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Do You Know the Answers to Your Important Territory Alignment Questions?

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> Even a **blind squirrel** finds an **acorn** once in a while.
>
> A famous cliché (Anonymous)

> The **price of light** is less than the **cost of darkness**.
>
> Arthur C. Nielsen
> *Market Researcher & Founder of ACNielsen*

Do you know the answers to your important territory alignment questions? Or put another way, do you approach answering questions (the ones you know about, putting aside the ones you don't realize need answering!) on your territory alignment issues like the blind squirrel? This approach, while getting lucky a few times, is a poor recipe ("the cost of darkness") for sustained business success given the highly complex life sciences environment that now confronts senior executives and operational leaders. The solution is simple, as embodied in the second quote, "the price of light."

The purpose of this white paper is to shed light for clients by providing concise answers to key every day questions on an important sales operation process that links sales force strategy outcomes to execution in the field – territory alignment. The ultimate goal is to make life sciences clients better and smarter in an increasingly complex world. While the focus here is on the life sciences industry, the questions presented can be adapted to any industry that has similar complexities. This paper will end with closing thoughts for senior executives and operational leaders.

Client Question #1

It seems our internal brand and sales customers always want to revisit sales force strategy outcomes when doing territory alignment. Is this okay to happen, and if not, how can this be resolved?

The short answer on whether this is okay to happen is "no". The further explanation is as follows. Once the company's strategy has been developed and the go-to-market approach decided upon by senior leadership, the next step is to approve the criteria that will determine the best sales force (SF) strategy outcome. These criteria typically include strategic, operational (feasibility), financial, legal, and other binding conditions deemed as important. Normally trade-offs are involved among these criteria, with the best solution being mostly science, but also part art.

Once each brand team has conducted their segmentation scheme, these decision criteria will guide the sales force strategy portfolio outcomes of size, structure, allocation, targeting quality, sales rep-physician relationship disruption,

FIGURE 1: Sequence of company strategy development to rollout to the field of sales force strategy and sales operations process outcomes*

*The figure is not suggesting each successive step takes the same time to complete, but rather focuses on the order of each step and decreasing range of possible outcomes as you approach the rollout to the field.

and scenario plans. The portfolio solution inherently produces brand-on-brand conflicts not present when conducting single brand analysis. Discontentment often comes from brand teams not getting close to what they feel optimizes their single-brand performance. However, the simple fact is that not all brand teams are equal in the process given the criteria established. Lesser brands will have to settle for resources after the key brands that drive the outcome criteria are satisfied. Once the SF strategy outcomes have been determined, these outcomes then establish the set of criteria and further constrain each successive sales operations process regarding the range of possible outcomes for consideration. Figure 1 details that with each successive SF process, the range of possible outcomes to choose from gets smaller and smaller until the rollout to the field.

Thus, the significant causes for this problem noted in the question are a lack of agreed-upon decision criteria and internal discipline to adhere to the process. The territory alignment process and determining sales force size are intricately interrelated. When confronted with maps for example of a 100 territories, that is not the time, place, and means to finalize a strategy decision. That's like a squirrel hunting for acorns throughout the entire pine forest rather than focusing their efforts based on a strategy to a specific area that would lead to finding more acorns. Likewise, companies should choose the strategy (what sales force size) and then execute (and not equivocate) that decision into the best territory alignment. After the sales force size and structure determination process is complete, there are some brands that have 'lost' the battle for resources, and deservedly so if the criteria established to evaluate outcomes have been followed. Using a compensation design approach is a suggested way to reduce unwanted and suboptimal changes in the sales force strategy outcomes brought up by operational leaders in the territory alignment process. Such an approach can bring in financial incentives and disincentives to minimize disruptive behaviors among brand and sales leaders that create suboptimal outcomes arising out of the territory alignment process. One such creation of suboptimal costs is the breaking up (disruption) of significant sales rep-physician relationships (as expanded upon in the next question) during the territory alignment process, generating costly down-stream effects that works against achieving sales force strategy outcomes. Building flexibility into the SF analytics to account properly for future events can also help. Failure to address these issues causes both significant internal and external disruptions, risks the solution not being optimal (meaning not consistent in achieving company strategic objectives), and can delay the rollout to the field with serious consequences.

Client Question #2

Our sales reps often complain that when they get their territory alignment and call plan deck, there is a large proportion of physician targets that have been disrupted (a combination of former physicians being replaced with new ones, and physicians dropped & new ones added). Should you listen to the field, and, is sales rep-physician relationship disruption a real concern?

The short answer here to both questions is unequivocally "yes". We call this phenomenon "sales rep-physician relationship disruption". Some disruption is natural and externally caused, such as previously-noted physicians who move, retire, or pass away. Also, data used in territory alignment may not capture new physicians who enter a territory. Internally-caused disruption occurs when reps move (to another location, through promotion, or leave the company) and when the company breaks relationships when they conduct their territory alignment as a way to fulfill sales force strategy outcomes. Some disruption is "good", such

as when poor performing reps leave the company, or when reps are reassigned to focus on physicians more strategically important to the company. However, the bulk of disruption comes from a sales rep seeing physicians they once called upon being reassigned to another territory adjacent to them, while other physicians they did not have relationships with are added as a routine part of the territory alignment process. Forces such as an incentive compensation (IC) plan design work against sales reps wanting to see significant disruption since new relationships mean starting from scratch to build up physician confidence and thus prescription (Rx) volume. So unless the IC plan accounts for the degree of disruption facing a sales rep, reps will feel disadvantaged by large disruption with Rx volume targets they can't achieve. The consequences, or an "alignment tax", both internal and external, are significant to the company.

The internal costs result from low morale of sales reps with eventual turnover, and resulting recruitment and training costs. The external cost is a significant reduction in revenue caused by reps having to "start over". Even experienced reps need time to establish a productive relationship developed by the previous rep. The time needed for inexperienced reps to reestablish a former productive relationship takes much longer. Further, life sciences companies are now experiencing an environment with greater emphasis on launching of expensive specialty medicines, greater complexities in drug delivery, and the communication of scientific evidence being the focus of sales rep-physician interactions. Disruption of these relationships can significantly reduce drug utilization. With sales rep access to physicians becoming more restrictive, especially in the leading specialty areas, the time needed to redevelop productive relationships will take even longer than before.

The moral coming from this client question is that analytics behind determining optimal territory alignment must factor in realistic and practical assumptions about what makes for a successful engagement process between sales reps and physicians. This means the analytics done by headquarters and/or the contracted consulting group must be sensitive to these key relationships and modeled when deriving territory alignment outcomes. All too often the analytics performed are sterile to the realistic and practical assumptions needed to determine an optimal territory alignment. Key personnel from headquarters leading and contract organizations conducting territory alignments need to gather information from sales leaders and reps, and observe the selling process on all sales teams to different customer groups. Only then will the analytics not only derive optimal territory alignment outcomes but also generate believability and acceptance among field personnel needed to execute those plans and achieve sales force strategy outcomes.

Client Question #3

Since sales rep-physician relationship disruption is a real concern, what can be done to minimize its impact?

The solutions to eliminate "bad" disruption are fairly easy to notice and execute:

1. The views of SF strategy outcomes (generally defined at the brand-segment level) need to look forward to territory alignment and other sales operations outcomes (generally defined at the sales rep-territory level). This means linear thinking in conducting and executing the SF optimization needs to give way to a more flexible and forward thinking process.
2. A best-in-class SF optimization and operation process simultaneously brings in the views of senior commercial, brand, sales, and commercial analytic leadership to ensure that the criteria used to evaluate SF outcomes are met. This requires cross-functional collaboration and alignment in thinking.
3. The commercial analytics supporting a territory alignment design must account for key environmental landscape changes, such as, the growing influence of managed care, integrated delivery networks (IDNs), accountable care organizations (ACOs), and the growth of sales rep access restrictions to physicians, in developing flexible sales force designs that do not require major and frequent realignment changes.
4. Key players and decision-makers involved in the territory alignment process need both education and awareness about the causes and costs of disruption. This also includes reducing changes in or adding business rules that can create unnecessary and suboptimal disruption.

5. Diagnostic reports need to be instituted, showing maps and metrics (such as histogram charts) of disruption at the following unit levels, e.g.: geography - territory, district, and region; sales team; physician specialty. Commercial analytics need to be conducted to determine the effects of variations in the causes of disruption and its impact on Rx volume, qualitative responses from physicians on sales rep performance, and rep turnover.

6. The loss of Rxs, thus revenue and contribution, need to be analytically captured in the generation of SF strategy outcomes. A SF outcome with seemingly higher topline and contribution financials may actually be less optimal than other scenarios when incorporating the cost of disruption into the analytics. Thus, similar to adjusting sales response functions to managed care control and access, so too must accounting for relationship disruption.

7. Analytics need to be conducted on the knock-on effects of disruption through territory alignment changes with call planning, objective setting, and IC plan design. This requires maintaining an analytical library of results from past modeling efforts to draw upon. Experimentation on new alignment designs would be worth the small investment in reducing the substantial costs of suboptimal future alignment, especially as the life sciences landscape rapidly evolves.

8. Sometimes "no realignment" is the best option. Using the flexibility of CSOs or overlay teams to avoid costly realignments are sometimes far better options.

9. Remember that territory alignment is the first step in implementing a chosen SF strategy. As such, do not lose sight of the imperatives that need to be accomplished when conducting the alignment process.

Client Question #4

What role does developing a strong capability in commercial analytics have in ensuring an optimal territory alignment that satisfies SF strategy outcome criteria?

The second quote ("price of light") addresses the question, "Why commercial analytics?" For a rapidly evolving and increasingly more complex life sciences landscape, the importance now of commercial analytics has never been greater. Rather than being seen as just a set of tools to solve certain key business problems, developing a first-in-class commercial analytics capability applied across the business is to create a strategic asset that differentiates the best-in-breed companies from the majority of others for a sustained long-term competitive advantage.

We define life sciences commercial analytics as activities in seven buckets:

1. *Commercial Model Design* - the go-to-market approach and model design necessary to achieve all company strategic goals. The commercial model design is dependent on the project/product portfolio that can be successfully developed and tactically executed to deliver optimal results while mitigating external threats and positioning the company to take advantage of opportunities (e.g., define metrics to determine success and how company resources will be positioned/organized/coordinated to ensure achievement of stated company goals).
2. *Sales Analytics* - focused on processes and outcomes related to ensuring optimal sales force investment efficiency and result effectiveness (e.g., sales force strategy outcomes, territory alignment, call planning, objective setting, incentive compensation, sales performance metrics, sales reporting).
3. *Marketing Analytics* - focused on processes and outcomes related to ensuring optimal brand performance throughout the entire lifecycle (e.g., emerging brand status, pre-launch preparations, launch, growth, maturity, and post-patent expiration).
4. *Payer Analytics* - focused on managed markets (e.g., private third party commercial and public drug plans), analyzing effects from changes in plan design, and their relationship to sales, marketing, and patient outcomes.
5. *Patient Analytics* - focused on analyses generated from real world evidence (RWE) and patient-level data on outcomes (e.g., drug compliance and adherence, drug costs, treatment costs, health outcomes, cost-effectiveness) resulting from drug utilization.
6. *Commercial Analytics Innovation Center* - focused on basic research activities designed to generate new management/marketing science methods for solutions to address future commercial problems faced across the entire project/product lifecycle using experimentation, collaborations with academic researchers, and other activities to encourage innovation.
7. *Cloud Information Management* - focused on speed, agility, and scale in association with managing new data sources, elastic infrastructure, data quality & accuracy, and actionable insight in support of activities in all of the preceding commercial analytics buckets.

Traditionally, these commercial analytics buckets were seen and conducted as more distinct and separate activities. Today, and increasingly in the future, these commercial analytics buckets are rapidly becoming interdependent activities. Moreover, outcomes from payer and patient analytics will become the principal emphasis and drivers of all commercial decisions. The construction of the right commercial model design and the conduct of all remaining analytics in other areas will be done to support payer and patient outcomes. This means solving problems in the near future using commercial analytics will require greater alignment among these activities, an open system framework of thinking in solving commercial problems, a data environment constructed to support all of these activities, and a leadership approach and innovative analytics culture necessary to cultivate and sustain a competition advantage. The approach and solutions to territory alignment issues must take the same rigorous and cross-functional perspective in ensuring that company strategic objectives are achieved in the most efficient manner possible.

In closing, and in this season of territory alignment change, we encourage you to ask the right and tough questions about the actual and hidden costs of decisions that create unwanted change. Key take-away messages from the set of typical client questions outlined in this white paper on territory alignment note the following points to remember:

- adhere to process discipline that keeps focused on achieving sales force strategy outcomes.
- allow for flexibility in the analytics to account for future unexpected events that require adjustments to be made but to do so without causing major disruptions and suboptimal costs in the process.
- account for sales rep-physician relationship disruption caused by unnecessary territory alignment changes that produce significant and adverse downstream effects.
- avoid conducting analytics that are sterile to the realistic and practical assumptions needed to determine an optimal territory alignment.
- ensure key personnel from headquarters leading and contract organizations conducting territory alignments gather information from sales leaders and reps, and observe the selling process on all sales teams to different customer groups.
- apply analytics that not only derive optimal territory alignment outcomes but also generate believability and acceptance among field personnel needed to execute those plans that achieve sales force strategy outcomes.
- eliminate sub-optimal sales rep-physician relationship disruption by employing best-in-class analytics and increasing awareness to decision-maker executives and operational leaders of the dangers of unwanted disruption.
- develop leading capabilities in commercial analytics to produce optimal strategy force strategy outcomes and operational plans necessary to achieve efficiently desired results.

Perhaps by shining the light onto your key territory alignment questions, you too may find that hidden cache of acorns.

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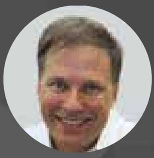

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