

## Is Channel ROI **Dead?**

*"The journey is the reward"  
Chinese proverb*



## The reality of our times

From broadcasting a series of monologues at 'easy' customers in order to sell products, to having an engaging and effective dialogue with fairly 'complex' targets to make meaningful connections – marketing has definitely come a long way. The touch point with the customers no longer depends on the store closure time.

The 'purchase model' itself has become very complex. Remember your last purchase? A camera, a car, a cell phone - whatever it was - you would have probably researched it on the Internet, read all the product reviews, maybe landed on an advertisement, called up their customer care, received their sales agent's contact details in an email and contacted him / her, visited the stores, visited their website, discussed with a friend on social media...wow! What if I were to ask you to pick one channel / source that drove the decision to purchase? Could you do it?

Yes, the reality is it's no longer about a single channel or a specific campaign in time, but rather the 'experience' provided by the purchasing continuum. The key is to leverage one story telling moment to the next, building coherent and powerful brand equity – each interim step is crucial, but the linkages, and the pace of establishing these linkages, is what makes it explosive and changes the game!

The analytics, however, is still stuck in the past. The statistician in us still lives in a controlled environment, trapping one channel at a time and beating it to death until it confesses.

We will make the case for the advancement in analytics to account for the role of interactions as well as sequences / linkages in measuring the return on investment.

## The value lies in the ‘details’

### Multi-channel Effect

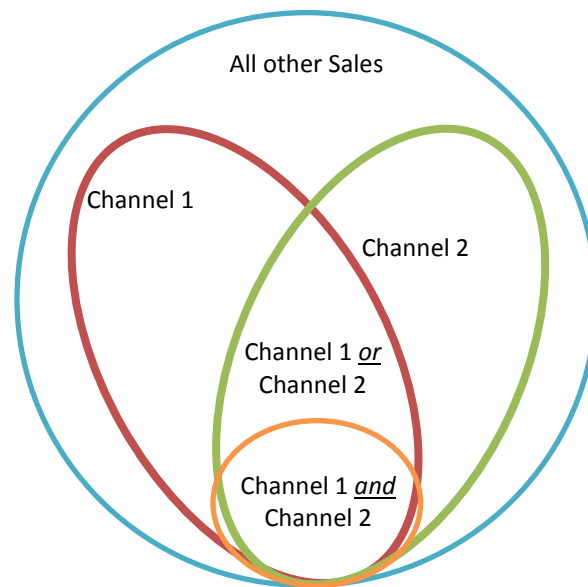


Fig 1 – Channel Overlap: Venn diagram

While each individual channel has its own role, in a multichannel world there is some inherent overlap. Let's consider a simple example – say, there are two promotional channels, Channel 1 and Channel 2. We begin by dividing all prescribing into four categories (refer to figure 1) –

- Rx driven by Channel 1 alone (assuming no amount of channel 2 promotion will produce these sales)
- Rx driven by Channel 2 alone (assuming no amount of channel 1 promotion will produce these sales)
- Rx driven by promotion from either channel (channel 1 or channel 2)
- Rx driven only by promotion on both channels

For all parts collectively, the physicians have to receive enough promotion to trigger prescribing, with diminishing returns eventually kicking in.

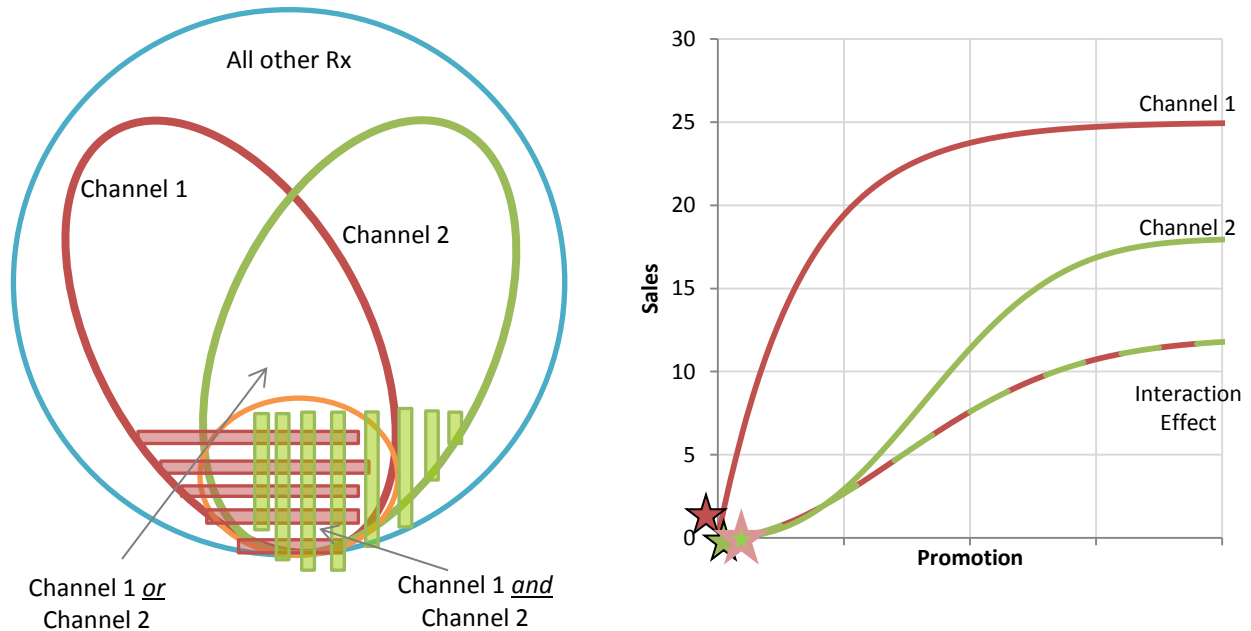


Fig 2: Interaction Effects

Spending on a given channel is equal to the sum of (refer to figure 2) –

- ‘filling up’ the Venn diagram (i.e. Rx driven by a single channel alone)
- ‘moving up’ on several curves at once – specific channel curves, interaction effect curves (i.e. Rx driven by cross effects)

The area of each component of the Venn diagram is proportional to the overall ‘height’ of the response curve. How fast you move up the curve is a function of the particular dynamics of that channel.

The actual estimation of the components and response curves is no easy matter.

Conceptually:

- height of curve = size of area of the Venn diagram (in other words the asymptote of the response curve is really determined by the area of the Venn diagram)
- shape of curve = rate of filling of diagram (in other words, the curvature is impacted by the cross channel effects)

It requires careful data collection and modeling of high- and low-activity areas / time periods for all kinds of promotional activities. However, it is fundamental to realize that in a multi-channel world, the marginal value of spending on a channel is not just a function of the channel specific response curve, but also includes a significant component of the interaction effect curve.

## Multi-stakeholder Effect

In almost every industry, including pharmaceutical industry, the decision making authority no longer rests with a single individual. In such a multi-stakeholder environment, the response curve of promotion from the sales organization to a certain stakeholder can itself shift owing promotion to a different stakeholder.

Particularly in B2B pharma organizations, consumer marketing changes the environment that professional marketing works in. The challenge is to estimate the true shape of response curves in the absence of consumer marketing programs.

A very rough strategy is to:

- Create ‘response curves without consumer (patient) marketing’ for all professional (physician) marketing channels by adjusting them down to account for estimated value of consumer marketing
  - Apportion adjustment factor between the asymptote and the curvature as evidence, or intuition, suggests (refer to figure 3)
- Adjustment needs to be so that change in all channels cumulatively adds up to the total impact of the consumer marketing program
- Changes in budget allocation to the consumer marketing activity can be thought of as moving the professional marketing response curves along a path from the ‘No Consumer’ environment toward the ‘observed, with consumer’ environment (and beyond).
- Optimization requires multiple scenario evaluation and deciding at what point the incremental spending (on consumer) drives maximum profit.

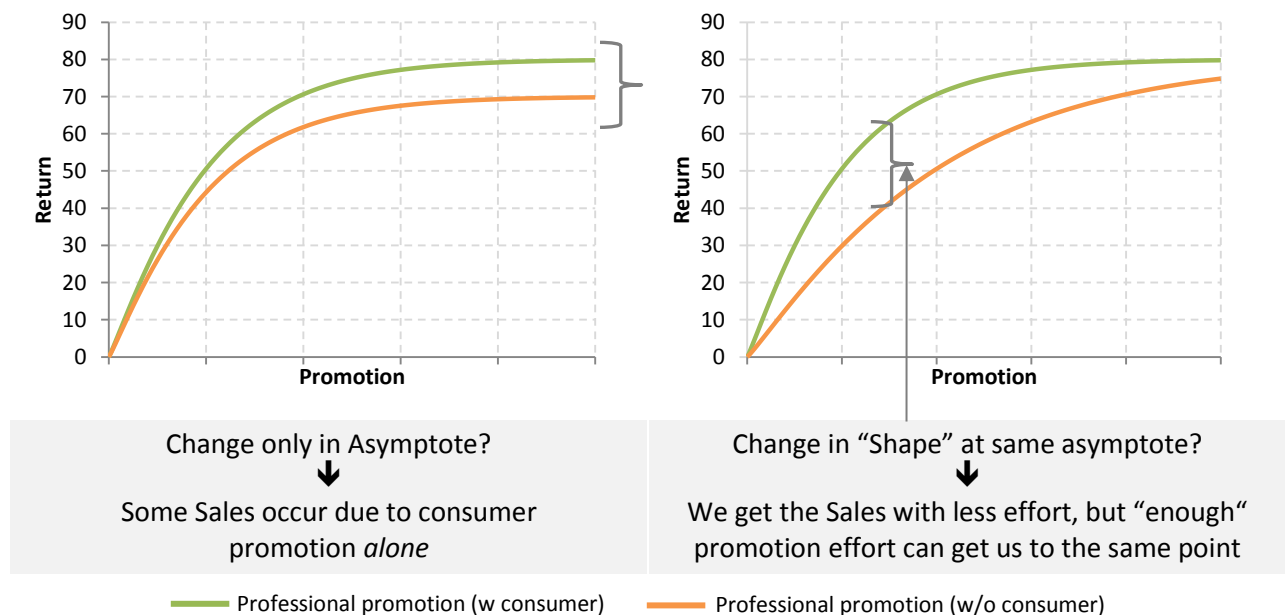


Fig 3: Multi stakeholder effect

## Sequencing

Finally, since marketing itself has evolved from disconnected messages to a continuous on-going dialogue, it becomes important to capture and analyze physician specific journey, rather than any specific destination or lay overs. The journey refers to the entire continuum of various promotional channels and associated messages as well as the sequencing of those channels in providing a holistic experience and the resulting brand perception, hopefully positive.

Essentially, instead of evaluating each individual channel in isolation, it is critical to stitch the promotional activities in order to start building a continuous picture. This in turn, has implications on the way data is collected, managed, and processed. Instead of preserving channel specific datasets in their own silos, it is critical to park them in a common repository and merge them in a way that the continuum becomes visible. This essentially implies that we prepare a database of various paths followed by date, with each physician (refer to fig 4). A path essentially is a record of the various promotional channels leveraged with a particular physician, in a certain sequence and associated physician response / action.

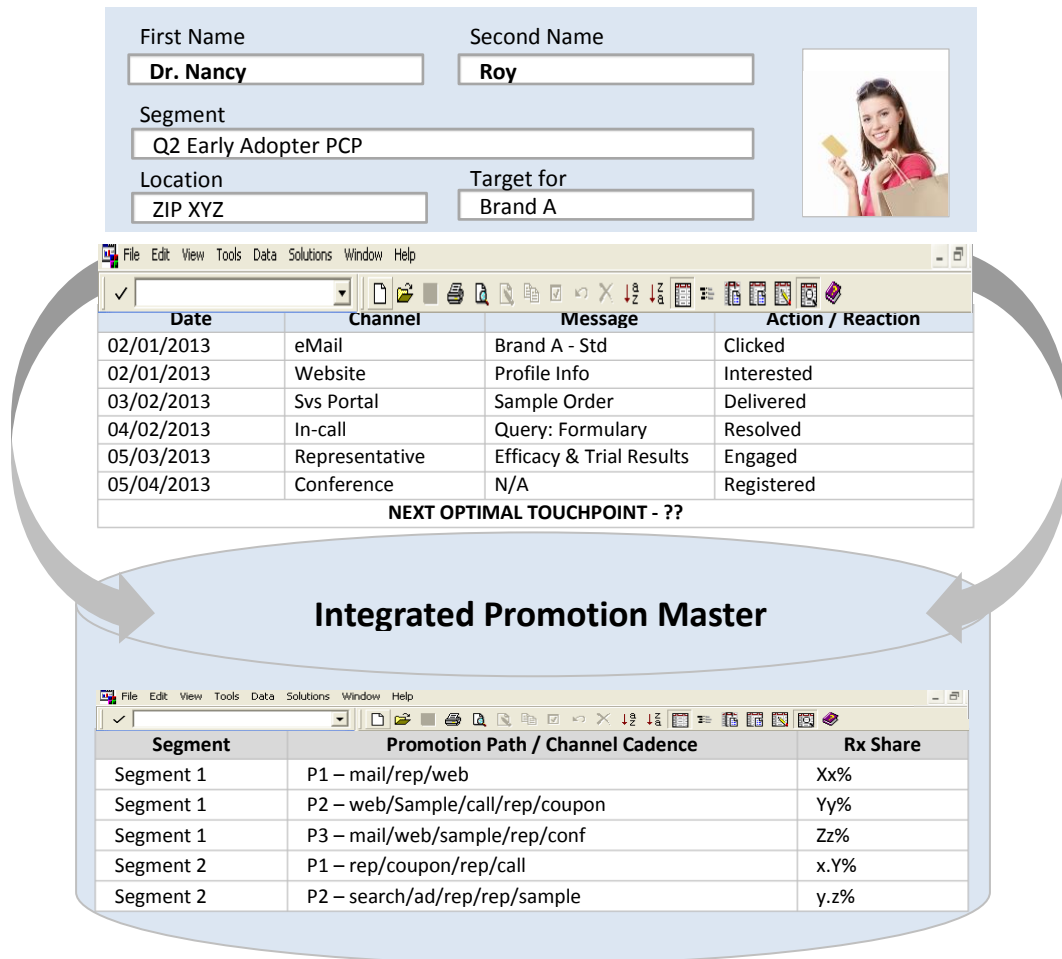


Fig 4: Sequencing

The next step is to analyze the patterns among this data to decide not only how much to invest in each channel, but more importantly in what order, and how often. As a result of the analysis, some paths should emerge as distinct in comparison to others in terms of their impact on sales.

In other words, given that not every channel has a direct bearing on prescription (example paid search or social media) and that the channels are highly interactive, it is important to capture the series and sequence of promotional channels (along with the message conveyed) and measure the ROI of that sequence rather than an individual channel. As an example, a person who first received an email, then an SMS and finally a product sample would have a very different ROI as compared to someone who only received the product sample. Essentially, it's about a change in mind set with important implications on how you store and structure (and then use) customer data itself. It's essential to stitch the historical data points to form paths and then elicit patterns in these paths to determine the next most optimal step in every path.

Two words of caution though –

- Some consumer-initiated lay overs are hard to capture. For example television ads or print media.
- Even in the most controlled environment, establishing causality is not trivial and many times can be a futile exercise.

## Crawl-Walk-Run Approach

Hmm, looks like we ended up making it really complex. Well, the fact is it really is complex. Nonetheless, the trick lies in simplifying and planning. This is where we strongly recommend a 'crawl-walk-run' approach to our clients.

Align channels to strategy and product lifecycle. Identify meaningful and actionable KPIs. Start with collecting the right data and stitch all touch points to start getting a view of the complete journey. Think through the granularity of measurement, campaign, segment, geography, etc.

Be proactive—plan ahead, review the entire scope of work for the brand(s) to be measured and design the analytics to reflect the real world' of multichannel effects that will occur. Build models that account for multi-stakeholder and multi-channel effects.

Let's be very clear – the end goal is not the channel but the experience and customer journey. While each channel is an enabler, it cannot and should not be measured in isolation. Instead, it is important to analyze the patterns in purchase and sentiment and then establish their relationship with the promotion journey of each customer segment.

Plan, analyze, predict, and personalize to take the ultimate customer experience to the next level.

Is Channel ROI Dead? - - No...it has evolved and transformed; seize the opportunity for realizing a transformational impact, today!

It's no longer about a single channel or a specific campaign in time, but rather the 'experience' provided by the purchasing continuum. The key is to leverage one story telling moment to the next, building coherent and powerful brand equity – each interim step is crucial, but the linkages, and the pace of establishing these linkages, is what makes it explosive and changes the game.

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