

CASE STUDY

CREATING A COVID-19 IMMUNE INCENTIVE COMPENSATION PLAN

A MULTIFOLD APPROACH TOWARDS THE "NEW NORMAL" TO ENSURE FAIR AND MOTIVATING COMPENSATION PLANS



In addition to keeping the reps 'reasonably productive,' the organization needed to focus on the sales team's continued safety, health, and well-being, and consistently alleviate health and monetary fears.

BUSINESS SCENARIO

The global spread of the coronavirus (COVID-19) contagion adversely impacted the sales of an Intravenous (IV) product of a large pharma company.

The impact on the sales of an **Intravenous (IV) product** was a result of:



Restricted rep access to physicians



Limited movement of drugs to local warehouses, and



Patients' reluctance to go to clinics and hospitals, leading to delayed adherence due to fear of contracting the virus.



Having the right incentive strategy is crucial to driving sales rep-physician engagement and relationship-building while motivating the sales force to achieve performance goals. With nationwide lockdowns, weak field productivity, and detailing restrictions, the pandemic directly impacted the Incentive Compensation (IC) of the reps.

In addition to keeping the reps 'reasonably productive,' a large pharmaceutical company needed to focus on the sales team's continued safety, health, and well-being, and consistently alleviate health and monetary fears. Fortunately, an impressive product pipeline encouraged the client's sales leadership to drive the field force's interest and keep their motivation levels high. To address these priorities directly in the testing times, the sales leadership wanted to change the existing goal-based IC plans.



CHALLENGES

Inconsistent nationwide performance metrics

Sales volumes varied across geographies rendering a one-size-fits-all compensation approach redundant.

Future uncertainty

Current datasets fall short of suggesting recovery patterns for the future, making it difficult to suggest a "new normal" IC plan.



Lack of historical references

COVID-19 related lockdowns threw in market situations unlike any significant market event in the past, making historic comparisons irrelevant.

Additional factors

- Reps faced restricted access to physicians for detailing, and reaching out was limited to digital channels, which were not turning out to be as effective as in-person detailing.
- Patients had limited their clinic and hospital visits due to the fear of contracting COVID-19, preferring to check with physicians on drugs that did not require visiting hospitals or clinics.
- The lockdown restrictions also resulted in a loss of health insurance due to employee layoffs.
- Supply chain constraints due to lockdowns and travel restrictions.

The sales leadership wanted to change their existing IC plan structure considering these challenges. They expected the new IC structure to include a minimum guaranteed payout in addition to encouraging high payouts, all conditional to the reps' compliance discipline.

APPROACH

Axtria considered the following approaches to restructure the IC plan.

APPROACH	METHODOLOGY	CHALLENGES
Goal Setting at the Geography Level	Use a mixed baseline with a combination of COVID-19 and pre-COVID-19 period data to allocate a proportionate forecast.	The sales impact and recovery patterns depend on local conditions/markets, and hence attainment ranges would significantly vary.
Recovery Potential-Based	Focus on sales recovery once the high-impact COVID-19 situation is over, using the impacted period as the new baseline.	The new growth potential could vary across geographies based on how the geographies handled the sales drops during high-impact periods. Also, the pace of recovery for each region would vary.
Market-Share Based	As the COVID-19 impact was likely to be the same for the entire product market, market/competitor-based relative IC plan options could work.	The research found the market-share across geographies to vary significantly during the COVID-19 lockdown period.
Rep’s Call Activity-Based	Measure the digital reach of a sales rep, and the number of calls recorded during the lockdown as digital channels accounted for most of the detailing.	The reliability of data inputs was an issue as they depended on the customers’ philosophy of being frequently approached. Most busy physicians were on a ‘do-not-disturb’ policy.
MBO-Based (Management by Objectives)	Focus on performance metrics like top account reach, training adherence, and upskilling, and limiting the dependency on pure sales performance.	The additional cost for systems and training could lead to significant disruptions in field plans and introduce subjectivity to the IC plans.

Source: Axtria, Inc.

Each of these individual approaches was benchmarked against the client’s requirements and considered the COVID-19 lockdown impact on the product.





RECOMMENDATIONS

On analyzing the magnitude of COVID-19 impact, Atria observed that the drop in the pharma company's sales volume varied across geographies, ranging from ~25% to ~70% across the US at the initial stages of the outbreak (April to May 2020). Having identified a significant sales drop across geographies pre and post COVID-19 impacted data, Atria suggested the following options:

OPTION 1

REVISED BASELINE

- **Mixed Baseline Period:** Decided based on a combination of pre and post-COVID-19 period baselines, allowing to factor-in the impact on sales, followed by a proportionate allocation of goals for the upcoming period.
- **Customized Payout:**
 - A balanced payout, while protecting the sales leadership's budget and sales reps' bonuses.
 - A minimum payout guarantee, regardless of underperforming reps while setting an acceptable reward cap, to continue motivating the high-performing reps.

A caveat was that the data from the COVID-19 impacted period would come in later than usual, causing a delay in the new goal cycle. This delay would mean that the reps briefly worked without defined goals in the upcoming quarter. Any outlying performance cases could be adjusted for during the goal adjustment period towards the end of each quarter.

OPTION 2

REVISED PERFORMANCE METRICS

- **Standard Goal Attainment:** The geographies with sustained sales would have relatively higher goal attainments than the impacted ones. Also, the ones with a steep drop in sales would observe a severe hit on goal attainment. Hence, according to the standard compensation practice, geographies with low sales drops would be rewarded higher.
- **Recovery Potential-Based Rewards:** Higher sales drop in the impacted geographies would be offset with rewards for a higher recovery potential. Hence, bigger the sales drop, higher the reward opportunities, leading to continuous motivation to tackle the COVID-19 impact.

Atria recommended a combination of the above two methodologies as goal attainment and recovery potential-based growth complement each other. This approach can avoid changing the goal methodology and help with business growth. The severely impacted geographies were also guaranteed a minimum pay.



NEXT-STEPS

- After several working sessions with the sales leadership, Atria went ahead to create an incentive compensation plan based on Option 1, including a **mixed baseline period** within the existing goal-setting methodology, and a **customized payout**. The goal-setting for other products in the portfolio followed a similar approach.
- Additionally, Atria devised a half-yearly contest to account for unforeseen complications imposed by COVID-19 to encourage the field force, like the pre-COVID-19 times. The new competition would evaluate the national brand performance as a defining measure to promote team culture. Based on national brand attainment, even a minimum of 10% of the total field force was eligible to win. Depending on the national performance, up to 100% of the total field force could also become eligible for the contest award.





BENEFITS

- **COVID-19 Immune Compensation Plan:** The sales leadership now had a goal attainment-based plan, which was easier to communicate to the field and aligned with the original strategy with minimal disruption.
- **Continued Motivation in Dire Times:** The pay-curves protected the severely impacted geographies with a guaranteed minimum 80% payout. The top performers had a possibility of earning up to 300% of base pay. The payout will insulate sales reps during unfavorable market conditions.
- **Customizable for Market Variations:** The sales leadership could now allocate goals with a contribution ratio aligned with local conditions by considering the COVID-19 impacted period in the baseline.

Axtria continues to discuss more options with the client’s sales leadership for IC plan considerations in the coming quarters. The compensation plans will only get more robust, with more COVID-19 historical data. This data will help forecast impacts on sales targets and make the necessary adjustments across geographies.

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