

How customer-centricity can increase brand preference?

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Context

In an increasingly commoditized market, pharmaceutical companies are striving to create difference by adding services to their product offering. If this strategy has contributed to differentiate competing brands, it failed to create significant and sustainable brand preference from customers' perspective. Brand preference is the ultimate objective that all collaborators from any company should pursue, because it is the most powerful determinant of competitive superiority. The more robust is the brand preference the more exceptional is the brand performance.

To build and/or reinforce brand preference, companies must optimize, and that better than their competitors, the three basic components of the preference mix:

- Corporate reputation,
- Brand attributes,
- Service quality,

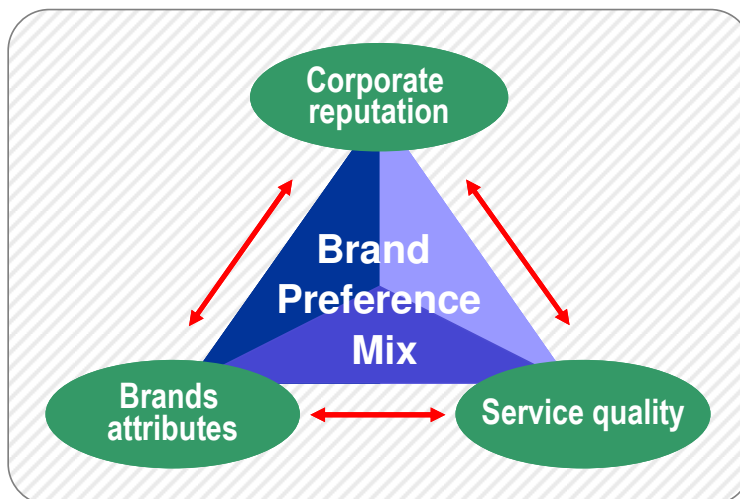
as they are perceived and valued by customers¹ (Figure 1).

In the pharmaceutical sector, all stakeholders should be viewed as customers, even if their relative importance in the purchasing process may vary significantly by geography, therapeutic area or business segment (e.g. prescription-bound products, OTCs, generics, vaccines, etc.).

To make their brands preferred, i.e. highly valued and unique in their customers' mind, pharma companies must place their customers at the centre of their business system by:

- Developing a customer-centric strategy,
- Elaborating a customer-centric brand plan,

Figure 1: Brand Preference Mix (BPM)



Source: Peny, J.-M., et al (1)

- Designing a customer-centric organization.

Developing a customer-centric strategy

Customer-centricity is not just identifying and responding to customer needs. Customer-centricity requires going that extra mile to please the customers and ensure that they enjoy the experience of being a customer of the company and/or a beneficiary of its products and related services².

Customer experience and perception

It is about building real positive experiences with customers. Positive experiences are essential to create sustainable customer preference and induce customer loyalty. Thus, in the pharmaceutical context, the more positive the "patient journey" with medication is perceived, the higher the adherence and persistence rates.

Positive patient experience will lead to:

- Better therapeutic care for the patient,
- Increased physician's confidence in the brand,
- Higher drug sales for the brand.

Customers' experience may occur at three different levels:

- The brand,
- The services related to the brand,
- The company.

Customers generate perceptions from several touch points such as:

- Prior experiences with the brand,
- Experiences with competitors' brands,
- Advertisements,
- News reports,
- Conversations with family and friends,
- Web 2.0 (e.g. social networks, blogs, wikis, chats, etc.).

Those accumulated perceptions are crucial because they shape the result of customers' decision-making process at the moment of purchase and replacement.

Besides, with the explosion of Web 2.0 at one's fingertips, customers (including patients) are more and more inclined to share their experience – either positive or negative – and they therefore influence other customers³.

Customer relationship management

To ensure a positive customer experience which will lead to brand preference and long-term engagement, companies need to develop customer relationship management (CRM) programs to enhance:

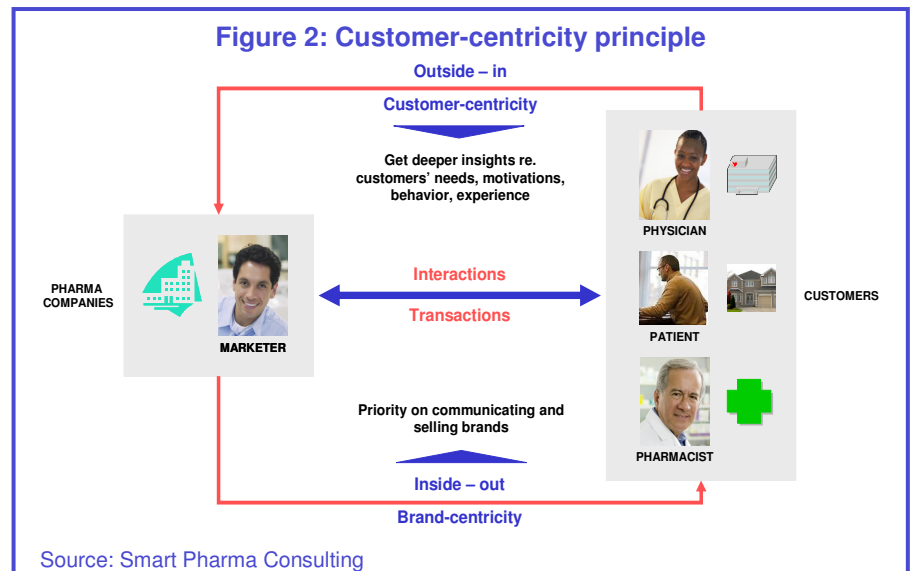
- Customer functional and financial satisfaction,
- Customer emotional fulfilment⁴.

The efficacy of customer relationship management programs should be analysed with reliable and updated data regarding transactions, value, geography, etc. The following key performance indicators (KPIs) can be used:

- Customer expectations and needs,
- Customer values,
- Customer lifetime value,
- Customer satisfaction,
- Customer loyalty (or retention).

Customer insights

To create a sustainable brand preference, companies must deeply understand the way in which customer perceive value. Thus, they need to turn their perspective from inside-out to outside-in to get deeper insights regarding customers' needs, motivation, behaviour and experience that are essential to deliver preferred offerings (Figure 2). For this, marketers must take time out with customers and maintain ongoing two-way conversations knowing that insights are more frequently revealed by personal in-depth



exploration rather than by large-scale data analysis. Web 2.0 will be particularly helpful to gain customer insights.

Customer loyalty

Loyal customers may be passive or active. In addition to the value they generate by their level of purchase, active loyalists create additional revenues for the company through their recommendations. Increasing the percentage of active loyalists requires:

- Integrating customer-facing activities into the marketing organization,
- Understanding through customer research what drives that loyalty and how to harness it with word-of-mouth programs⁵.

Thus, specific physicians' management programs originated by pharmaceutical companies may convert passive loyalists into active ones. The same may occur with patients who may be enrolled in a specific program to help them better adjust their life to their treatment, and *vice versa*. If the results are positive they may become "activists" and give positive feed backs to their physicians and to other patients via social media and Web 2.0.

Integrated customer-centric strategy

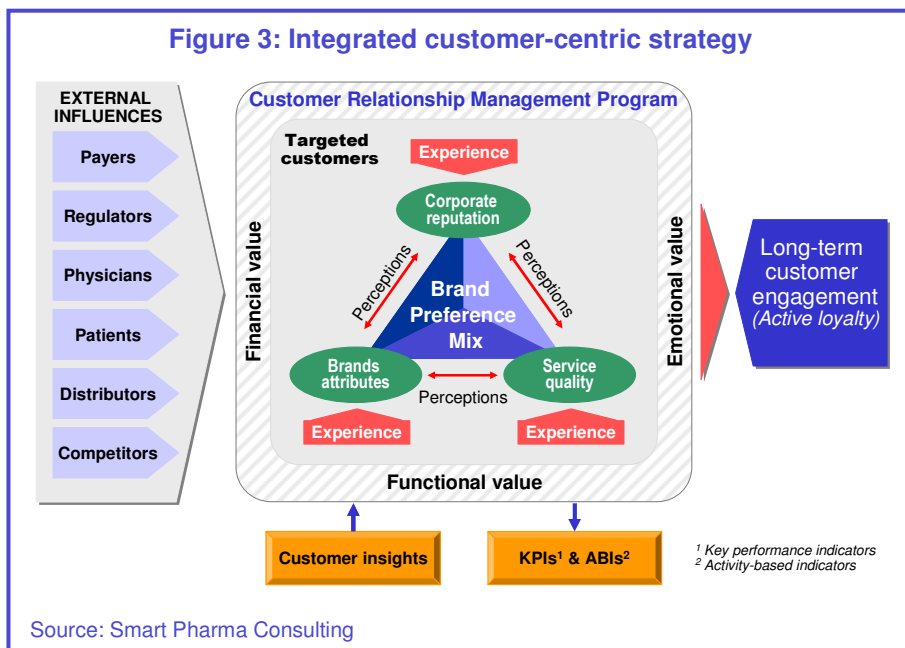
To be effective and efficient, customer-centric strategies require the application of a well-structured thinking process (Figure 3). The impact of the customer-centric strategies will also depend on the capabilities of collaborators to turn customer insights into competitive advantages and on the quality of execution that should be monitored with activity-based indicators (ABIs).

Elaborating a customer-centric brand plan

A customer-centric brand plan is instrumental to formalize customer-centric strategies. It should capture the customer perspective and estimate how a customer may really perceive the company, its products and services. This approach becomes a mirror in which marketers check out whether what is communicated and offered will create long-lasting brand preference.

Customer-centric marketing thinking has become important with the emergence of increasingly discerning, well-informed customers. Marketers must move aggressively beyond purely push-style communication

Figure 3: Integrated customer-centric strategy



Source: Smart Pharma Consulting

and learn to influence customer-driven touch points, such as word-of-mouth, and Internet information sites.

Companies should focus on what really creates added-value for customers and for them. They need to set ambitious goals to ensure that everything related to customers' experience of the brand intensifies the positive perceptions they feel towards it.

Customer-centric SWOT

The SWOT (strengths, weaknesses, opportunities and threats) analysis which represents the cornerstone of the brand plan should be considered from customers' perspective, taking into account their expected values, their perceptions and motivations. For each strength, weakness, opportunity and threat, marketers should try to answer the following key questions:

- Will this create or destroy value for customers?
- How this impact on customers' value will in turn translate on the perceived value of the brand and of the company?

Customer-centric 4 Ps

The customer-centric 4 Ps are the four levers that marketers can activate to create or consolidate

sustainable preference to their brands. In a customer-centric approach, customers will remain at the heart of the marketing thinking process which should address the following key questions:

- What do customers really value?
- How can the brand, its related services and the company fulfil better than competitors their expectations?
- How to make sure that customers develop confidence and trust in the brand, its related services and the company?

1. Products & related services:

Knowing that the preference for a brand is function of customer perception, it is important to check to which extent the brand value meets the customer expectations, on the functional, financial and emotional dimensions. Companies should sell solution packs including:

- Brand's attributes,
- High value services related to the brand (e.g. a compliance program for diabetic patients),
- High value services unrelated to the brand, across the company (e.g.

information centre, caregiver support centre, financial services for poor patients, etc.).

2. Price:

The price to be charged for the brand should be determined in the light of customers' expected cost-benefit ratio. The customer-centric approach for price is based on customer perceived value of the pack (product, related services and company) rather than on the product price, in absolute terms.

3. Promotion:

Markets have become places of conversation, connection and interaction. Customers seek information; share their experience, ideas and opinions. The shift away from a one-way communication – from marketers to customers – towards a two-way conversation, obliges marketers to satisfy customer demands and manage word-of-mouth on a systematic way⁶ (Figure 4).

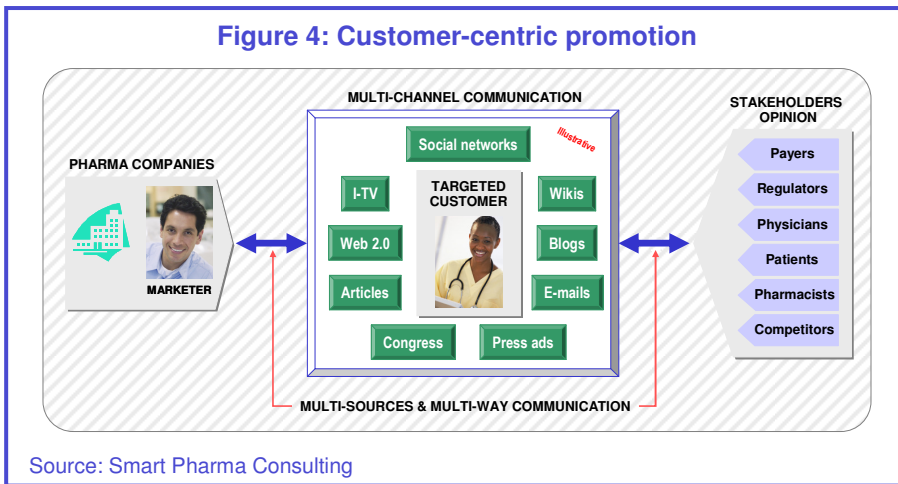
The following key questions need to be addressed by marketers:

- How do customers get information about the offers?
- What are the sources of information they use?
- Are there particular channels (associations, professional services, social networks, websites, etc.) that are preferred ways by which they receive information?

Marketers can influence online word-of-mouth by using tools that spot online conversations about brands, analyze what is being said, and post their own comments.

The success of customer-centric promotional activities depends on the company

Figure 4: Customer-centric promotion



Source: Smart Pharma Consulting

translating customer insights into coordinated sales and marketing touch points that deliver a consistent message.

4. Place:

The distribution channels by which customers will be able or will prefer to buy or receive products should be assessed. A multiple distribution channel approach could be considered to increase product availability and thus improve customer satisfaction.

Designing a customer-centric organization

Companies having successfully migrated from a product-centric to a customer-centric organization have made significant changes to align their processes and structures around the following 4 Cs⁷ (Figure 5):

1. Coordination:

To deliver solutions that will be highly valued by customers, companies need to introduce processes to facilitate knowledge- and expertise-sharing. This may require restructuring business units around customers rather than products and thus improve the harmonization of customer-related information and activities.

2. Capability:

Customer-centric solutions require developing capabilities of collaborators so that they have the skills to deliver customer-focused solutions. In addition to deep knowledge of customer needs, they should be motivated and empowered to deliver highly valued customer services, regardless of companies' internal boundaries.

3. Cooperation:

Customer-centric companies have in common to encourage collaborators to work together. Technology should be developed to ensure that collaborators at each customer touch-point have access to the complete profile of the

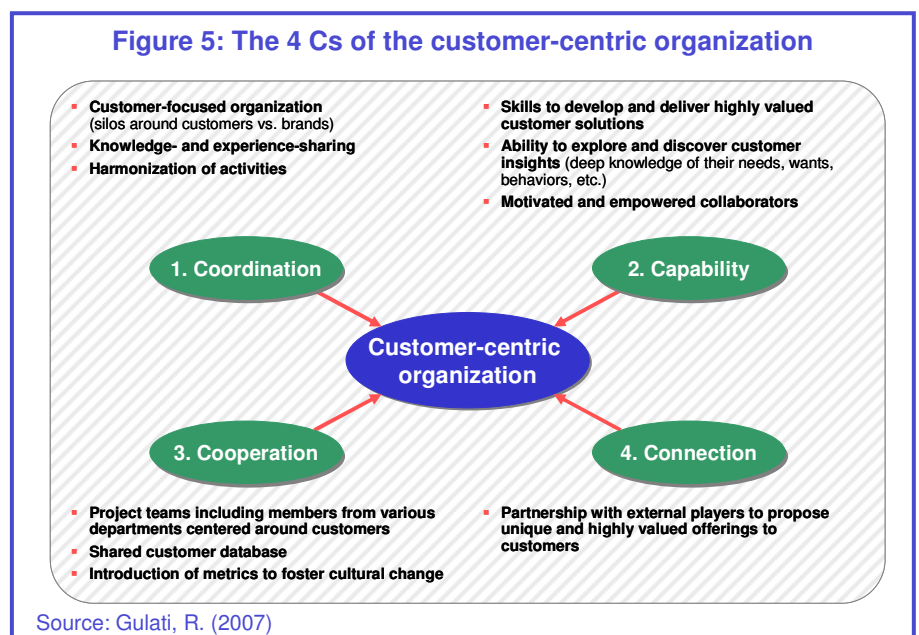
customer's relationship with the company. A unified and real-time view of customers gives a detailed understanding of customer value, needs and behaviours.

Metrics, such as customer satisfaction index and incentives to reward customer-focused behavior may be developed to foster the cultural change.

4. Connection:

To increase the value of the solutions proposed by companies, and possibly make them unique, companies may combine their offerings with those of complementary partners. Bundling offers may contribute to create a unique and highly valued proposition to drive customer preference. For example, insulin and BGM (blood glucose monitoring) could be proposed as a pack to diabetic patients. Thus, it is expected they will check their blood glucose level on a more regular basis and will adjust more rigorously and precisely the optimal dose of insulin they should take. Such an improvement in patient adherence should translate into higher sales of insulin and BGM.

Figure 5: The 4 Cs of the customer-centric organization



Source: Gulati, R. (2007)

At the marketing function level, specific customer-facing activities, including informational Web sites, Public Relation and loyalty programs, should be integrated, coordinated, communicated, and be given an appropriate leadership.

Today, most companies in the pharmaceutical sector are organized by function while few of them run brand-centric or franchise-centric businesses, in which brand teams are made up of research, marketing, sales, medical, regulatory capabilities, all under one umbrella. These structures facilitate the focus of efforts and attention of collaborators on brand related strategic issues, brings greater cohesion to marketing and sales, and eliminates duplicative work. AstraZeneca, for example, has found success with a hybrid organizational model the company described as “customer-focused and brand-led”.

A pure customer-centric organization would imply that businesses are structured around customers and not around brands or franchises. In such a configuration, brands responsibilities would become functional and customers positions operational.

Customers expect a continuous, consistent dialogue with companies, irrespective on how they are organized.

The customer needs should be recognized as a single entity across all customer-facing departments, leading to a single and central view of customers. Companies engaged in a multi-channel CRM are able to generate appropriate customer-related data made available at all customer touch points and communication channels including face-to-face, voice telephony, e-mail and websites.

Conclusion

The true essence of the customer-centricity paradigm lies on how to create value for customers. The best performer companies, better than competition are able to:

- Develop deeper customer insights,
- Create sustainable positive customer experience.

For so doing, companies must express their strategic priorities in terms of value creation for customers rather than in terms of product performance.

Besides, companies must rethink their organization by:

- Building silos around customers rather than around products or groups of products,
- Developing new marketing capabilities (e.g. digital marketing, multi-channel approach, etc.) in line with current realities of customers' decision making,
- Creating an integrated, organization-wide “voice of the customer”.
- Improving their corporate reputation, as perceived by customers⁸.

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