Original Article

Key Account Management in the Managed Markets: Visibility and collaboration for greater effectiveness

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Mark Fleischer
is currently Senior Vice President and General Manager, North America CRM, for Cegedim Dendrite.

ABSTRACT Owing to many industry changes, pharmaceutical sales and marketing organizations are allocating more resources to serve the Managed Markets, which today significantly influence which drugs are prescribed by individual medical professionals. This article discusses the need of pharmaceutical companies to leverage a Key Account Management (KAM) model in order to be successful in this new environment. Effective KAM requires the right technological tools that will facilitate team collaboration; full visibility into account data; successful pull-through; formal planning; and accurate reporting and analysis. The article includes brief case studies from top pharmaceutical companies who have experienced KAM success with the help of technology.
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THE PARADIGM SHIFT

The ever-evolving life sciences industry is experiencing a dramatic paradigm shift. Although industry stakeholders are aware of the shift, do they know how to respond in order to be successful in the evolved environment?

Pharmaceutical marketing and sales organizations used to primarily target individual prescribers. But because of many industry changes, they are focusing more on the Managed Markets, which today have significant influence over the drugs prescribed by medical professionals.

To be successful in this new environment, pharmaceutical companies have to change their commercial models, morphing their marketing and sales approach into Key Account Management (KAM) in the Managed Markets. This complex shift requires many internal changes, and relies heavily on having the right technological tools in place to make it successful. This article discusses how the appropriate tools support KAM-related initiatives such as pull-through to individual prescribers, accurate reporting, account planning and analyzing.

THE PAYERS MANAGE THE MARKET

Managed Markets are comprised of various types of Managed Care Organizations (MCOs), including

Correspondence:
Mark Fleischer
Cegedim Dendrite, 1405 Route 206 South, Bedminster, New Jresey 07921, USA
E-mail: mark.fleischer@cegedimdendrite.com

insurance companies, government agencies, institutions and long-term care facilities that have teams who determine which prescription drugs receive certain status on their formularies. Individual health-care professionals, once having determined the best clinical solution for a patient, will decide between similar therapies based on the formulary associated with the patient's MCO, so that the patient can achieve the lowest possible out-of-pocket cost. Therefore, as the payer (that is the MCO) is influencing the prescribers' decision making, pharmaceutical companies need to market and sell to payers.

'The creation of dedicated Managed Markets functions dates back to the 1980s, when the rise of managed care began in the US', said John J. Campbell in his book, *Understanding Pharma* (p. 183).[1] Surprisingly, however, it is only recently that pharmaceutical companies have started to embrace the KAM commercial model in response to the role of the Managed Markets, and shift from focusing on physicians to focusing on decision-making groups. To help prove this point, in his April 2009 report, *Future of Managed Markets 2009: Aligning Resources to Customers*, Brian Bamberger of TGaS Advisors, a leading provider of benchmarking and advisory services to the pharmaceutical and biopharmaceutical industry, stated that, 'Although 95% of sales resources focus on physicians, the real influencers are third-party payers who impact 95% of prescriptions'.[2]

'ORCHESTRATING' KAM

Life sciences companies that have shifted to the KAM model know the role of the key account manager is very different from the traditional pharmaceutical representative or account manager. A survey on KAM conducted by ZS Associates and Cegedim Dendrite in October 2009 demonstrated that the changing role of account managers is a significant challenge for pharmaceutical companies.[3]

Today's key account manager is like an orchestra conductor, explained Tony Pinsonault, in his article in *Pharmaceutical Representative*, 'Push-through, pull-through'.[4] The key account manager 'conducts' the relationship with the customer, with regional, district and niche market managers acting as the section leaders, and field sales representatives as the players of the instruments.

For any orchestra to produce a harmonized piece, the many members with different parts must always follow the lead of the conductor to keep in step. This holds true for KAM. The most effective way for all members of an account team to be synchronized is through the use of a single Customer Relationship Management (CRM) System that holds all account information in one place, for every team member to access at any time. Unfortunately, many companies today still manage their efforts with manual agendas, disparate contact management and Sales Force Automation systems, Word documents and Excel spreadsheets and other non-specific software – all that hinder collaboration, visibility and efficiency.

A challenge for pharmaceutical companies is putting talented conductors in place. Some have transitioned sales representatives into the position of account manager, but it's actually a very different role requiring a different skill set. As opposed to the traditional pharmaceutical sales role of interfacing with as many individual physicians as possible, key account managers must thoroughly understand the intricacies of the industry and the structure and processes of specific customers, and be able to master tasks such as business relationship management, internal team management and contract negotiations.

The skills required for KAM necessitate a higher level of judgment, and are often learned over time rather than from direct instruction. Some former sales representatives can successfully make the transition, and some cannot.

'A few workshops at national sales meetings, a training session here and there and some tinkering with technology will not engender the systemic changes required', said Bamberger in another white paper, *Prescription for Success: Re-Imagining Sales & Managed Markets as a 'Closed-Loop' System*. 'The gulf between these two ways of thinking and operating matters as never before. In the tectonic shift now occurring in healthcare purchasing and decision-making, the pharmaceutical industry must undergo a no less seismic shift of its own'.[5]

Other challenges related to the adoption of KAM affect company structure and culture. Some pharmaceutical companies have to right size their sales force to accommodate the new business model. In many cases, existing employees have to be re-trained for new or redefined positions, or new recruits are brought in to fill freshly created positions. The adoption of a new technology tool always presents cultural challenges, even without the added element of changes in roles, responsibilities and staff. In this case, the implementation of a KAM-specific CRM system not only means staff learning how to use a new tool, which in itself causes some degree of disruption, but also adjusting to the enforcement of the new – and perhaps alien – business processes. The CRM system must be intuitive and follow the day-to-day workflow of users. If it is too complex or irrelevant to the users' tasks, it will not be properly utilized, and intended productivity gains will not be realized.

It is critical that there is complete buy-in from senior management on the decision to implement a KAM business model and on the proper and thorough use of the CRM system in order for the pharmaceutical company to benefit from it. This article details how the entire KAM team – and the customer – benefit from the information in the CRM system. Let's start by taking a look at the priorities of the leader of the team – the key account manager.

IT'S TIME TO START PRIORITIZING

The key account manager has two main priorities – satisfying the external customer and satisfying the internal customer.

The external customer

The top priority of a key account manager is to develop a strong working relationship with the external customer – the MCO. He must partner with the MCO to achieve the mutual goal of providing affordable medications to the patients who need them.

The key account manager, with the help of the team, must present a compelling clinical and financial case to the multiple decision makers at the MCO. A pharmaceutical company's aim is to be placed on a preferred formulary tier, which often takes several months of hard work. The advantage of the preferred formulary tier is that the drug will be made available to patients at reduced co-pay, or with fewer restrictions, such as prior authorization, step therapy or quantity limits. Because of these benefits, and assuming the drug is clinically effective and safe, health-care professionals will be compelled to prescribe it over other options.

The internal customer

When the key account manager achieves the preferred formulary tier with external customers, he must begin working toward building strong relationships with internal customers – the marketing and sales colleagues who are a part of the team.

'Managed Markets Marketing determines the overall strategy for managing the company's relationships with its largest accounts', said Campbell[1] (p. 175). On a more micro-level, the key account manager and the marketing team frequently work directly with the customer on targeted projects such as developing marketing materials, aimed at prescribers, about the drug and its preferred formulary tier.

PULL-THROUGH

Upon the 'formulary win', the key account manager begins to collaborate with the sales team, putting pull-through processes into action. A senior analyst at a top-30 pharmaceutical company stated that, 'A formulary win without the effective pull-through to back it up is equally as ineffective as trying to sell in a consistently disadvantaged formulary position'.[6]

With the right CRM system in place, collaboration and pull-through can begin within minutes of notification of the win – activating prescriptions almost immediately. The sales team kicks off the process of informing health-care professionals in their territories of the clinical and financial advantages of prescribing the drug.

Pull-though case study (senior analyst)[6]

- A key account manager and her team present a convincing clinical and financial case about a drug to one of the nation's largest insurance companies.
- The drug, which was on Tier 3 of the insurance company's formulary, is moved up to Tier 2.
- Using the company's CRM system, the key account manager sends an alert to all field sales representatives about the change in formulary status.
- Field representatives click on a link in the alert to see which prescribers in their territories are associated with that insurance company.
- Immediately, field representatives begin reaching out to those prescribers to inform them about how their patients can now get the drug at a lower out-of-pocket cost, and in many cases, with fewer restrictions.

Pharmaceutical companies with a CRM system designed to handle KAM are clearly at an advantage. Although Bamberger reports that, 'one quarter of companies do not provide any formulary status to field representatives in a systematic way. Another 19% send spreadsheets via email, leaving the representatives to download information on their own' (p. 3).[2]

The increased visibility of all account data, facilitated by the right CRM system, enables key account managers and their sales colleagues to collaborate for greater effectiveness. 'By arming sales with the tools to execute on pull-through opportunities, it empowers them to think strategically about managed care and move from more of a push-down model to a more collaborative model in their interactions with Key Account Managers', explains the top pharmaceutical senior analyst.[6]

By enabling the sharing of real-time data, and a 360-degree view of accounts, pharmaceutical companies are making managed care strategies accessible to all colleagues collaborating on the account. For instance, states the senior analyst, 'when Key Account Managers are empowered to update formulary information such as product tier, co-pay and restriction in real time, on a platform that is fully integrated with the sales reps' daily sales tools, you suddenly have the ability to make managed care information both real time and front-and-center in a sales reps' day-to-day work, so they really can't help but use that information'.[6]

Another important component of pull-through, which will not be discussed in-depth in this article, is educating the MCO plan members about the benefits of the drug, as well as adherence and the importance of screenings and wellness in general. 'For example', stated Campbell, 'a company that sells anti-hypertensives may work with an MCO to develop an educational program to inform MCO members about the symptoms of hypertension and what to do if they experience them (p. 178)'.[1] Leading the education program is the responsibility of the key account manager.

CLOSING THE LOOP

It's essential to be able to 'close the loop' on collaboration by producing accurate reports on the results of pull-through efforts in order to learn what is working and what is not. In fact, Bamberger explains in *Prescription for Success: Re-Imagining Sales & Managed Markets as a 'Closed-Loop' System*that, 'companies with consistently measured pull-through activities have higher satisfaction rates with their results'.[5]

Although all companies know that accurate reporting is essential to assessing current processes and determining future ones, many fall short in terms of having a strong reporting engine. A robust CRM system specifically designed for KAM will include reporting functionality that meets the needs of the key account team. Unfortunately, right now, many companies do not have an ideal CRM system in place. According to the ZS Associates/Cegedim Dendrite KAM survey, only 11 per cent of respondents claim that a KAM-oriented CRM system is a well-established part of their business processes.[3]

'Account Managers do not make effective use of Sales Force Automation (SFA), in part because companies tend to use a "warmed-over" system borrowed from the Sales Force', states Bamberger. 'These traditional systems are not set up to provide correct information or the reporting tools appropriate to Managed Markets and are generally used only when mandated' (p. 4).[5]

Pharmaceutical companies that do have a KAM CRM system in place benefit from being able to easily generate reports on a multitude of aspects of the account such as the results of pull-through efforts, progress against a Plan of Action and team member activity.

According to the senior analyst, 'Measuring the impact of pull-through efforts is where Key Account Managers and their sales colleagues can close the loop on their collaboration and collectively identify what worked well and what did not work so well'.[6] The conclusions they draw will be the basis of future planning.

Following is a continuation of the pull-through case study. The account team is using a shared platform.

Pull-through case study, continued (senior analyst)[6]

- The key account manager sets objectives for field representatives based on the formulary win with the insurance company.
- Field representatives enter all of their activities in the shared CRM system.
- The key account manager and the field representatives can all view the data related to the initiative so that they are aware of progress as they go along.
- Key account manager coaches field representatives who may be lagging behind the competition.
- Top performers are rewarded.
- Key account manager analyzes results and trends based on geography, field representative, and other parameters, and then adjusts future tactics accordingly.

THE CHALLENGES OF ACCURATE REPORTING

A lack of or incorrect data can be a major challenge to accurate reporting, and to fully leveraging a CRM system. According to Bamberger, 'An underlying theme across all issues (identified as the most urgent by pharmaceutical executives) is the need for better data and insights to enable better decision making by Managed Markets teams. Closing the loop in promotion is all the rage, but little is being done about Managed Markets activities in the field' (p. 1).[2]

One aspect of the data challenge is largely cultural – stemming from the nature of the pharmaceutical sales representative. It is the day-to-day users of the CRM system who are responsible for updating account information. They are the individuals who must update contact information and input notes on account activity in the fields designated by business processes designed during the CRM implementation process.

'We have found only a few companies that consistently record when and where pull-through messages are delivered to physicians', stated Bamberger. 'Recording when these conversations occur is critical to providing valuable feedback on the impact of pull-through activities to Sales Representatives, District Managers and the aligned Account Managers' (p. 3).[2] In addition to recording information on pull-through activities, all members of the account team must enter into the CRM system: new or changed contact information; specifics of face-to-face visits, phone conversations or emails exchanged; activities completed and scheduled; and sales figures forecasted and realized.

The other aspect of the 'lack of data challenge' is technological. Most pharmaceutical companies have multiple prospect and customer databases from disparate systems. The ideal method is to have one accurate master customer file for each health-care professional. However, most organizations do not have the internal resources to handle the arduous task of continuously updating contact records, and merging the data in the disparate systems into consolidated master customer files. There are tools on the market that automate this task, which would deliver tremendous value to the pharmaceutical companies working with inaccurate or incomplete data.

Bamberger also reported that many pharmaceutical companies suffer from a lack of consensus on report requirements, causing a ripple effect of inefficiency. 'Analytics groups in these companies typically receive multiple requests from Managed Markets Marketing, Account Managers, executives and pricing groups with similar but not exact requests. This usually results in a hodgepodge of Excel reports that all appear to have the same data, sorted or summarized differently' (p. 3).[2]

Managed Markets account teams need a single voice to request reports. This will streamline the efforts of the analytics group so that they have the time to focus on more advanced reporting. Members of the account team will also save time by being able to access vital reports through their shared CRM system.

THE NUTS AND BOLTS OF KAM – FROM PLANNING TO ANALYZING RESULTS

Although key account teams are business-oriented and self-driven, as well as more relationship-oriented than conventional sales organizations, they still must meet the organizational objectives that their business leaders have set. These objectives must be executed in collaboration with other team members, who may or may not be part of the same function or division. As a result, planning is a critical element of an account management function.

Planning occurs at the macro-, or business/account level, but also will happen at the micro-level in terms of planning tasks (or using already defined tactics), establishing milestones and setting up interactions with account team members. According to Neeraj Singhal, Sr Director of Product Management for Cegedim Dendrite, managers perform this planning and execution on a daily basis, but the mode of execution of the plan can be varied and different.[7]

'Historically, account managers have relied on e-mail and phone conversations, but that created "information silos" that were not the property of the company, but instead lived and moved with the account managers', explained Singhal. 'Therefore, if an account manager left the company, there could be a huge loss of valuable relationship information that could take months to gather and build from scratch'.

Case study: Planning for success at a top-10 pharmaceutical company[8]

The Managed Markets division of one top-10, global pharmaceutical company utilizes their KAM CRM system to build, manage and report on business plans. Each key account has a formal business plan, and all account members have access to it, as well as all other account data. The CRM tool allows the company to easily pull pre-set reports on the activities of account team members, as well as the strategies and tactics set for the account.

'The CRM tool we utilize is user-friendly and was designed with institutional knowledge', explains the director of Managed Markets at the top-10 company. 'It allows the Key Account Manager to build a Business Plan and it is a one-stop touch point for information for both the home office and the account management team'.[8]

The primary benefits of the CRM system to the company is that the visibility of account data increases efficiency, streamlines processes and fosters collaboration. 'The tool works well. It gives us a 360 degree view of the customer', states the director of Managed Markets. 'We can go in and see what strategies and tactics have been implemented, and what progress to date has been made. We can see what's being done, who is leading key conversations, and what's next'.[8]

In the successful KAM framework, such as the one described above, centrality of information and collaboration are necessary to allow a structured way of managing and using information in the planning, execution and measurement process. 'It also helps account managers track performance against their plan and change their tactics as business realities change in the marketplace', explained the director of Managed Markets.[8] This real-time monitoring and analysis enables more immediate plan changes, especially if business drivers or the account plans change.

If executed properly, this framework promotes collaboration within departments or between departments and ensures that common information is shared across the company, even if it comes from different functional areas. The framework also provides a software-based firewall that protects the information that should not be shared.

This centralized information is of tremendous value to the organization, the account teams and the account managers for several reasons:

Single source of truth: Everyone has access to the same information.

Productivity enhancements: Instead of preparing management reports in different formats for different audiences, account managers can spend their time more productively in managing their business, thus allowing multiple stakeholders (including senior management) to access and use the information, as they need.

Knowledge base: Account teams can apply the information and insights to other similar business situations.

Information security: Transitions are much simpler when team members or managers leave the company, or transfer to other parts of the company.

'This centralized information also benefits the accounts, or customers themselves, because their success depends on feedback from pharmaceutical companies to their changing business needs', stated Singhal.[7] For example, customers want to know about the impact of pending legislation, how a particular business situation can be managed, or what new products have entered the marketplace. Centralized information can be used to create best practices and scenarios for various business cases, which can be used and modified as needed. The knowledge gathered is never wasted and experience stays within the company. Likewise, customers do not want to repeat the same information to multiple groups of people from the same company.

CONCLUSION

Although true paradigm shifts such as the one discussed in this article are very rare, business transformations will always occur, especially for the Life Sciences industry, with its complexities and many outside influences. Account management, marketing and sales teams will continually need to adopt new business processes in order to be successful in the environment of the latest transformation. The key to keeping up with the rate of change is to have flexible technology tools in place, and to quickly implement the solutions designed to address the current market demands and manage the new business processes. In an industry challenged by changing commercial models, company consolidations, patent expirations, generic competition and regulatory pressures, pharmaceutical companies must leverage every advantage they can – including the technological tools that facilitate visibility and collaboration for greater effectiveness.

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