

QUIRK'S

Marketing Research Review

Pharma's a battlefield: why companies should spend, not skimp, on market research

By Andrew D. Cutler

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"If you know the enemy and know yourself, you need not fear the result of a hundred battles." (Sun Tzu, *The Art of War*)

The economic well-being of any pharmaceutical company is predicated entirely on its performance in the pharmaceutical marketplace - an arena that is, in every sense of the word, a battlefield. Regardless of whether your company is marketing cough syrup or cancer treatment, you are facing competitors whose most fervent wish is to eliminate you (or, more precisely, your product) from the marketplace. How to fend off these bloodthirsty competitors and survive, even thrive, on the pharmaceutical battlefield? Sun Tzu's advice is as applicable today as it was 2,500 years ago: Know your enemy; know yourself. And strategic, tactical marketing research is going to be the strongest weapon in your arsenal.

Conducting strategic marketing research is, in some ways, analogous to paying for a child to receive a college education. As we all know, college tuition is notoriously expensive, and the dividends that it pays are not necessarily going to be apparent for quite some time. Still, it is an investment that many parents choose to make, as the rewards eventually dwarf the expenditure necessary to make it happen. A young person without a college degree is going to face an uphill battle in the professional job market,

as there are invariably a plethora of college-degreed applicants for the same position. Similarly, a company that wishes to market its products successfully, but chooses to skimp on strategic marketing research, will be at a considerable disadvantage when competing against firms that have made the investment.

Conducting tactical marketing research, too, can be vitally important and effective in meeting sales targets. For example, testing creative executions among potential consumers is an investment that many successful packaged-goods companies regularly make because it pays dividends many times over. A television commercial, for example, can cost over \$300,000 to produce plus another \$100,000 each time it is aired on national television. Market research to assess consumer response to storyboards under consideration is a small investment to make.

Sun Tzu may not have been living in an economic recession, but his quotation reminds us why some companies, such as Proctor & Gamble, Coca-Cola, Pfizer and McDonald's, continue to dominate their product category: Regardless of the economic climate, these companies invest considerable time and money into understanding their own position versus their competitors', and as a result they win the battles they fight in the marketplace.

Ask yourself: Are you able to answer the following strategic and tactical questions for your brand?

- What do physicians view as the advantages and disadvantages of your brand versus your competitors'?

- For which patients are physicians prescribing your brand versus your competitors'? Why?

- What steps can you take to increase patient requests for your product?

- How much a role do nurse practitioners and physicians' assistants have in the selection of therapy for patients in your category?

- How effective is your company's sales aid? What steps could be taken to improve it?

- What imagery and messages are your customers most responsive to?

- To what extent do patient requests have a role in physician prescribing of your product?

- If applicable, how will the emergence of generic entrants impact your category?

- What trends in treatment are there in your category?

- What line extensions for your product would physicians find useful, and why?

If you only know the answers to a few of these questions, chances are that your marketing research projects are sporadic. Research can help a marketing team take control of their brand and the brand's future success. Like a general going to battle, the successful marketer understands the importance of being proactive in gathering the intelligence that will help him to defeat the enemy.

Unfortunately, marketing research departments are often among the first to feel the ill-effects of a down economy, even in the generally profitable world of pharmaceuticals. Apparently, many pharmaceutical CEOs believe that the

insights that research can provide are not essential to the health of their organization and don't fully grasp what they stand to lose by skimping on what should be an essential. The benefits of research, after all, can be difficult to measure, and conducting it rarely leads to immediate and tangible rewards. Instead, the benefits of this investment often do not appear until many months, or even years, later.

To get some perspective on why pharmaceutical companies are unwise to trim their marketing research budgets too closely, let's consider some instances in which non-pharmaceutical companies have attempted to do this. The business world is, in fact, littered with examples of companies that tried to reduce costs by cutting corners in their marketing research spending, and ended up instead cutting off their nose to spite their face.

- In the late 1970s, Polaroid cameras were dominating the market; millions of consumers lapped up the OneStep cameras, and even the efforts of Eastman Kodak to gain a foothold in the instant-photo marketplace were relatively unsuccessful. With the product appearing to sell itself, Polaroid paid little attention to marketing research, particularly since the company's founder was a scientist who felt much more at home in the laboratory than grappling with marketing questions. Polaroid's next innovation, the Polavision instant home movie camera, was a commercial failure. Newer, 35 mm cameras became popular, especially with younger photographers. In failing to grasp what the marketplace wanted and where consumers were going, Polaroid's earnings plunged 70 percent in 1979.¹

- In the early 1980s, Corona beer was introduced into the U.S. market, and sales grew quickly. In 1986, sales of Corona more than doubled from their 1985 level, and by 1987 had increased fourfold from just two years earlier. The company, however, was lulled into a false complacency by this growth and neglected to conduct marketing research. Such research would have revealed that many of the newer customers were sampling Corona but not becoming loyal customers. Instead, these customers were going back to the domestic brand that they had been drinking prior to the explosion in Corona's popularity. Also, marketing research would have alerted the company to the emergence of direct competitors, such as the long-neck version of Miller Genuine Draft. As a result, sales of Corona dropped precipitously in 1988.²

- In 1988, Raytheon developed a new airplane designed for business executives, called the Starship. The plane boasted a unique, futuristic appearance on the outside, lots of room inside, an easy-to-fly control panel and better fuel economy (but slower speed) than competitors in the category. Raytheon assumed that business executives would flock to the Starship. Instead, sales were poor, and not just because of the exorbitant price tag - in the neighborhood of \$5 million. The company ended up making just over 50 Starships in the next seven years before abandoning the project. Marketing research would have identified that business executives want to get to their destinations quickly, and often want to keep a low profile. The Starship's slow speed, high price and

remarkable appearance were fatal to its success.³

- In 1995, as part of their global expansion, KFC decided that it would introduce KFC restaurants into a new market - India - without conducting any marketing research beforehand. Having passed on such research, the company failed to comprehend that many Indians do not eat meat; consequently, the initial KFC menu had very few vegetarian options. In addition, KFC did not realize that home-cooked tandoori chicken, a favorite among non-vegetarian Indians, would represent a serious competitive challenge. KFC eventually had to pour millions of dollars into overhauling the menu and recrafting the company's image.⁴

Taking the time (and spending the money) to craft an intelligent plan for going to battle in a competitive marketplace could mean the difference between suffering the same fate as the Starship or emerging as victorious as the Big Mac. Convincing the powers that be of the worth of marketing research may require great perseverance, persuasion and foresight, but knowledge, according to Sun Tzu and marketing research's own history, is the key to winning the war.

1 <http://www.time.com/time/magazine/article/0,9171,950406-2,00.html>

2 <http://www.inc.com/magazine/20010101/21575.html>

3 <http://www.marketresearch101.com/files/Raytheonjet.pdf>

4 <http://scumbaindia2007.blogspot.com/2007/09/wipro-cpg-diversity-in-india.html>

