures of lag indicators such as sales revenue or proxies such as

prescription rate or market share and organised at a product level. Further, it is primarily concerned with control of resources and holding staff to account. Marketing Excellence in value monitoring involves a dashboard of lead and lag indicators that reveal the value delivered by different parts of the offer not just in absolute terms but relative to the competition. It is organised at segment or customer level rather than product level. Further, these companies pay special attention to monitoring areas where they had no planning data and had to make assumptions, because these areas are the sources of business risk. Most importantly of all, the focus of monitoring in such exemplary companies is on enabling organisational learning, rather than merely control¹⁶

Monitoring of value delivery is, arguably, the least developed phase of marketing excellence. It is hindered by many of the same factors that hinder market understanding, strategic choice making and delivering value. The two most observed barriers, however, regard first IT competence, in that this requires difficult cross-functional working¹⁷ and, secondly, the politicisation of knowledge, particularly when it is passed upwards in the organisation.¹⁸ By way of elucidating the differences between typical and excellent practice in this part of the marketing process, Table 4 provides five

Table 4: Contrasting typical and excellent practice in monitoring value

Typical value monitoring	Excellent value monitoring
Single measures of marketing expenditure value (eg ROI)	A metrics dashboard measuring the results of sales and marketing activity at different touch points (eg Web, sales forces, advertising)
Implicit assumptions about outcomes (eg response rates) that are not subsequently measured	Where assumptions are made, they are made explicit and are subsequently measured during implementation.
Only financial outcomes are measured.	Measures at each stage of the implementation process, both financial and nonfinancial, quantitative or qualitative as needed.
Data from different sources is analysed separately.	Data from different sources is overlaid to get deeper insight.
Only 'lag-indicators' about past activity are measured (eg sales calls)	'Lead-indicators' that suggest future activity are measured (eg customer predisposition)

Table 5: Self-assessment of marketing capabilities

Marketing excellence area	Firm score (0=typical, 5=excellent)
1. Assessing the far environment 2. Analysis of direct and indirect competition 3. Defining the market by need not product 4. Channel management 5. Objective, quantified, SWOT analysis Score for market understanding (total 1–5)	
6. Defining needs-based segments 7. Targeting by profit and strength 8. Tailoring the offer to segments 9. Avoiding head-on competition 10. Leveraging strengths, avoiding weaknesses Score for strategic decisions (total 6–10)	
11. Considering the customer's value chain 12. Adding value through sales and marketing 13. Adding value through the supply chain 14. Adding value through the pricing 15. Adding value through the purchase process Score for delivering value (total 11–15)	
16. Measuring activity at all touch points 17. Testing assumptions 18. Measuring nonfinancial and qualitative results 19. Synthesising data for insight 20. Using lead indicators Score for delivering value (total 16–20)	

contrasting pairs of observations taken from companies in this study.

SELF-ASSESSMENT OF MARKETING CAPABILITIES

As explained above, self-assessment of a firm's Marketing Excellence, or lack of it, is hindered by tangible issues, such as the lack of benchmarking data, and intangible factors such as managers' cognitive biases and politicisation in decision making.

These can be, to some extent, offset by reference to comparator tables in this paper or their fuller exposition in prior work.^{19–21} Table 5 is intended to help the reader self-assess a firm's Marketing Excellence when used in conjunction with this prior research. Experience of the use of this tool in practice suggests that most self-assessments are biased to the positive and that this can be countered by the use of a suitably qualified external

facilitator. In self-assessment, a score of less than about 15 usually indicates that the firm has the opportunity to significantly improve their marketing practice and hence create or maintain competitive advantage.

DISCUSSION: IMPROVING MARKETING CAPABILITIES

Although this work was aimed primarily at understanding Marketing Excellence, the by-product of the findings and the subsequent application in practice has been the identification of several organisational factors that seem to be consistently associated with Marketing Excellence. These precursors to Marketing Excellence may be summarised as:

- *Leadership commitment:* Marketing Excellence only happens when leaders allow the time and money for learning to be excellent. It fails when leaders treat it as a secondary issue.²²
- *Idea importation:* Marketing Excellence is aided by importing and adapting ideas, not just from competitors but especially from other industries.²³ Marketing Excellence is hindered by perception that the firm is unique and cannot learn from other contexts.
- *Authentic behaviour:* Marketing Excellence requires an honest and authentic approach in managerial behaviour.²⁴ It does not happen in a highly politicised environment.
- *Theorising:* Cynicism about management theory, posing as pragmatism, hinders Marketing Excellence. Learning happens best when theory is neither scorned nor accepted uncritically. Instead, learning tests, adapts and selectively absorbs the lessons from management research²⁵

These four critical success factors should, if the experience of the companies in the study is transferable, help guide any Marketing Excellence programme. One final factor that emerged from the research was, however, the issue of expectation levels and resource allocation to Marketing

Excellence programmes. Firms that achieve Marketing Excellence take a realistic attitude to how difficult it will be. Other, more typical, firms look for the easy, cheap or fast way to achieve Marketing Excellence. As suggested by this research, such approaches failed to create Marketing Excellence.

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