



## ***Working Smarter:*** Partnerships with Marketing Research

*As competition heats up, companies are looking for new ways to cut costs and increase productivity. Pharmaceutical companies and marketing research suppliers can work better together to help battle the competition.*

**by Ed Siebert and Laura Cusumano**

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**A**lthough a picture may be better than a thousand words, one only needs two words to paint a vivid picture of the pharmaceutical industry in the nineties: "consolidation" and "competition." The industry has never seen the likes of the mergers that have occurred this decade. The mergers of Glaxo and Burroughs Wellcome, Hoechst Roussel and Marion Merrell Dow, Roche and Syntex, and Sandoz and Ciba Geigy have forever altered the landscape of the industry.

However, those mergers are not unique to the pharmaceutical industry. They mirror the consolidation that is occurring throughout the health care marketplace. (See "Merger Marriages.")

The multibillion-dollar deals in the industry have brought the ferocity of competition to previously unforeseen levels. As

a result, not only are companies exploring new and creative ways to market their products, but they are also looking within their own organizations to increase productivity and trim costs. One area in which companies are seeking cost-savings and productivity increases is in their relationships with external service providers or “suppliers.”

## Some companies engage between 50 to 100 suppliers in the area of marketing research alone.

The hypothesis driving partnering with suppliers is that a large company should be able to leverage its buying power by working with fewer suppliers and contracting with them for larger dollar volumes. Larger companies can have primary marketing research budgets of somewhere between \$10 million and \$20 million and work with between 50 and 100 suppliers.

That type of structure can lead to lapses in quality control, decreased productivity, and wasted dollars. Some examples of arrangements that companies are exploring with marketing research suppliers include therapeutic exclusivity arrangements, single-source contracts, and preferred provider agreements. (See “Choose a Partner.”) This article explores these three options that have the potential to increase productivity, improve quality, and decrease costs.

### EXCLUSIVE ARRANGEMENT

One approach that marketing research departments within pharmaceutical companies can take is therapeutic exclusivity arrangements. Under that scenario, a company may select a single supplier to conduct all the marketing research for a particular therapeutic category. For example, the analyst responsible for a company’s cardiovascular research may decide to select a single marketing research supplier to conduct all the research for all cardiovascular products for a given period of time—such as a one-year contract.

The advantages of that approach are threefold. First, a company can establish

continuity within a therapeutic area. If a single marketing research supplier manages the research, it becomes aware of the issues, challenges, and opportunities related to the particular brands in the therapeutic category. Second, both the company and the marketing research supplier will benefit from applied learning. The knowledge and understanding they develop regarding the product, therapeutic area, and market should enhance productivity and output, for both the supplier and client, because the company need not bring the supplier “up to speed” for each project.

Third, a company should be able to recognize significant cost-savings through such an arrangement. If a company commits a substantial amount of research to a particular supplier, that supplier should be able to pass along savings to the client from decreased sales and marketing time and increased economies of scale.

Yet there are disadvantages to therapeutic exclusivity, as well.

**Primary functional expertise.** To use the earlier example, if a company chooses a single marketing research supplier to conduct all of its marketing research for cardiovascular products, it must choose one that possesses the resources to conduct both qualitative and quantitative research. That criterion immediately limits the number of suppliers a company can consider.

As a result, the selected supplier may not have been the first choice if the company had evaluated each area separately. Companies considering therapeutic exclusivity

arrangements must be careful that, by selecting a single supplier, they avoid compromising quality for convenience.

**Perspective.** One of the major reasons that a company contracts for outside marketing research is to gain the supplier’s perspective. Suppliers that work with multiple companies in the health care, pharmaceutical, and other industries, can bring views and opinions shaped from their variety of experiences.

That tends to enhance strategy and tactics when it is blended with a company’s understanding of its own internal climate. A marketing research supplier that receives an exclusive contract in a therapeutic area, however, will be unable to provide a company with the same array of perspectives that multiple suppliers will.

### SINGULAR SOURCE

Another mechanism through which a company can try to recognize benefit is single-source contracts. A single-source contract occurs when a company selects one marketing research supplier to conduct a certain type of research across therapeutic areas. That generally occurs in areas where the supplier can easily develop and implement a standard methodology.

Some areas that appear to lend themselves to the development and implementation of a standardized methodology include pricing studies, brand-name development studies, journal ad testing, detail or sales aid testing, and concept testing. In those cases, it may benefit a company to

### MERGER MARRIAGES

Organization Type	Pre-Merger	Post-Merger
Hospitals	Barnes Hospital Jewish Hospital Christian Hospital	BJC Health System
Managed Care Organizations	U.S. Healthcare Aetna	Aetna U.S. Healthcare
Group Purchasing Organizations	Premier Hospitals Alliance SunHealth Corporation AmHS	Premier
Pharmaceutical Companies	Ciba-Geigy Sandoz	Novartis

*Recent mergers in the health care industry. The mergers of pharmaceutical companies mirror the consolidation occurring throughout the health care marketplace.*

contract with one marketing research supplier to conduct all of its studies in the selected area.

The chosen supplier and company can work together to develop a standard methodology to use for all testing. In developing a methodology, both parties should consider number of interviews, time requirements, work load and volume, number of cities, sample selection, versatility of questionnaire, and presentation of materials.

The most obvious benefit of single-source contracts is increasing productivity. By selecting one supplier and designing a standard methodology, the company's marketing-research analyst can eliminate the time spent soliciting multiple proposals for competitive purposes and pouring through them for marginal differences in approach, experience, and cost. With a single phone call or e-mail, analysts can initiate a project, and the supplier can begin discussion guide development and recruitment.

Analysts can then spend more time managing projects, interfacing with prod-

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uct management, conducting their own analysis, and writing reports.

Inexperienced analysts can also benefit from the standardized methodology. It creates an approach that is the most effective tool at collecting data for the type of research required for a project. Another benefit is the potential for cost-savings to the pharmaceutical company, identical to that discussed in the therapeutic exclusivity arrangement section.

A final benefit of single-source contracts is the ability to create a set of internal norms. If a marketing research supplier

**CHOOSE A PARTNER**

Arrangement	Advantages	Disadvantages
Therapeutic exclusivity	Continuity Applied learning Cost-savings	May not be functional expert Single perspective
Single source	Increased productivity "Best in class" methodology Cost-savings	Not appropriate for all study types May not be therapeutic expert
Preferred provider	Maintains analysts' autonomy Limits number of suppliers	Less cost-savings than others More administrative time than others

*Summary of advantages and disadvantages of partnership arrangements between pharmaceutical companies and marketing research suppliers. It is important for both parties to assess their goals and choose an arrangement that best meets their objectives.*

wins a contract to conduct all the brand-name development studies for a company, the supplier can ask a standard set of questions during the interviews to determine what elements of a name physicians like and dislike. They can use that information to create a data base of elements that test well and those that test poorly. The supplier can then provide the company with input into factors to consider when developing a name to enhance the product-name development process.

As with anything, an excess of single-source contracts can have drawbacks, as well. Companies should use care in selecting which types of research best lend themselves to single-source contracts. There are many types of research that analysts cannot standardize and that require substantial customization depending on the project's goals.

Examples include product positioning studies, message development studies, and market assessments. Those types of studies will likely use varying methodologies depending on the product, its market, and the need to quantify the findings. When initiating studies, the project team should discuss its goals and select a methodology that will enable them to achieve those goals. The time an analyst may spend assessing competitive bids for variations in approach, experience, and cost can be worthwhile.

**SIMPLE TASTES**

Preferred provider agreements tend to be the easiest arrangements to implement. As mentioned earlier, some companies engage 50 to 100 suppliers in the area of marketing research alone. In such a situation, it becomes difficult for a company to continually assess whether it is receiving the highest-quality service and output and if suppliers are delivering services to them in a cost-effective manner. Through a preferred provider agreement, a company can whittle down the number of marketing research suppliers with which it does business, as well as recognize some moderate cost-savings.

To initiate that process, a company will typically dispatch a request for proposal to its marketing research suppliers. The company will ask for information that includes project experience, functional capabilities, therapeutic expertise, staff resources, and costs.

Management will then assess that information, ask a select number of suppliers to participate in an interview process, and finally choose a smaller number of suppliers to be the company's preferred providers. The number of suppliers can vary from as few as 10 to as many as 50, depending on the size of the company and the supplier set from which it started.

The preferred provider agreement offers a company greater control over the market-

ing research suppliers it uses while still offering its analysts a great deal of autonomy in selecting the suppliers with which to work. Yet because it fails to guarantee a supplier a certain dollar volume or number of projects, the cost-savings a supplier can offer will likely be less than it can provide through a therapeutic exclusivity arrangement or a single-source contract.

One modification to a preferred provider agreement that some companies may want to consider is a partial partnering arrangement. In that case, a company could select a subset of its preferred providers to discuss contracting for a series of projects.

For example, a marketing research sup-

### **Goal-setting will help a company assess whether partnering with marketing research suppliers is the right mechanism to pursue.**

plier may secure a series of three to five projects in return for preferred pricing. That approach offers more flexibility than the therapeutic exclusivity arrangements or the single-source contracts but more structure and pricing benefit than a straight preferred provider agreement.

#### **AGREE TO SUCCEED**

For a marketing research department to successfully partner with its suppliers, it should first establish and prioritize its goals. The partnering approach that a company pursues is likely to vary depending on whether its primary goal is to reduce costs, increase productivity, or improve quality. Goal-setting will also help a company assess whether partnering with marketing research suppliers is the right mechanism to pursue. It is important to remember that a company should only implement a partnering strategy if it helps achieve an intended outcome and should never con-

sider one just for the sake of change.

Next, a company should use a process that creates buy-in and a sense of ownership throughout the entire marketing research department. Managers or directors thinking of implementing any of these partnering ideas should discuss the benefits and drawbacks with their staff and create a task force to evaluate the partnering opportunities and suppliers.

The task force should consist of analysts and/or managers from the pharmaceutical company's marketing research department and represent as many therapeutic areas as possible. They should request proposals from suppliers that discuss how they would structure the partnering agreement.

After the members of the task force evaluate the proposals, a select number of suppliers should be invited to make an initial presentation to the task force. Once the task force has narrowed the field to two to three suppliers, they should invite these suppliers to make a final presentation to the entire marketing research department.

Following this presentation, the task force should solicit feedback from the members of the department who attended the final presentation. Based on the input and their own opinions, the task force is likely to be in a position to select a partner. Such a process will likely achieve buy-in and consensus, and it is less likely to infringe on company analysts' autonomy.

Once a marketing research department implements any of the partnering programs, it should expect that it will take time before all runs smoothly. The process will be a learning experience for the managers, analysts, and selected suppliers. As a result, all parties should sit down together and clearly communicate their needs and expectations while deciding how the logistics of the partnership will operate.

For the arrangement to succeed, it is important for the company to have a mechanism by which it can provide the marketing research supplier with feedback. Whatever system the company chooses, it must measure its satisfaction with the arrangement as well as afford the supplier the ability to improve and refine the process.

Here, a simple questionnaire can be a valuable tool. If the supplier submits a customer satisfaction survey to the analyst following the completion of each project, the supplier and company will be able to assess satisfaction with the supplier's services. The survey should measure factors such as knowledge of therapeutic area, awareness

### **A company should never consider a marketing research partnering strategy just for the sake of change.**

of project goals, supplier's responsiveness, quality of research, quality of respondents, and effectiveness of the final report at meeting the project's goals. That process will allow the supplier to get immediate feedback and work with the company to make changes where necessary.

Competitive pressures in the industry have caused companies to search for new and creative ways to do more with less. One way in which companies have sought to capitalize on their resources and relationships is through partnering with their suppliers. The intent of these partnerships is to increase productivity and generate high-quality work products in a cost-effective manner.

There are many ways in which a pharmaceutical company's marketing research department can partner with its suppliers to achieve these goals. Some of these approaches include therapeutic exclusivity arrangements, single-source contracts, preferred provider agreements, and partial partnering agreements.

Although all of these approaches can benefit the pharmaceutical company and marketing research supplier, they also each have their own drawbacks. As a result, it is important for a company to evaluate its goals and objectives before entering any partnering agreements with suppliers. ■