



The Brand Preference Strategy

- Position Paper -

March 2010

“Men differ less in their abilities than the degree to which they use them”



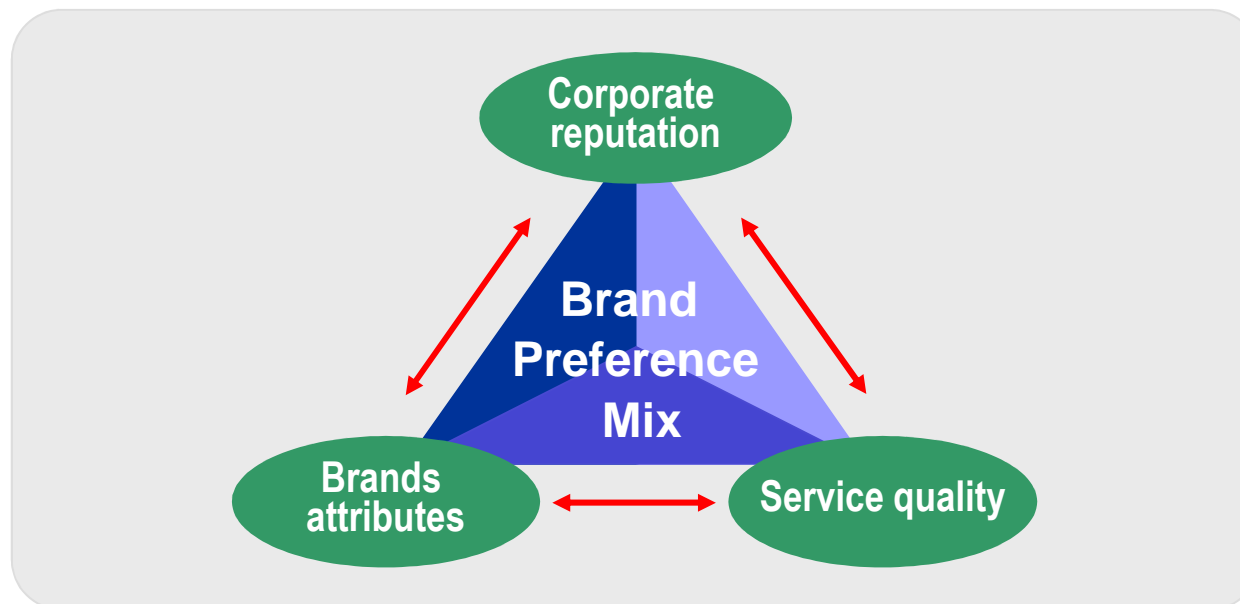
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By leveraging corporate reputation, brands attributes and the value of services offered, pharma companies will create superior Brand Preference and performance

The Preference Mix Strategy (1/2)

“Make your brand highly valued & unique in your stakeholders’ mind”

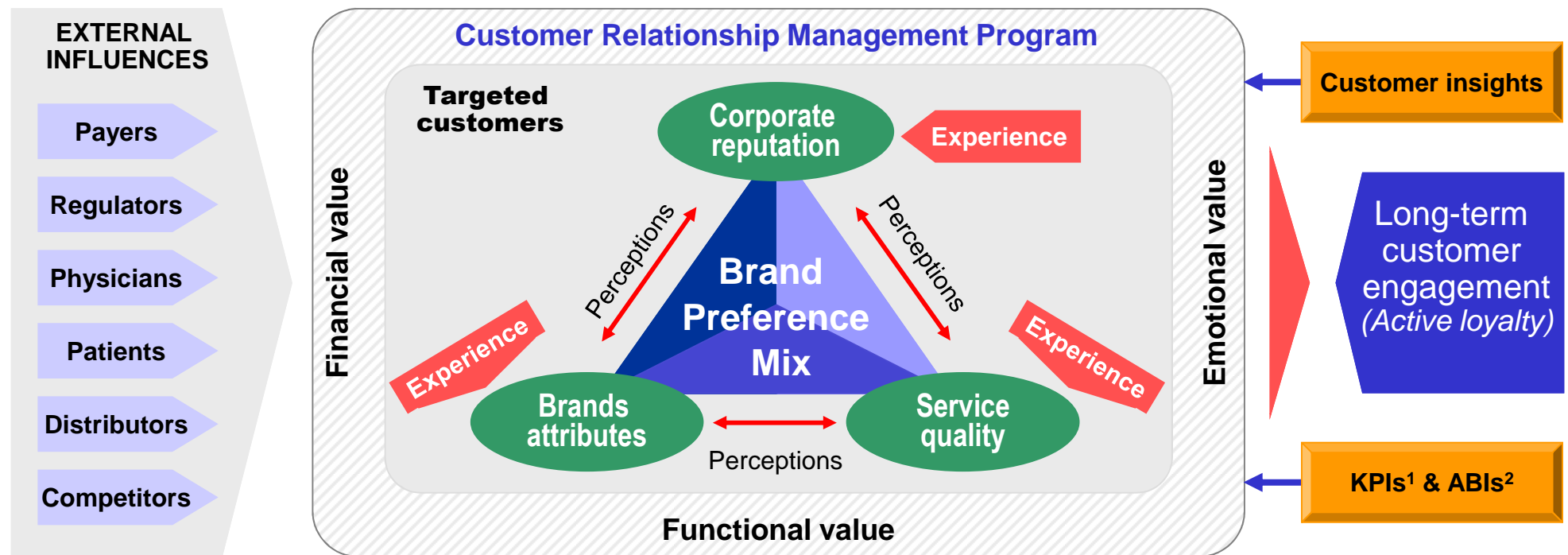


The Brand Preference Strategy

To create superior Brand Preference, managers must offer their customers positive experiences that will generate sustainable loyalty and possibly will create advocates

The Preference Mix Strategy (2/2)

“The more your frontline collaborators will be preferred by your customers the higher will be your brand preference”

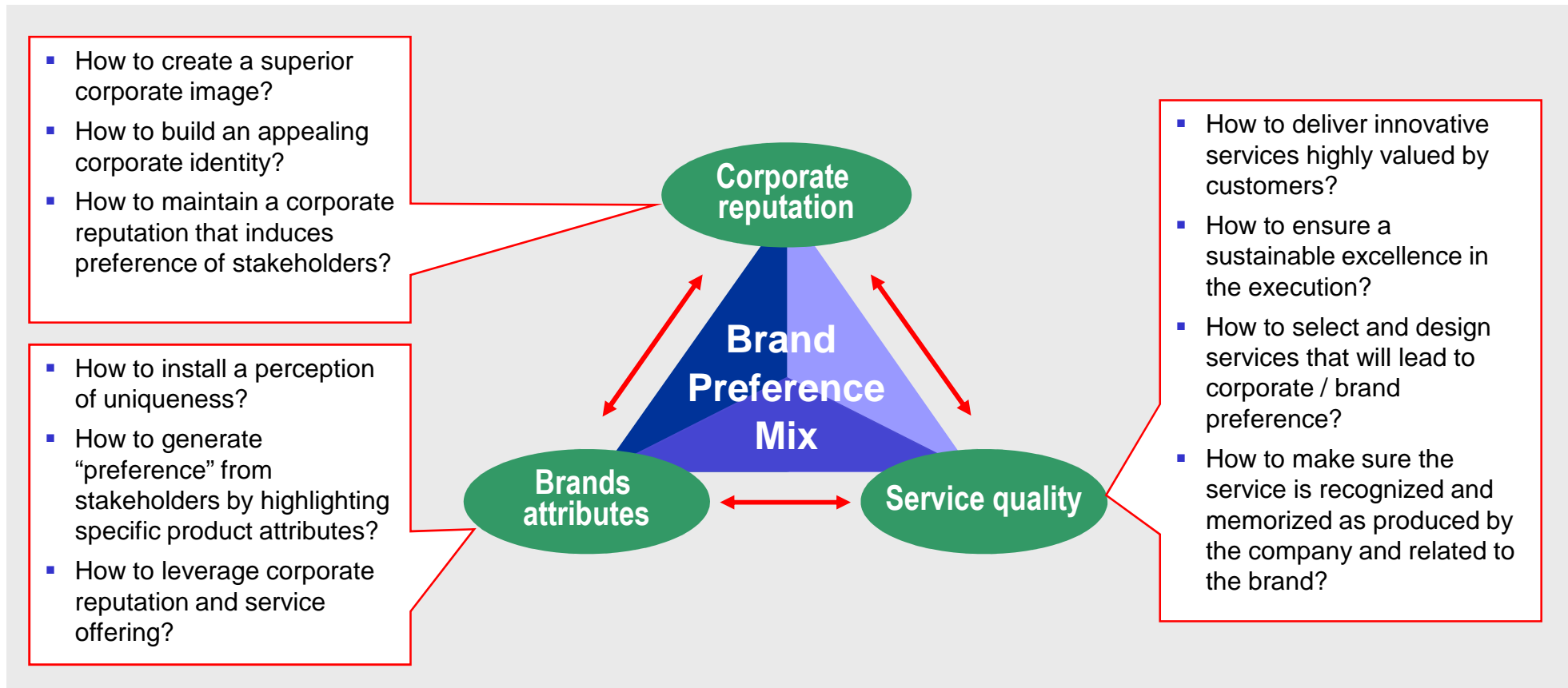


Source: Smart Pharma Consulting

¹ Key performance indicators - ² Activity-based indicators

To optimize their Brand Preference Mix, pharmaceutical companies should address the following key issues

How to optimize the Brand Preference Mix?



Source: Smart Pharma Consulting

¹ Physicians, patients, pharmacists, nurses, payers, health authorities, etc.

Higher corporate reputation leads to increase operational efficacy and efficiency which impact companies' financial performance

Impact of corporate reputation on performance

A good corporate reputation can power a company's success by:

- Generating more positive feedback from media and pressure groups
- Creating a more favorable outlook from regulators and rating agencies, thus decreasing financing cost and increasing value
- Attracting capital resources and strategic business partners, thus expanding business opportunities
- Attracting, motivating and retaining talented employees, thus enhancing innovation capabilities and value
- Encouraging consumers to buy products and services
- Resisting better in a crisis mode, investors giving the company the benefit of the doubt
- Driving profitable sales in crowded markets

The Brand Preference Strategy

1. Corporate reputation

Corporate communications of leading pharma companies are little differentiated, even if the level of emphasis may vary from one organization to another

Major communication subjects

	Pfizer	GSK	Novartis	S-A	AZ	J&J	Roche	MSD	Abbott	Lilly
Access to medicine Donation, special price policy, sponsorship / partnerships (NGOs, WHO, UNICEF...), generics, R&D on neglected diseases	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Community involvement Local implication through assistance and solidarity programs, and work with patient advocacy groups	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business ethics Animal welfare, clinical trials, sales and marketing, drug safety, counterfeits...	✓	✓	✓	✓	✓	NA	✓	✓	✓	✓
Environment Reduction of greenhouse gases, air and waste emissions, green chemistry, biodiversity...	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Employees on work Well-being, training, human right, diversity	✓	NA	✓	✓	✓	✓	✓	✓	✓	✓

Source: Annual reports 2007, Social responsibility reports 2007, corporate websites 2008, Smart Pharma Consulting

 High emphasis
  Moderate emphasis
  Low emphasis

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1. Corporate reputation

The following specific approach can help pharmaceutical companies improve and leverage their corporate reputation to create a competitive advantage

From diagnosis to strategy implementation



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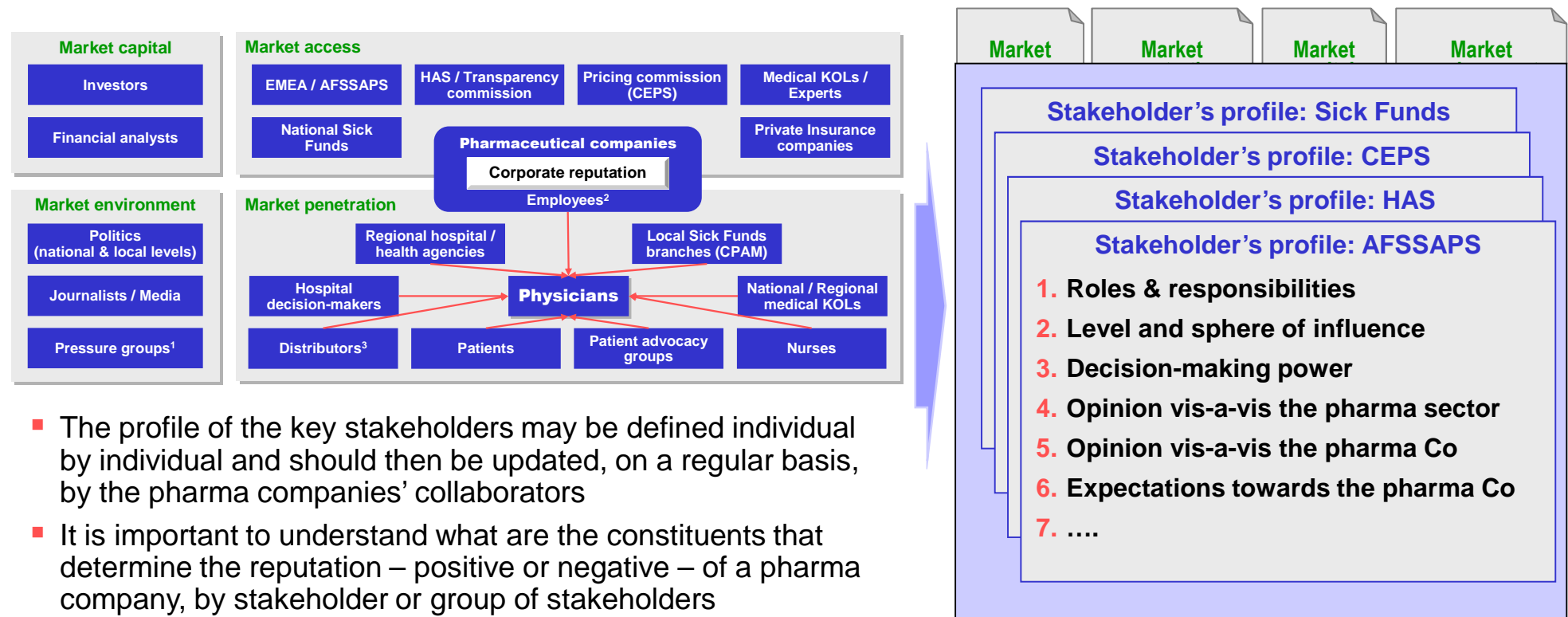
1. Corporate reputation

Key stakeholders need to be carefully and precisely profiled, on an on-going basis, before any attempt to measure the reputation of the companies

Phase 1: Assessment (1/3)

Profiling of stakeholders – Example of France

Illustrative – France



- The profile of the key stakeholders may be defined individual by individual and should then be updated, on a regular basis, by the pharma companies' collaborators
- It is important to understand what are the constituents that determine the reputation – positive or negative – of a pharma company, by stakeholder or group of stakeholders

Source: Smart Pharma Consulting

¹ Consumers groups, Humanitarians NGOs... – ² Including trade unions – ³ Wholesalers, Voluntary trade organizations, retail pharmacists

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1. Corporate reputation

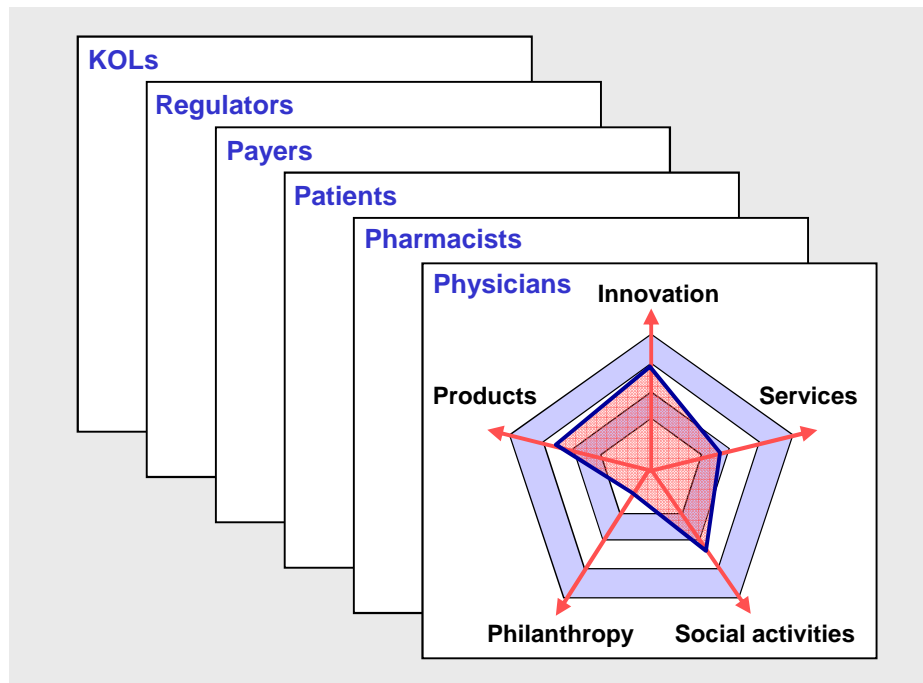
Corporate reputation depends on drivers that need to be measured by stakeholder groups with tools such as the Pharma Corporate Reputation Index

Phase 1: Assessment (2/3)

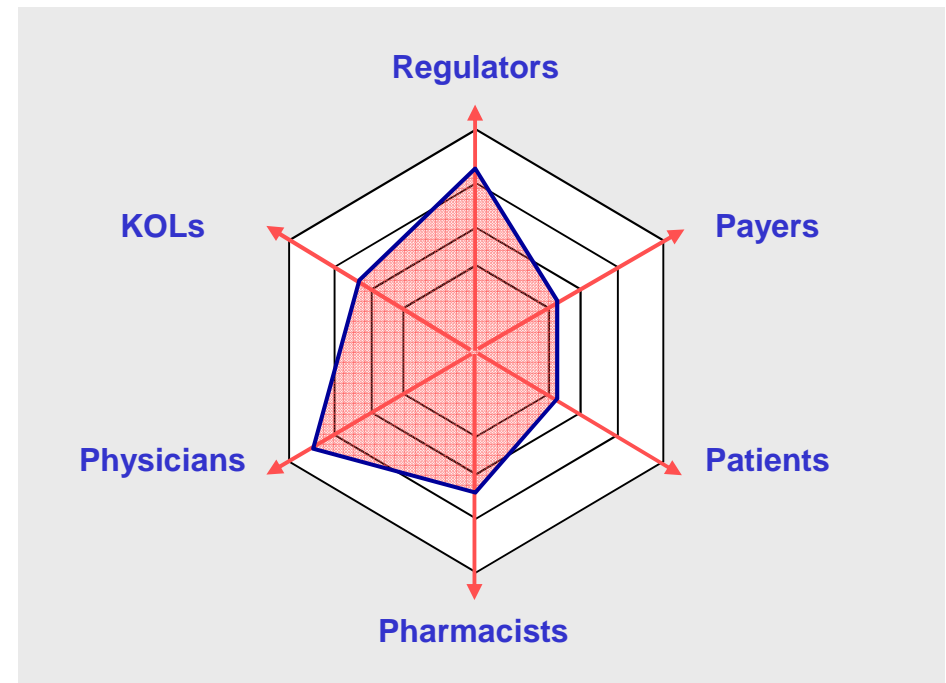
Measurement of corporate reputation – Pharma Reputation Index

Illustrative

Specific reputation drivers by stakeholder



Global reputation index by stakeholder group



Source: Smart Pharma Consulting

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1. Corporate reputation

The Pharma Corporate Reputation Audit facilitates the identification of key challenges to improve corporate reputation

Phase 1: Assessment (3/3)

Strengths & weaknesses highlight – Pharma Reputation Audit

Illustrative

Market access		Market penetration		Market capital		Market environment			
EMA / AESSAPS	HAS / TC ¹	CEPS	KOLs / Experts	National Sick Funds	Private insurance Cos.	Relative performance ²		Corporate reputation challenges	
Corporate reputation drivers per stakeholder group						Superior	Equal		Inferior
1. Vision & Leadership							✓		
2. Innovation (products and services)							✓		
3. Marketing & commercial ethics								✓	
4. Corporate social responsibility						✓			
4.1 Workplace environment							✓		
4.2 Charitable support						✓			
.....						✓			

Source: Smart Pharma Consulting

¹ Transparency commission – ² Vs. competitors or Vs. previous period

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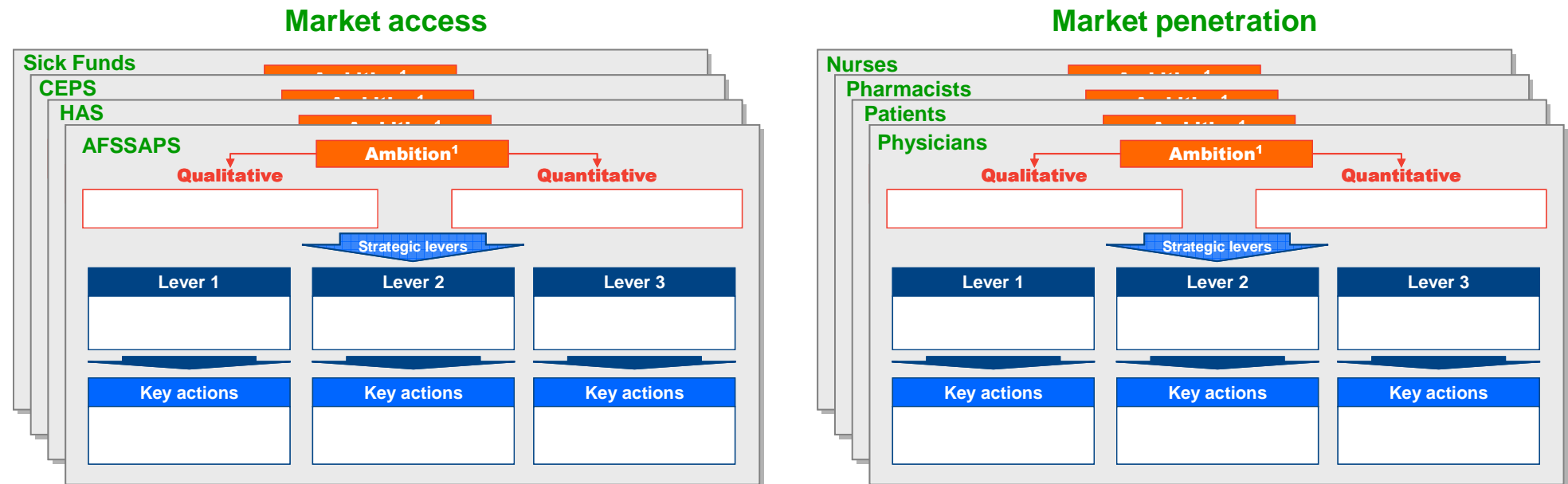
1. Corporate reputation

The Corporate Reputation Strategy Card can be filled up for one or all stakeholder groups from whom a change in reputation perception is expected

Phase 2: Strategy & tactics (1/2)

Pharma Reputation Strategy Card

Illustrative



- Strategy and related actions aim at achieving the set ambition in terms of corporate reputation improvement
- The Pharma Reputation Strategy Card can be applied for one stakeholder group (i.e. market access, market penetration...) or sub-group (i.e. AFSSAPS, HAS, CEPS, Sick Funds...), or even for one individual stakeholder (i.e. President of the CEPS)
- Strategic levers correspond to strengths on which the company should capitalize to create a competitive advantage or weaknesses to be corrected

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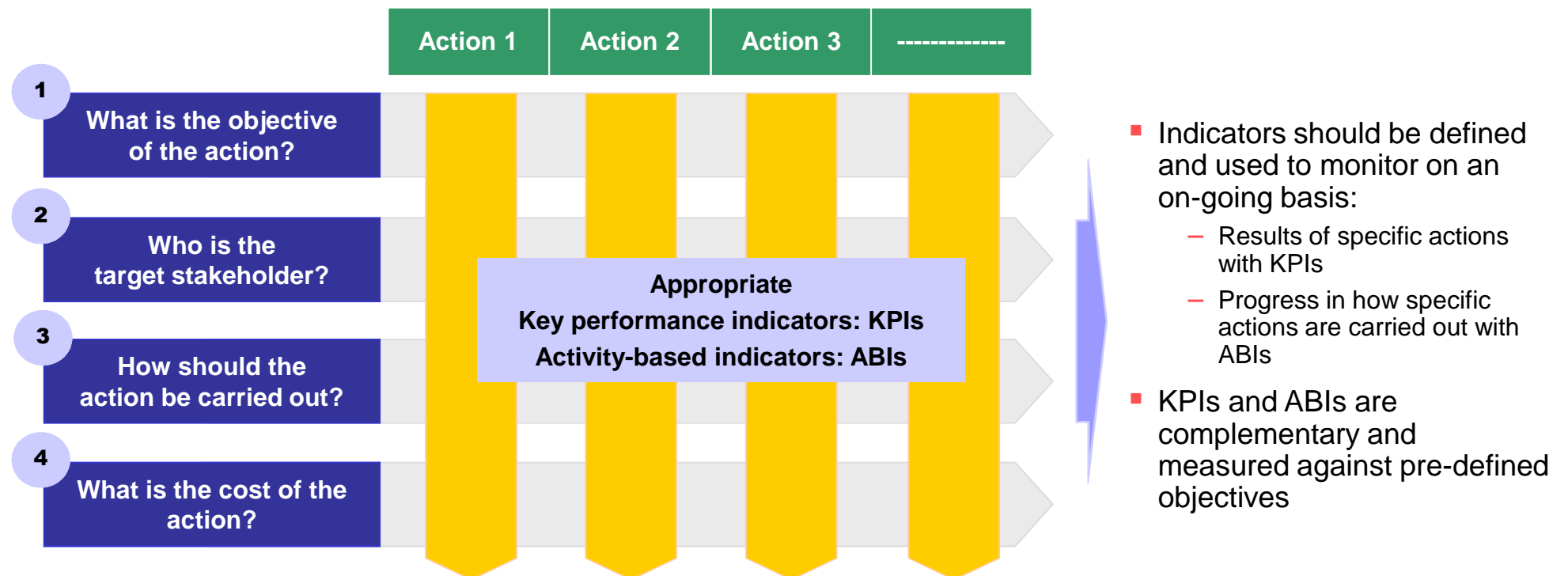
1. Corporate reputation

KPIs are used to measure the impact of the actions likely to enhance the corporate reputation, while ABIs evaluate the way these actions are carried out

Phase 2: Strategy & tactics (2/2)

Performance & activity monitoring tools: KPIs¹ & ABIs²

Illustrative



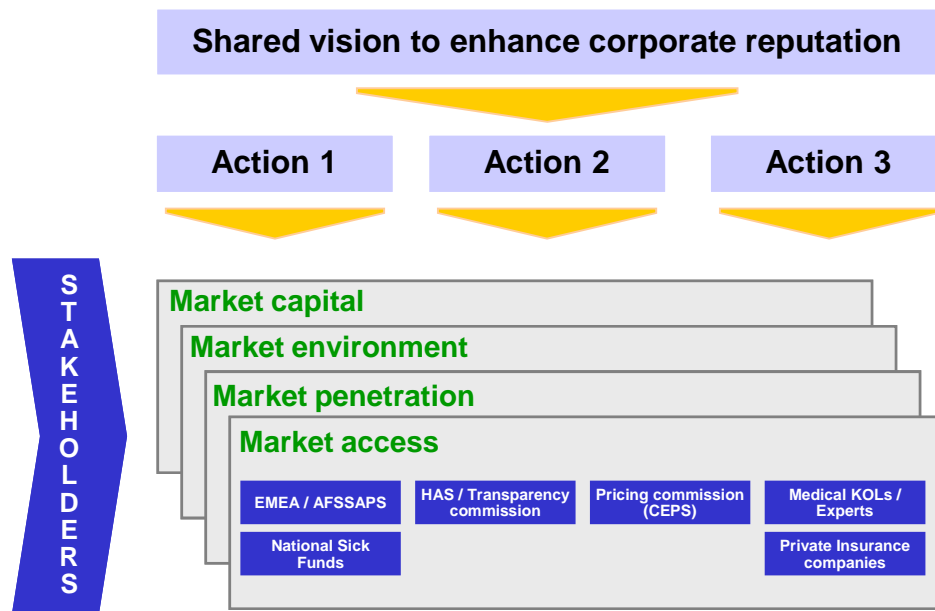
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1. Corporate reputation

The proper management of the corporate reputation is conditioned by the internal mobilization of collaborators and the adjustment of the company's organization

Phase 3: Management (1/2)

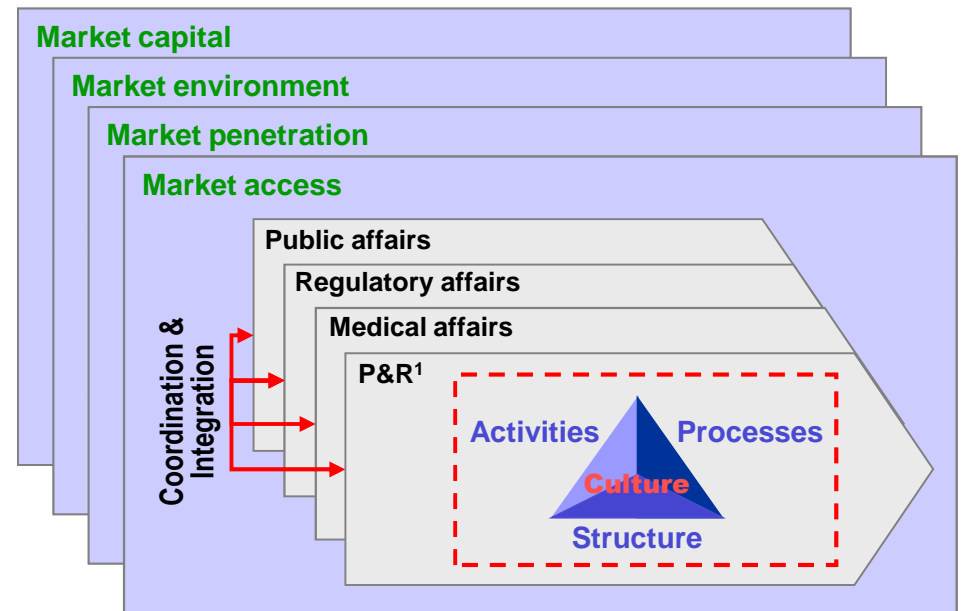
Internal communication plan



- A common vision, instilled by the top management and consistently communicated across the company is a prerequisite to create the desired corporate reputation
- Corporate vision should be translated into specific and relevant actions implemented by collaborators

Organizational adjustments

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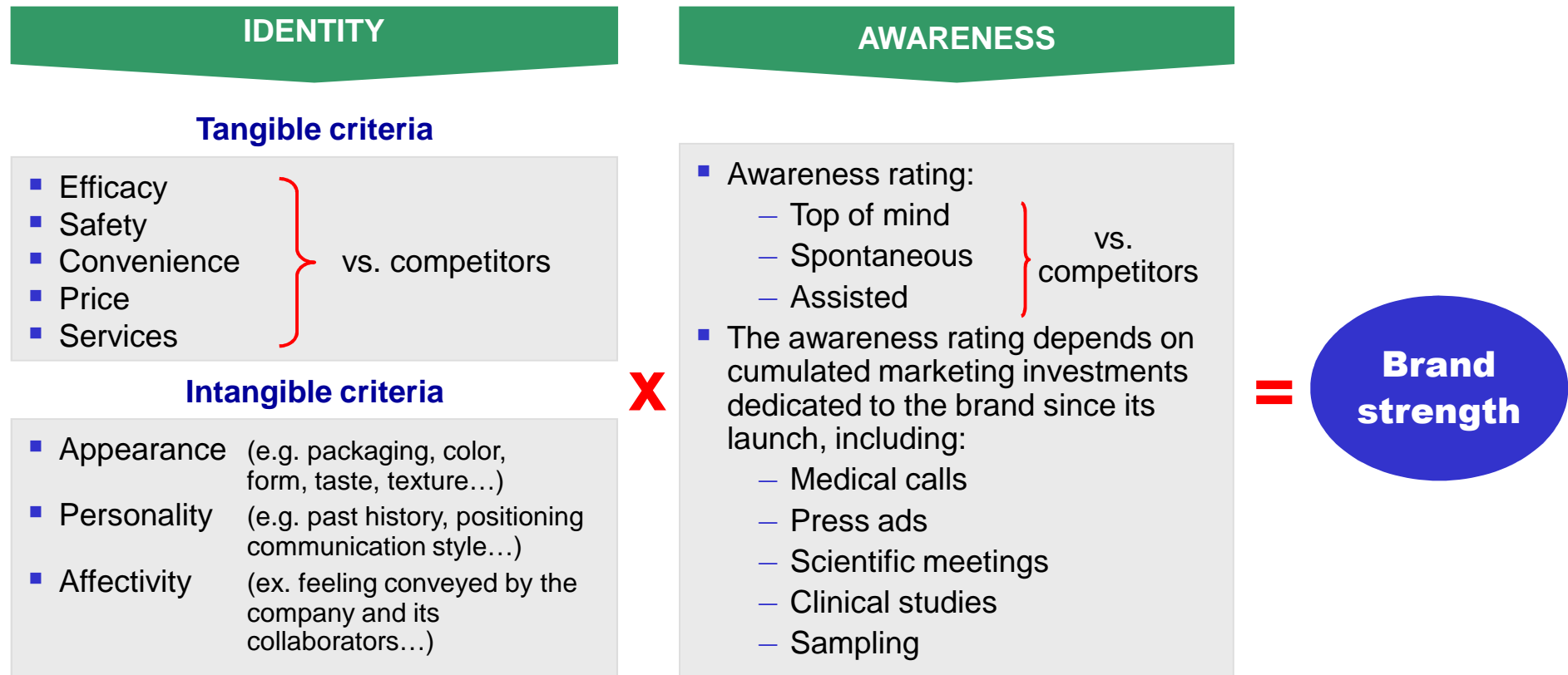
- Collaborators involved in the same stakeholder group (e.g. market access, market penetration...) should share information and coordinate actions for a better efficiency and to convey an enhanced corporate image

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2. Brand attributes

The strength of the brand depends on its identity (i.e. the sum of its objective and subjective characteristics) and on its degree of awareness

Brand strength: Principles



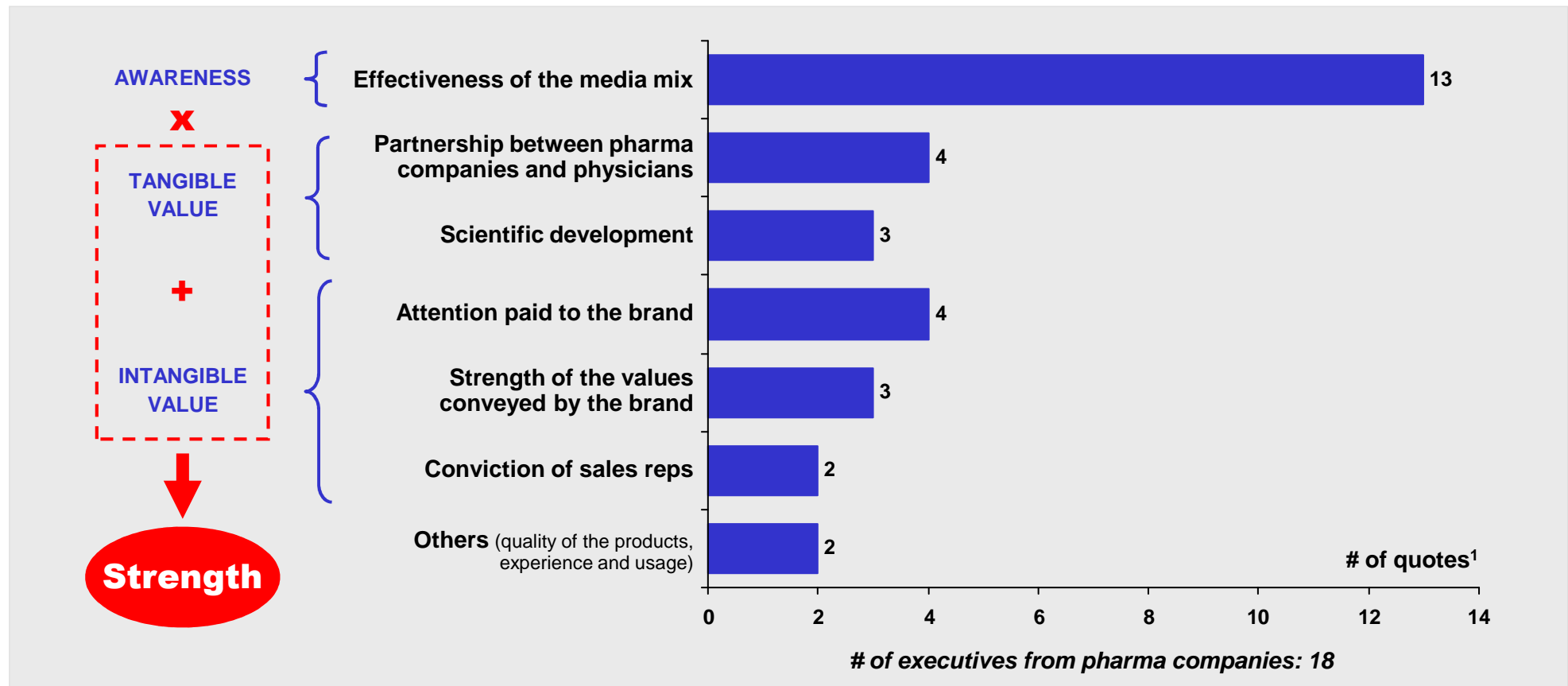
“The brand strength reflects its ability to create client loyalty over time”

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2. Brand attributes

Communication is perceived by pharmaceutical companies as the main support to the brand's strength

Drivers to strengthen the brand: Pharma companies opinion



Source: Study carried out by Smart Pharma Consulting in 2007

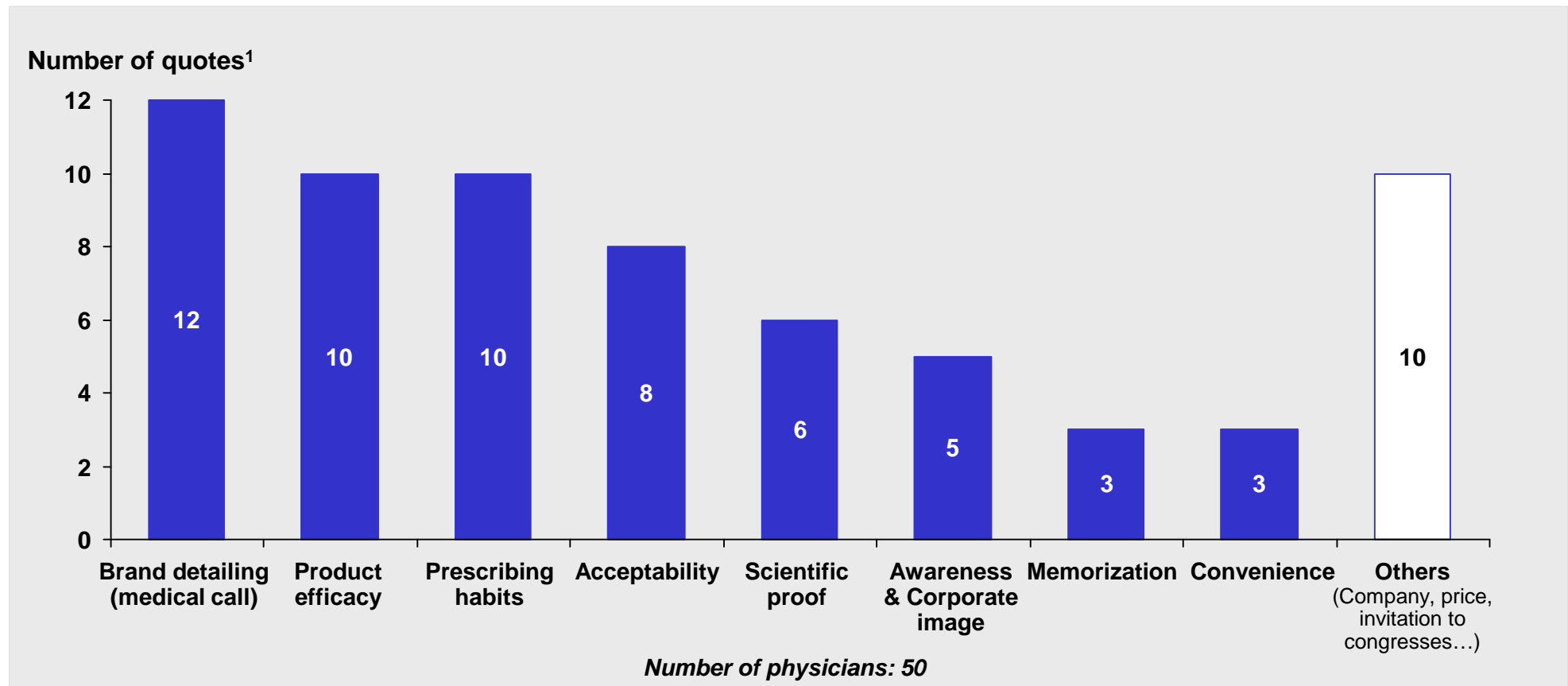
¹ Multiple answers possible

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2. Brand attributes

Beyond the intrinsic features of the brand, detailing activities appear as the most important factor when creating brand preference in physicians' mind

Drivers to strengthen the brand: GPs opinion

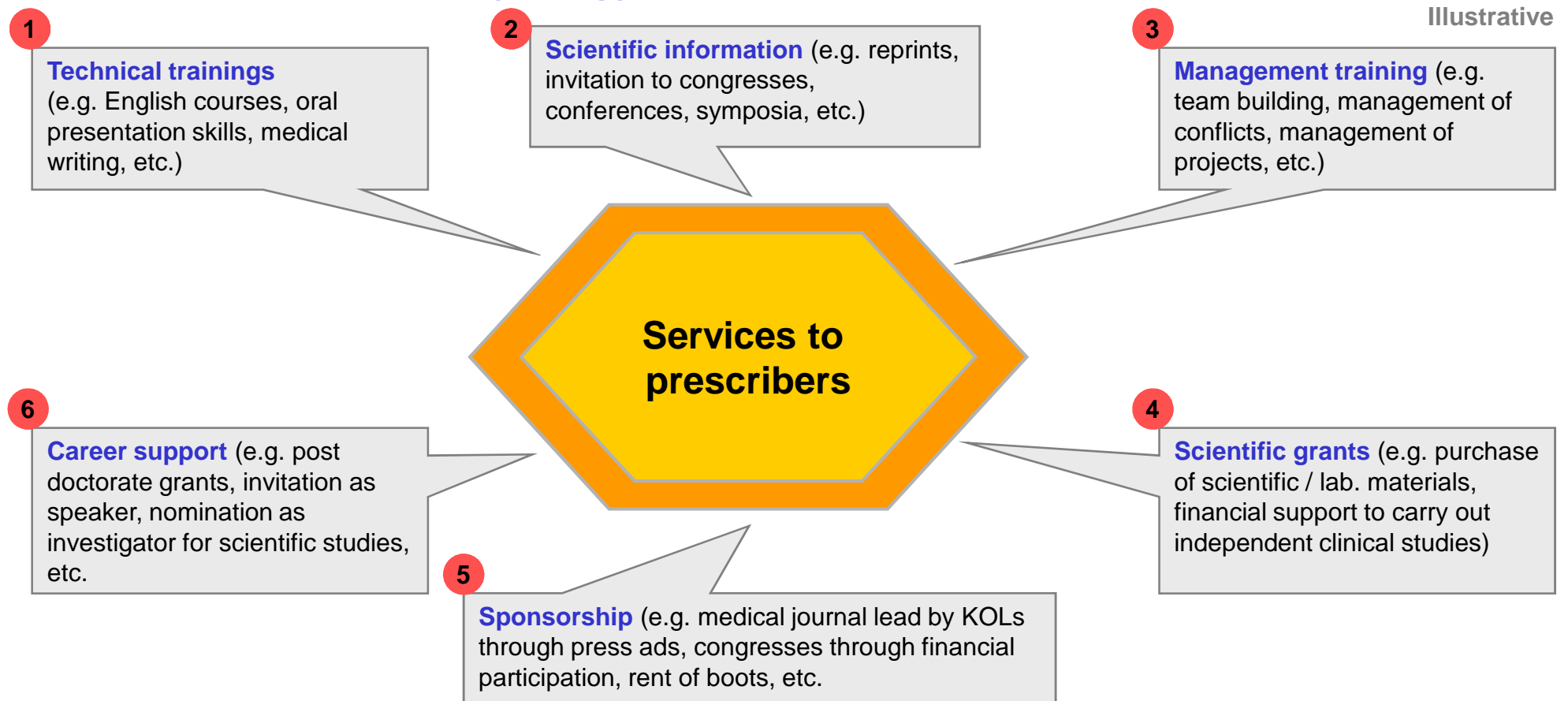


Source: Study carried out by Smart Pharma Consulting in 2007

¹ Multiple answers possible

Services that could be proposed to prescribers are multiple and can be segmented into six types

Typology of services to prescribers



Source: Smart Pharma Consulting

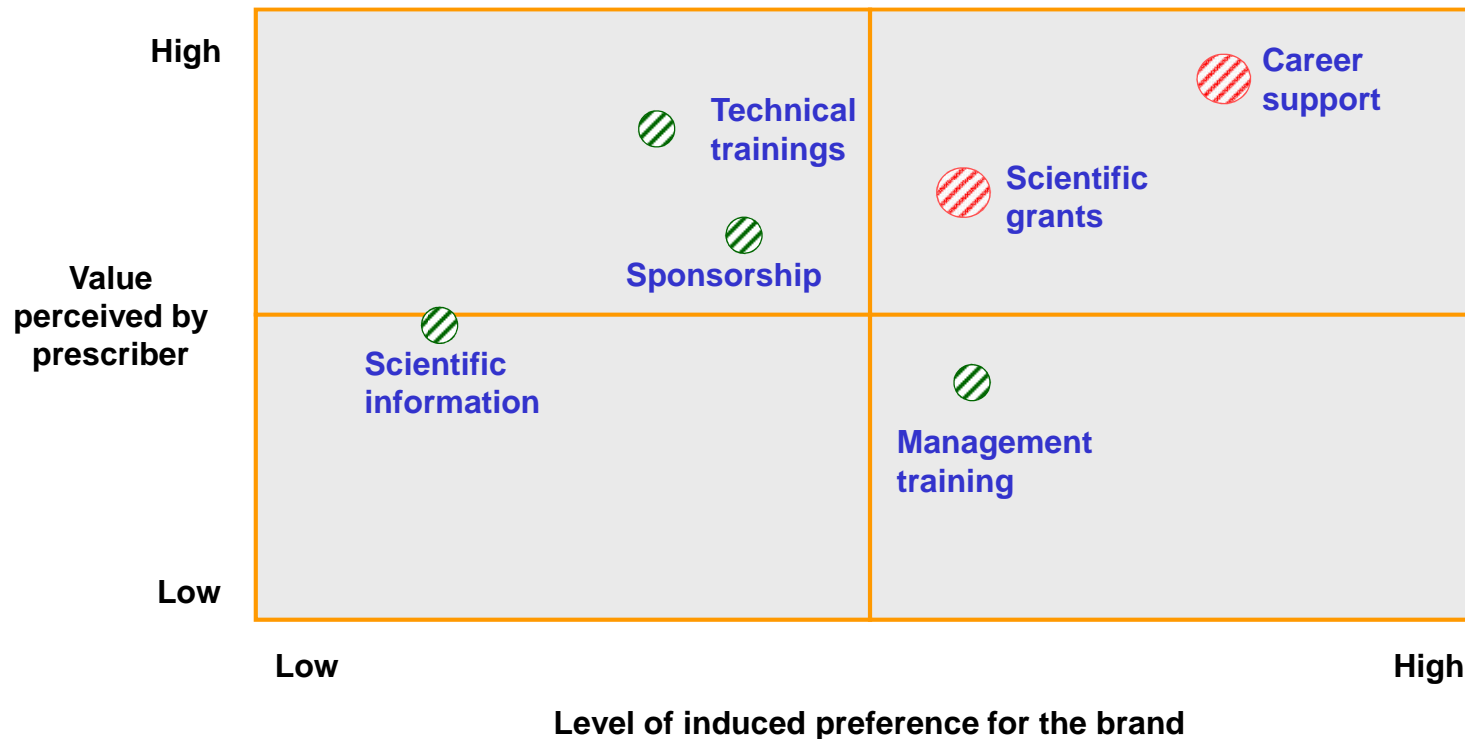
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3. Service quality

The perceived value of services by individual beneficiaries could be a reasonably good proxy to estimate their ability to raise preference for associated product brands

Mapping of services

Illustrative



The proposed services associated to a product brand will create value for pharma companies provided they lead to an increased preference from prescribers

Key success factors to generate high value services

To be highly valued by prescribers, services proposed by pharmaceutical companies should comply with the following basic rules:

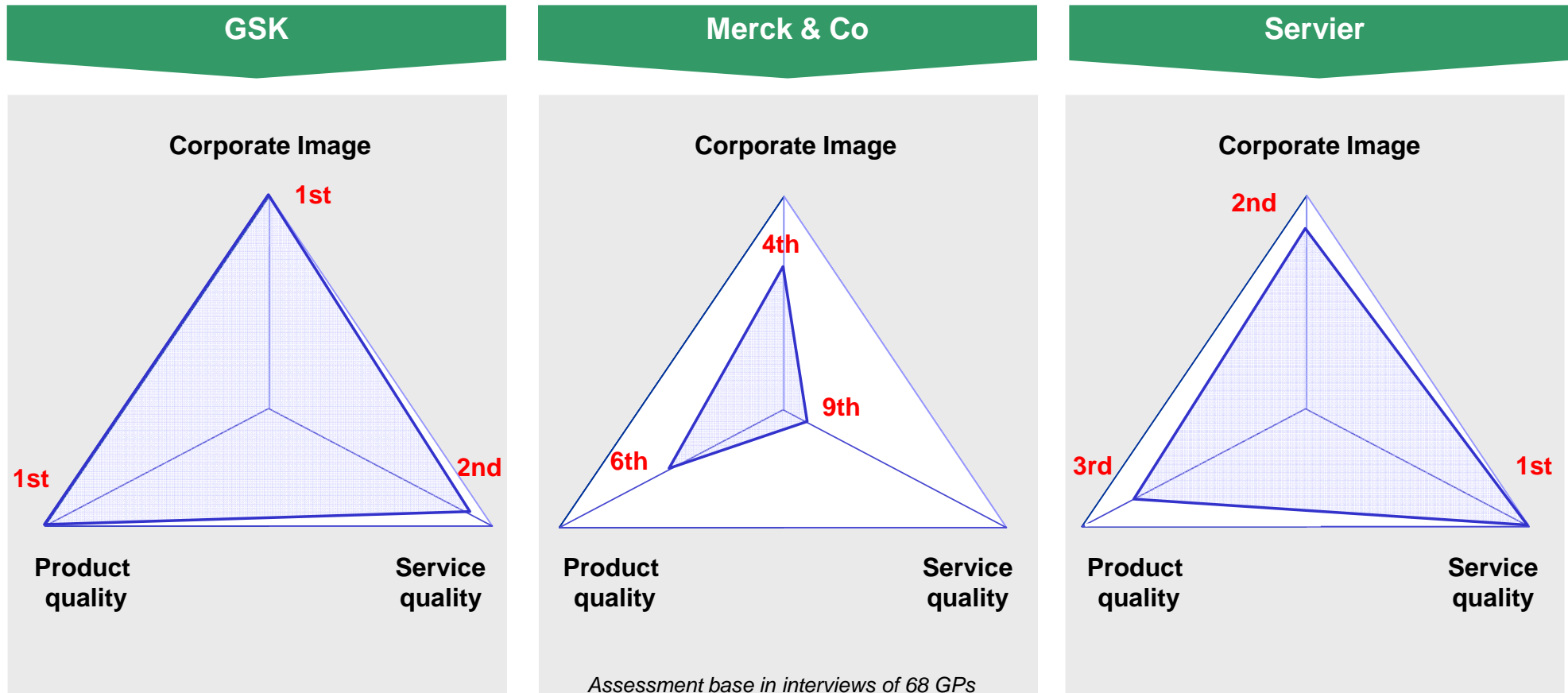
- The services should fulfill a well-identify need or expectation
- The quality of implementation should be consistent and high
- The service should be presented (“sold”) as unique and not as a commodity
- The pre-delivery, delivery and post-delivery periods should be perfectly executed
- The level of satisfaction should be carefully and systematically measured with the help of ABIs (activity-based indicators)
- The identified gaps should be closed
- The likely impact of the service on prescribers preference for the associated product brand should be estimated before and monitored delivery

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Conclusion

Companies like Servier or GSK which were very active in terms of promotional investments were better perceived by GPs than companies like Merck & Co

Preference mix outcomes: results of a pilot study carried in France



Source: J.M. Peny – How to improve prescribers loyalty (SCRIP Magazine 1993)

The strict respect of the principles which support the Preference Mix Strategy will definitely contribute to improve the performance of brands

Key learnings

- To create superior brand preference managers must offer their customers positive experiences that will generate sustainable loyalty and possibly advocates
- Strong positive reputation is built on credibility, reliability, responsibility, trust and transparency
- Superior corporate reputation compared to competitors may create product brand preference
- Beyond the intrinsic features of the brand, detailing activities appear as most important when creating brand preference in physicians' mind
- The perceived value of services by individual beneficiaries could be a reasonably good proxy to estimate their ability to raise preference for associated product brands
- The proposed services associated to a product brand will create value for pharma companies provided they lead to an increased prescribers preference
- Frontline collaborators been instrumental to induce a robust brand preference, companies should train them to build, better than competition, preferred relationship with their customers