

An Empirical Study To Find The Gaps In Call Coverage And Its Impact On Sales Performance

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INTRODUCTION

CHANGING DYNAMICS OF THE PHARMACEUTICAL INDUSTRY & SALES FORCE

In the era of patent expirations, pipeline challenges, pricing scrutiny and intense competition, Pharma companies are looking for ways to increase the productivity of their sales and marketing divisions. The pharmaceutical industry is currently undergoing a number of key changes brought about both by developments in the industry's relationship with key stakeholders - namely the patient, physician and payer - and from developments within the industry relating to new technologies, increased generic competition and continued M&A activity.

As a result of the changing dynamics of the pharmaceutical industry and the changing needs of the physician, increasing sales force ROI will be a key driver of success in the pharmaceutical industry. **The key influences on sales force ROI can be broken down into 4 key areas- organization of the sales force, management of the sales rep, application of technology, and collaboration with external partners.** Pharma companies are required to continuously optimize their sales force resources and effectiveness, as they tighten their focus on profitability, as well as revenue growth, because as companies invest heavily in the development and marketing of new therapies, they are also increasingly focusing on Return on Investment (ROI). Dearth of new products, difficulty in selling high volume products, lack of potential blockbusters, increasing cost of sales force and promotion (about 30% of revenues), difficulty in meeting physicians etc. have changed today's pharmaceutical selling scenario.

SALES FORCE PERFORMANCE MEASURES - EFFICIENCY & EFFECTIVENESS

Classic measures of sales force performance are coverage of target doctors, calls frequency, call notes, calls per day, product details, product detail position, share of voice and so on. Such measures generate easily understood numbers, and actually point to the “efficiency” of the sales force in the field rather than the “effectiveness”.

The emphasis is turning more towards assessing the impact of the communication between the sales force and the target physician, in addition to more traditional methods of measuring efficiency. Therefore, if a physician is receiving relevant and consistent market messages that answer the specific needs or goals of that physician's practice, then the amount and frequency of sales calls needed to achieve this becomes less important.

Companies need to refocus on real sales force effectiveness (rather than only on “efficiency” and labeling it “effectiveness”) and analyze this to ensure they are delivering the right messages, to the right target audiences, at the right time, with the right influencing behaviors. Only by doing this, will real returns be possible from the sales force without wasting resources.

Sales Efficiency measures the coverage of target doctors, product frequency, call notes, calls per day, products detailed, product adoption position, share of voice and so on. Whereas sales effectiveness is focused on productivity, influence, investments, relationships, ROI, focus and time spent with different types of doctors etc.

As mentioned above, there is a very big difference between efficiency and effectiveness and this difference seems to be the heart of the pharmaceutical sales force productivity problem. Real sales force optimization will happen only when companies begin to understand the differences between efficiency and effectiveness measures and successfully integrate efficiencies and effectiveness to provide an approach that improves strategic planning, sales force productivity and measurable financial return on individual activities.

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Companies make their promotional (marketing and sales) strategy according to the therapeutic area, disease segment, brand, market dynamics, product life cycle, season etc. they cater to. The promotional strategy would point out the key measures for assessing the sales force productivity in terms of efficiency and effectiveness.

Pharma marketing strategies vary from company to company; according to government rules, the types of doctors who prescribe different medicine, or the level of data available. Deeper insights into physician behaviour can also give an organization a constant competitive advantage. Pharma companies largely depend on the sales force to communicate with and promote their products to their customers.

Depending on the promotional strategy, stake holders can select their key measures and track the team's productivity using the key measures. The measures would show the current status of the team in terms of their performance, which would allow the managers to identify the weak areas and strengthen the same so as to enhance the sales force ROIs.

The direction from here is clear: companies need to focus on both effectiveness and efficiency. Sales managers must measure both sales force effectiveness and efficiency, to ensure they are delivering the right messages, to the right target audiences, at the right time, with the right influencing behaviors.

Two key strategies are used by pharmaceutical companies to increase doctors' exposure to product/brand messages: a **Coverage Strategy**, in which the maximum number of "right" doctors are seen with the "right" product/brand messages; and a **Frequency Strategy**, which aims to ensure that those doctors are seen the right number of times to reinforce the messages and influence prescribing.

OBJECTIVES OF THE STUDY

✿PRIMARY OBJECTIVE

To study the gaps in call coverage and its impact on sales performance.

✿SECONDARY OBJECTIVE

- ✿ To find the relationship between % call coverage with work experience and % sales achievement.
- ✿ To find the relationship between level of adherence w.r.t. call frequency and call average with sales performance.
- ✿ To find the relationship of call frequency and call average adherence level with gender, qualification and work experience.
- ✿ To find the relationship of performance sales achievement with gender, qualification and work experience.
- ✿ To study the problems faced by sales representative in covering all required doctors.

RESEARCH METHODOLOGY

Research is of Descriptive, Conclusive Type and has Sample size consisting of 100 working Sales Executives. Data is collected using detailed questionnaire with open & close ended questions whereas, the survey was conducted at Chandigarh & Mohali and respondents were categorized according to Qualification, Gender, and Company & Work Experience as shown in the pie charts.

✿ **Qualification:** Out of 100 samples, 36% people have pharmacy background and the remaining 64% were of non pharma domain.

✿ **Gender:** 70% male and 30% female.

✿ **Type of company:** 33% working in MNCs and 67% working in Indian companies.

✿ **Work experience:** 25% respondents had less than 2 years of experience, 31% had an experience between 2-4 yrs, 36% were having an experience ranging between 4-6 yrs and the remaining 16% were having an experience of more than 6 yrs.

Table 1: Chi-square Test Table

| Chi-Square Tests | | | |
|--------------------|--------|----|----------------------|
| | Value | df | Asymp. Sig. (2sided) |
| Pearson Chi-Square | 54.722 | 9 | .000 |
| Fisher exact test | 57.062 | | .000 |

DATA ANALYSIS AND INTERPRETATION

✿ **Call Frequencies Adherence Level And Sales Achievement In %** : The null hypothesis, % sales achievement is independent of level of adherence w.r.t. call frequency and call average was rejected as p value ($p = 0.000$) was found to be less than 0.05 as shown in chi-square test table (Table 1). These show that sales performance is dependent on the level of adherence w.r.t. call frequency and call average. Correlation between % sales achievement and call frequencies adherence level was found significant at the 0.01 level (2-tailed) as shown below in Table 2.

Table 2

| Correlations | | | Call Frequencies adherence level | Sales Achievement in % |
|----------------|----------------------------------|-------------------------|----------------------------------|------------------------|
| Spearman's rho | Call Frequencies adherence level | Correlation Coefficient | 1.000 | .702** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 100 | 100 |

✿ **Call Frequency And Call Average Adherence Level With Gender** : The null hypothesis, level of adherence w.r.t. call frequency and call average is independent of gender and was accepted as p value ($p = 0.746$) was found to be more than 0.05 as shown in chi-square test. This shows the level of adherence w.r.t. call frequency and call average is independent of gender (Male/Female).

✿ **Call Frequency And Call Average Adherence Level With Qualification** : The null hypothesis, level of adherence w.r.t. call frequency and call average is independent of qualification and was accepted ($p = 0.297$). This shows that the level of adherence w.r.t. call frequency and call average is independent of pharmacy and non pharmacy educational qualification backgrounds of sales representative.

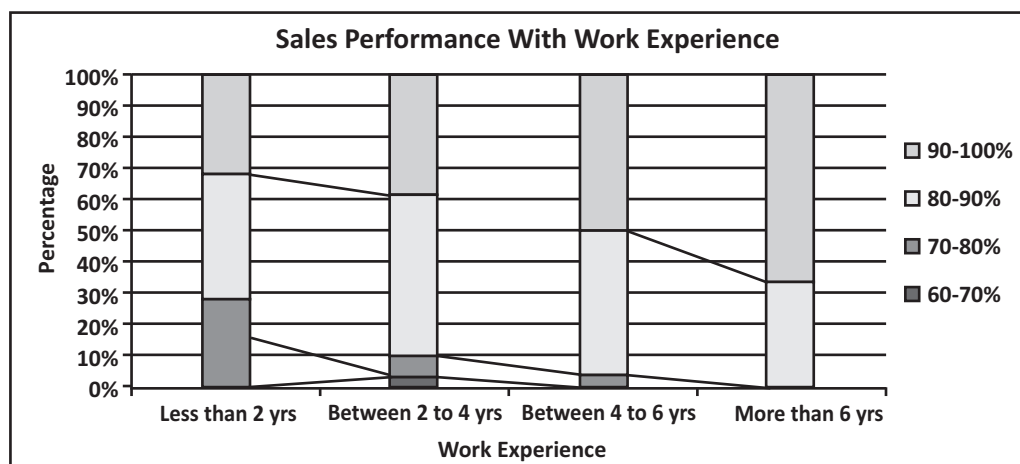
✿ **Call Frequency And Call Average Adherence Level With Work Experience** : The null hypothesis, level of adherence w.r.t. call frequency and call average is independent of work experience of sales representatives and was accepted ($p = 0.054$). This shows that the level of adherence w.r.t. call frequency and call average is independent of work experience.

✿ **Sales Achievement In % With Gender** : The null hypothesis, % Sales achievement is independent of gender and was accepted ($p = 0.965$). This shows that the sales achievement in % is independent of gender (Male/Female).

✿ **Sales Achievement In % With Qualification** : The null hypothesis, % Sales achievement is independent of educational qualification background and was accepted ($p = 0.275$). This shows the sales achievement in % is independent of educational qualification background.

✿ **Sales Achievement In % With Work Experience** : The null hypothesis, % Sales achievement is independent of work experience and was rejected ($p = 0.048$). This shows that the sales achievement in % is not independent of sales

Graph 1 : Sales Performance With Work Experience



representatives' work experiences (as shown in graph 1). Respondents with experience of more than 4 yrs tend to achieve sales in the categories of 80-90% and 90-100%. Sales representative with experience less than 2 yrs have less percentage of reps achieving 90-100% sales target.

Table 3: One way ANOVA: Percent Call Coverage With Work Experience

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|------------------|-----------|-------------|-------|------|
| Between Groups | 1721.492 | 3 | 573.831 | 4.910 | .003 |
| Within Groups | 11219.235 | 96 | 116.867 | | |
| Total | 12940.727 | 99 | | | |

The null hypothesis, means of % call coverage for different categories of work experience does not differ significantly and was rejected ($p = 0.003$). This shows that there exists significant differences between the means of % call coverage for different categories of work experience of sales force.

CORRELATIONS

Correlation was found to be significant between adherence level w.r.t. Call Frequencies, call average and Work Experience. This shows that with the increase in experience, sales reps adherence level increases w.r.t. Call Frequencies and call average.

Table 4 : Adherence Level w.r.t Call Frequencies and Call Average

| | | | Work. experience | Adherence level w.r.t. Call Frequencies and call average |
|--|--|-------------------------|------------------|--|
| Spearman's rho | Work experience | Correlation Coefficient | 1.000 | .268** |
| | | Sig. (2-tailed) | . | .007 |
| | | N | 100 | 100 |
| | Adherence level w.r.t. Call Frequencies and call average | Correlation Coefficient | .268** | 1.000 |
| | | Sig. (2-tailed) | .007 | . |
| | | N | 100 | 100 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | |

CORRELATIONS

Table 5 : Sales Achievement in % with Work. Experience

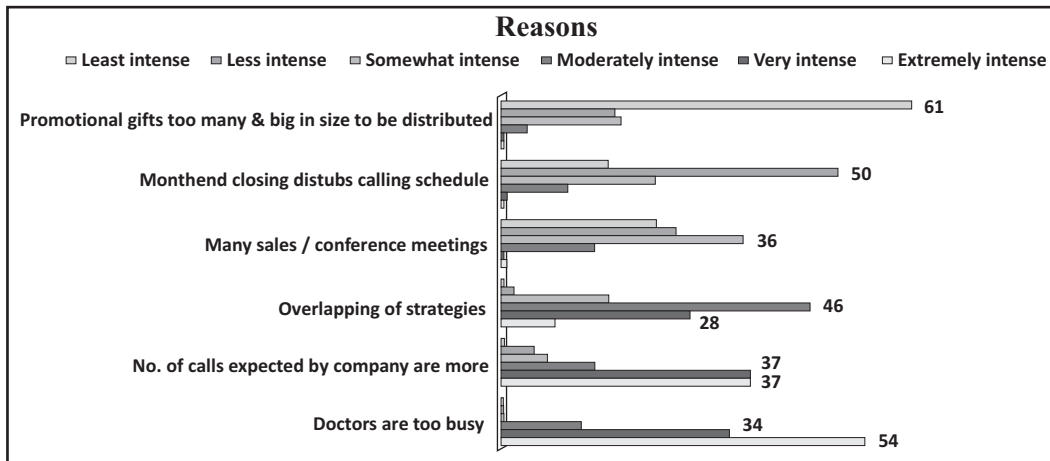
| Correlations: Sales Achievement in % with Work. Experience | | | | |
|--|------------------------|-------------------------|------------------|------------------------|
| | | | Work. experience | Sales Achievement in % |
| Spearman's rho | Work. experience | Correlation Coefficient | 1.000 | .300** |
| | | Sig. (2-tailed) | . | .002 |
| | Sales Achievement in % | Correlation Coefficient | .300** | 1.000 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | |

Correlation was found to be significant between % Sales Achievement and Work Experience. As correlation was found to be significant between % sales achievement and Work Experience, it can be said that with the increase in experience, sales reps level of adherence w.r.t. call frequency and call average improves as they gain better knowledge regarding doctors and territory, which result in achieving better sales performance.

As shown in Graph 2, according to degree of intensity of reasons, out of 100 respondents, 54 have cited busy schedule of doctors as an extremely intense reason whereas 61 respondents cited promotional gifts too many & big in size to be distributed as least intense reason.

No. of calls expected by company are more was cited as an extremely intense reason by majority of the respondents (**37+37**).

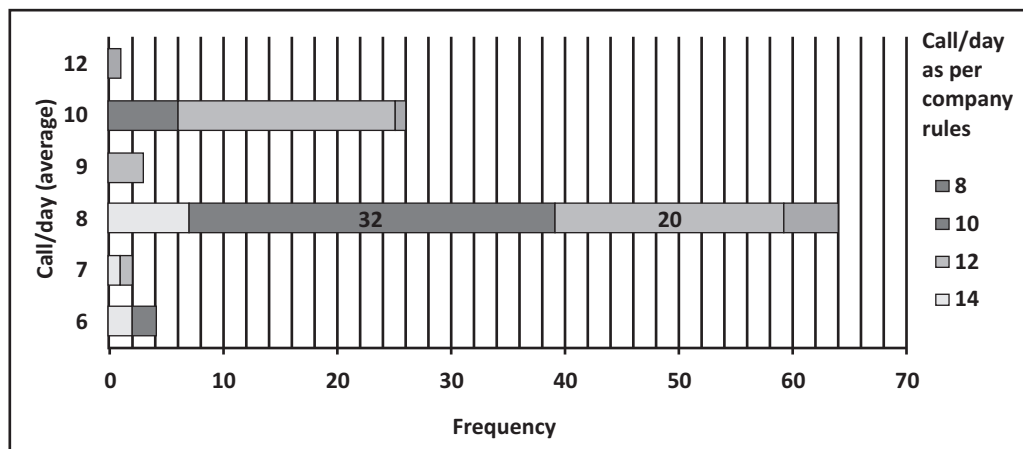
Graph 2 : Reasons For Not Being Able To Cover All Required Doctors



CALL/DAY (COMPANY RULES) ITH AVERAGE CALLS /DAY ATTAINED

It is clear from graph 3 that sales reps. who have to make 14 calls/day as per company rule could only achieve call average of 8 to 12 calls/day. Likewise, reps. with company expectation of 12 calls per day were found to be able to achieve call average of 7 to 10 calls/day with maximum being attaining 8(20) or 10(19) calls/day.

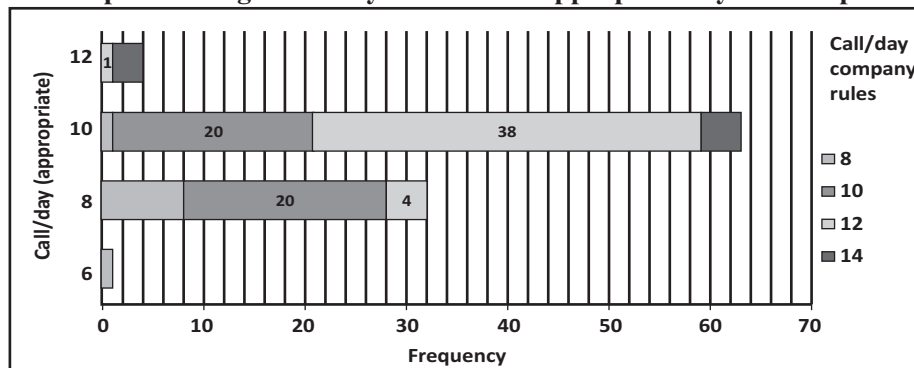
Graph 3 : Graph Showing Call/day As Per Company Rules



CALL/DAY (COMPANY RULES) WITH CALL/ DAY APPROPRIATE

Out of 43 respondents who have to make 12 calls /day, as per 38 sales representatives' opinion, 10 calls/day are appropriate and achievable and 40 respondents who have to make 10 calls /day 8(20) and 10(20) calls/day are opined

Graph 4 : Graph Showing Calls/Day As Deemed Appropriate By The Respondents

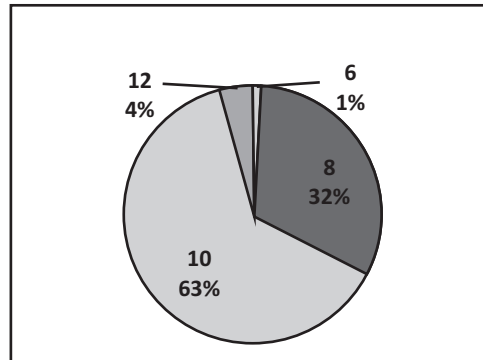


as attainable and appropriate.

APPROPRIATE CALLS/ DAY

Out of 100 respondents 10 calls/day are appropriate as per 63% of sales reps and 32 % opine 8 calls/day as appropriate.

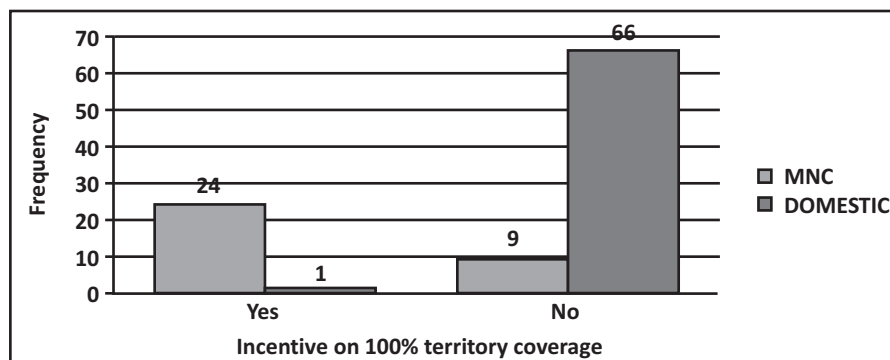
Graph 5 : Pie Chart Depicting Respondents' Opinion About Appropriate Calls/Day



INCENTIVE ON 100% TERRITORY COVERAGE

Out of 100 respondents, 66 respondents from domestic pharmaceutical companies say they do not get incentive for 100% coverage of territory whereas for MNCs, out of 25, 24 respondents get incentive on 100% territory coverage.

Graph 6 : Incentive Received on 100% Territory Coverage



INCREASE IN BUSINESS EXPECTED ON IMPROVING THE CALL COVERAGE

It has been found that different categories of representatives with sales performance achievement level expect increase in business on improvement of call coverage. So, if representatives with 80-90 % sales achievement expect 20-30 % increase in business, they can achieve sales in the range of 100-120% (Refer to Graph 7).

CONCLUSION

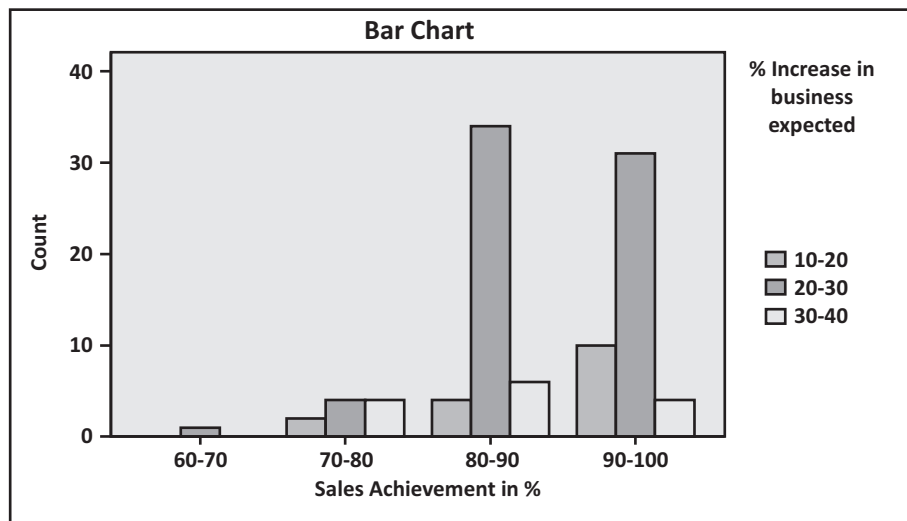
It was found in the survey that companies are focusing more on quantity of calls to be made in a day rather than on quality of calls as there is a mismatch between the call/day appropriate and attainable as per sales representative's opinion and calls assigned to sales reps as per company rules.

By expecting more calls per day, Pharma companies encourage reps to visit customers based on their easy accessibility and availability, not on their value. The result is that reps. expend loads of effort calling on easy-to-see and less valuable customers, and generate mediocre sales.

According to secondary literature, poor frequency attainment is a common problem with Call capacity (calls per day X field days per year) is significantly less than planned calls (target customers X frequency goal) as a potential cause. These issues need to be addressed by giving optimum work to the sales force rather than giving maximum work.

Companies need to strike out a balance between calls/day attainable and appropriate as suggested by sales reps. and calls/ day assigned by the company. Companies must refine the target list or frequency goals to effectively balance planned and call capacity. Emphasis must be given to retain sales representative with work experience and making the sales team an optimum mix of fresh and experienced sales representative. Better matching the targeting strategy to the talent level of the sales force would be helpful in improving the efficiency. Domestic companies should motivate their sales force by giving incentives on 100% territory call coverage.

Graph 7 : Percentage Increase In Business Expected By The Respondents On Successful Achievement of Sales Target



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