IDC Health Insights

Perspective: The Changing Face of Pharma CRM

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IN THIS PERSPECTIVE

This IDC Health Insights Perspective evaluates the changing landscape of CRM and SFA in the pharmaceutical industry and discusses manufacturers' needs and challenges and the software applications most broadly utilized.

Situation Overview

Pharmaceutical sales representatives have historically leaned heavily on soft-dollar promotions to help create prescriber influence and capture the attention of physicians. Taking physicians out to lunch, dinner, and offsite meetings has long been the standard practice, helping reps create an environment to capture physicians' undivided attention. However, because of the cumulative effect of the Physician Payment Sunshine Act, state-level aggregate spend regulations, and gift ban laws, most of these sales tactics are now becoming obsolete, and those still deemed acceptable have been significantly curtailed by strict spending thresholds. As a result, opportunities for meaningful in-person interactions with physicians have dwindled and will only further diminish as 32 million new insured patients phase into the U.S. healthcare system in the coming years due to reform legislation. It is anticipated that this will skew the national primary care physician-to-patient ratio from the current 1:1,500 to 1:8,000, leaving little excess time for physicians to shoot the breeze with sales reps.

While these developments have placed newfound pressure on pharmaceutical companies to augment existing sales and marketing strategy with increased efforts to shift physicians toward more online touch points, in-person interactions via field sales are not going away, and most significant industry sales force reductions have already occurred. Consequently, pharmas have a strong need to increase the efficiency and effectiveness of sales reps during the limited time they do interact with physicians face to face, given the contraction of that time window to typically less than 30 seconds now. In response, most leading pharmaceutical companies are implementing, whether by upgrade or by replacement, newer next-generation CRM and SFA applications that help automate, simplify, and advance sales reps' capabilities, with a strong emphasis on enhanced mobility, ease of use, streamlined UI, ease of integration, and system flexibility.

Methodology

IDC Health Insights recently finished conducting a six-month research effort to review the current vendor landscape in the pharmaceutical CRM space. This effort was conducted in response to a significant increase in inquiries received by IDC Health Insights' clients around pharma CRM and SFA. Inquiries were foremost focused on the United States but also contained significant international concerns due to increasing globalization occurring within many pharmaceutical companies along with many manufacturers looking to reduce CRM to a single global instance. To update and confirm existing IDC market share data on this space, IDC Health Insights spoke with dozens of pharmaceutical companies and surveyed all major CRM vendors serving this market on both their current customer list and their user install base. Each vendor was willing to share this information to varying degrees. IDC Health Insights combined this information with its own research to calculate the projected market share data discussed in this report.

The Changing Face of CRM

In an industry historically dominated by client-server software and laptop-driven technology, the past several years have witnessed a major transformation to cloud-based software and tablet-driven (almost exclusively iPad) field technology, and no CRM vendor has capitalized on that transition in the life sciences better than Veeva Systems.

In April 2012, IDC Health Insights published its 2011 top 10 life sciences software vendor list (see *Vendor Assessment: 2011 Top 10 Life Science Software Vendors,* IDC Health Insights #HI234226, April 2012). Completely absent from this list just three years ago, Veeva Systems is now on the brink of breaking the overall top 10 list and was ranked third this year for the life sciences sales and marketing sector. This ranking is the result of Veeva's expedited growth in the pharma CRM/SFA market, which helped catapult it to be the fastest-growing vendor in that report.

During 2011, Veeva saw its customer list, user base, and professional services revenue all grow by approximately 100%, after experiencing roughly 100% growth during 2010 as well. Veeva now lays claim to 160 customers and over 50,000 users in the industry, which includes over 80 deployments of iRep, its tablet-based SFA application. One of the unique customer-focused value-adds that has helped the company's professional services revenue grow so quickly is Veeva's willingness to list the company's entire professional services roster online, including their experience and all projects worked on.

After six months of reviewing the market, IDC Health Insights concluded that Veeva Systems is now the leading provider of CRM to the U.S. pharmaceutical industry based on active users — of which Veeva is approaching 40,000. While Veeva has risen to the forefront in the United States, it is also aggressively pursuing growth strategies in four regions of the world. The company currently has over 10,000 users in Europe and emerging markets, 5,000 users in China, and several hundred in Japan, with a new datacenter opening in Asia later this year.

IDC Health Insights estimates that Oracle is still the global CRM leader in the industry, however, if install base growth rates continue at their current pace, Veeva may surpass Oracle in the next couple of years. Meanwhile, Cegedim maintains its firm grasp on third place for CRM in the industry. After these three vendors, there is a significant drop-off in market share spread across several smaller CRM vendors.

Veeva Global Customer Summit

In May 2012, Veeva held its annual Global Customer Summit in Philadelphia, Pennsylvania. Of the approximately 750 attendees, close to 500 were end users with direct CRM involvement in their company. More impressive was that the attendees represented 99 different life sciences companies, showing that Veeva has clearly captured significant mindshare in the industry. The remaining attendees comprised Veeva's partners and employees. One of Veeva's newer products, Vault PromoMats, which launched last year and provides content management capabilities for managing promotional materials, already has 16 customers.

The two biggest announcements at the conference were Veeva Network and Veeva's new online CRM community. Although still in the early adoption phase, Veeva Network is a cloud-based customer interaction repository designed to help capture, store, and disseminate consistent data across life sciences companies and their outsourced partners and agencies. It provides standard data formats across all sales and marketing channels and is supported by several of the leading multichannel marketing companies and business consulting firms. Ultimately, Veeva Network's goal is to provide life sciences companies with the customer interaction data required to better analyze the ROI on their multichannel investments. The announcement of the new online Veeva CRM community, while less groundbreaking in comparison, was welcomed with open arms by Veeva customers. The community will provide an easy and automated way for customers to sign up for patch notifications, submit product enhancement requests, peruse a FAQ library, and engage openly with other Veeva customers.

Looking Ahead

Regulatory reform in the industry has created numerous challenges to traditional go-to-market approaches, leaving pharmaceutical sales and marketing organizations starving for new ways to measure and monitor promotional effectiveness, optimize campaign management, and improve overall sales and marketing intelligence.

Historically, achieving these goals has been difficult due to the disparate silos of market data residing across the organization and the backward-looking "reporting-based" nature of most analysis that organizations have conducted. However, the industry is now quickly approaching a valuable opportunity window that should help this change. Aggregated spend compliance is now forcing pharmaceutical companies to carry out massive integration and data aggregation exercises that will ultimately bring together data spanning the entire enterprise. As companies complete these initiatives, despite the recent aggregate spend compliance deadline extension granted by CMS, for the first time in history, companies will now have a 360-degree view of every company touch point with all HCPs across all brands in U.S. geographies. And with similar regulations lurking across Europe, this newfound "aggregate view" will continue becoming more global. The availability of this new data will present a unique opportunity for pharmas to radically improve their sales and marketing intelligence. While this new visibility alone would be a huge step forward for the industry, if Veeva Network gains critical mass and can also provide further unification of multichannel sales and marketing data for companies, the improvements in analytical insight set to erupt in life sciences over the next few years could be truly exponential. At the very least, these are trends that IDC Health Insights will be monitoring closely.

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Related Research

- *Vendor Assessment: 2011 Top 10 Life Science Software Vendors* (IDC Health Insights #HI234226, April 2012)
- *Perspective: Pharmas Looking to Socialytics for Improved Market Intelligence* (IDC Health Insights #HI234338, April 2012)
- *IDC MarketScape: Worldwide Life Science Sales and Marketing IT Outsourcing 2011 Vendor Assessment* (IDC Health Insights #HI231228, November 2011)

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