By Joshua Slatko joshua.slatko@ubm.com

Effective CRM in China: A large and moving target

By Cindy Zhang, general manager, Veeva China

Major health reforms in China are increasing the population's access to healthcare – including pharmaceuticals. In April 2009, the Chinese government committed to investing $124 billion to develop the country's healthcare system over a three-year period with the intention to create a solid platform for delivering universal healthcare by 2020.

Understandably, every multinational pharmaceutical company is building a strategy to capitalize on this huge opportunity. As healthcare reform converges with an increased standard of living for many people in China, spending on pharmaceuticals continues to grow. In fact, per-capita spending has more than doubled in recent years. Per Accenture research, per-capita spend has risen from $9 in 2007 (versus $1,000 in the United States) to $21 in 2010. Overall, the market is expected to increase by more than 20 percent annually over the next five years.

While the opportunity is clear, the path to sales effectiveness is less so. As they execute their strategies for growth in China, multinational pharmaceutical companies are well advised to take a fresh and different approach to customer relationship management (CRM). The same system hanging on at headquarters may not do the job in China.

Greatest selling challenges in China

Multinational pharmaceutical companies face a number of selling challenges in China – not the least of which is the sheer size and scope of the selling landscape. A typical thesaurus lists 15 to 20 different synonyms for the word 'big' … and not a single one comes close to capturing the enormity of the China market.

For starters, China has the largest number of medical institutions, with 1.2 million hospital beds, and about a million physicians, according to Accenture. With a sales force of 4,000, a pharmaceutical company can reach about 150,000 doctors – just 15 percent of China's physician population. To date, most companies have concentrated resources in urban areas with a high density of physicians and patients, but that approach will likely change in the wake of reform. "Covering three cities in China is equivalent to covering all of the UK," says Anne O'Riordan, APAC managing director for Life Sciences at Accenture (accenture.com).

Though China is a single nation, it doesn't have a single set of market characteristics. Within China, there are multiple market tiers – including the three wealthiest tier-one cities in the world, nearly 40 tier-two cities, and more than 600 tier-three cities, as well as vast rural areas. Among and even within each tier, language, culture, and climate vary widely, creating tremendous complexity that can't be well served with a one-size-fits-all sales or marketing approach.

There are other challenges as well, including:

Limited talent pool – As the market explodes, pharmaceutical companies scramble to hire thousands of new sales reps. Unfortunately, there's a lack of experienced talent, so the pool of strong sales professionals is simply too small. A related challenge is employee retention; the average sales rep in China stays on the job for just 18 months.

Given the issues around identifying, recruiting, on-boarding, and retaining sales professionals, pharmaceutical companies can't afford to send reps into the field with mediocre tools and support. Thus, companies are challenged to build platforms of enabling tools that will be relatively easy to learn and use – and that will help drive effectiveness in physician interactions.

Physician access – China reps spend much of their days in hospitals waiting for a precious few minutes with each physician. General practitioners don't exist in the public market as they do in other parts of the world, so if someone wants to go to a doctor, she must go to a hospital and wait her turn in line. Likewise, reps must get into the queue to wait their turn to talk to a physician while patients loom in line behind. Once they finally get their chance to talk to the physician, they have all of three minutes.

Streamlined mobile devices can help by improving efficiency and effectiveness of presentations (think about dynamic presentations and instant-on capabilities enabled by the iPad). What's more, in clinical settings, very few physicians have ready access to the Internet, making mobile, off-line tools a must not only for tracking work, but also for supporting physician interactions and education.

As the government works to deliver universal access to healthcare, companies will also be challenged to reach physicians outside major urban areas. "Companies are going to need to use multiple channels to reach physicians – not just direct selling through reps," Ms. O'Riordan says.

Future uncertainty – The other set of challenges relates to what can only be described as the great unknown – the numerous variables that are shifting, and will continue to shift, as reform reshapes healthcare in China.

The current selling environment is concentrated among large hospitals in large cities. To date, multinational pharmaceutical companies have been adding "feet on the street" to increase coverage and frequency. But big changes are looming as the government plans to shift from hospital-based pharmacies (where hospitals are financially incented to prescribe and dispense) to retail pharmacies. How will companies sell to pharmacists in China? Will pharmacists be allowed or encouraged to recommend generics at point of purchase? The answers to those questions will have a profound effect on how any pharmaceutical company handles CRM.

Building blocks of effective CRM

The China market is a large, moving target that represents a compelling opportunity. Simply "plugging in" CRM systems from other areas of the world to support the sales effort just won't work. Instead, companies should design an approach and implement systems that support:

- *Scalability*. In this market, volume and frequency will continue to be critical. Companies need a CRM platform that can grow and contract rapidly and cost-effectively. Ideally a mature system with proven capabilities that leverages cloud-based computing to deliver cost-effective, on-demand scalability should be used.
- *Mobility*. With such a high volume of prescribers, speed is critical. Thus, companies need a CRM platform that minimizes the amount of time reps have in the field to enter customer data. The platform should support readily available mobile devices, such as smartphones or iPads that reps can easily use in or near hospitals. Such capabilities support better data quality since reps can enter data immediately following an interaction. These devices should also support video access and other interactive capabilities, which help not only in educating and influencing physicians, but also in training a fast-growing sales force.
- *Simplicity*. This market is at a different state of maturity than the North American or European markets. Thus, a company's template from another part of the world may not work. Companies need to be able to strip away elements of complexity – for example, complicated segmentation or support for mirrored sales forces – that have been essential elsewhere. An effective CRM platform should be able to start out simple and focus on what matters in China: frequency and coverage. Of course, as the market matures, the platform should able to evolve to meet those changing needs as well.
- *Flexibility*. Given the size and diversity of this market, as well as the fundamental changes underway, flexibility is arguably the most important characteristic of an effective CRM platform. Such a platform must be able to reflect local requirements and preferences – the markets within the market. It should allow a high degree of tailoring to accommodate local practices. And, it should be able to adapt quickly and easily to the rep's selling environment. In all cases, an effective CRM platform should empower local administrators to manage and deploy simple changes quickly and independently.

"CRM systems will need to be very flexible because so much is changing and uncertain," Ms. O'Riordan says. "Systems built in the cloud, with the ability to roll out new releases regularly and make changes quickly and economically, will be key."

In addition to the functional considerations, pharmaceutical companies also need to think about how the vendor will deliver support in China. Given the inherently complex and dynamic nature of the market, local perspective and easy accessibility will help accelerate responses and results.

Keeping the 'C' (or 'G') in CRM

As global pharmaceutical companies pursue the opportunities in China, they need to take a fresh, local approach to CRM – and then design and deploy an effective, agile infrastructure to support sales in this explosive market. However, in the quest to deploy a CRM platform, companies must not lose sight of a key tenet of doing business in China. Like many Asian nations, this is a country driven by personal relationships or "guangxi" – the term used to describe how foreign businesses must work with China – the companies, the shareholders, the government.

The pharma company that embraces the importance of and nuances in Chinese relationships with both physicians and patients alike stands a greater chance of successfully taking advantage of the many opportunities in China even despite the many challenges. Likewise, the building blocks of effective CRM for China – scalability, mobility, simplicity, and flexibility – ultimately provide a foundation that empowers reps to strengthen personal relationships. CRM systems must support the development of multicultural sales reps … reps who truly understand the differences between varying Chinese cultures, not just reps that have been schooled on how to bow. That, like conventional CRM systems, just won't cut it.

Cindy Zhang is general manager of Veeva China, a division of Veeva Systems (veevasystems.com), a provider of cloud-based business solutions for the global life sciences industry.

FACTS & FIGURES

The rheumatoid arthritis drug **Humira** is expected to be in its fifth year as the world's biggest-selling drug by 2016, while **Pfizer** Inc. will hang on to its ranking as the biggest seller of prescription medicines through to that year, according to a report by EvaluatePharma.

According to EvaluatePharma analysts, Humira is expected to generate **$8.7 billion** in sales in 2012, taking over the top spot from Lipitor, and **$9.7 billion** in sales in 2016, well clear of the second-place finisher, **Roche**'s cancer drug **Avastin** at **$7.8 billion**. Humira is expected to enjoy an annual sales growth rate of about **5 percent** over the next five years. Other drugs expected to grow sales rapidly include **Merck** & Co.'s **Januvia** diabetes franchise, projected to increase at **10 percent** per year to **$6.8 billion** by 2016, and Pfizer's pneumococcal vaccine **Prevnar**, expected to rise **13 percent** per year to **$5.8 billion**.

Among companies, Pfizer's revenue is projected to drop about **1 percent** per year to **$51.2 billion** in 2016, just clear of **Sanofi**, which EvaluatePharma analysts project will grow revenue by about **5 percent** per year to **$50.2 billion**. Close behind will be **Novartis**, which is expected to grow revenue by an average of **3 percent** each year to **$49.7 billion** in 2016. Jumping into the top ten for the first time will be **Teva**, estimated to achieve an impressive **9 percent** per year growth rate and reach **$23.9 billion** in sales by 2016.

According to research by Cegedim Strategic Data, worldwide spending on sales force and other marketing channels edged up **1.5 percent** to just over **$91 billion** at constant local currency exchange rates compared to full year 2009. Growth in China, Japan, and Latin America was offset by cuts in sales and marketing in the United States and major European markets.

Spending on meetings and other events saw an increase of just over **5 percent** worldwide to **$13 billion**. This represents more than **14 percent** of global marketing spend. Use of events was up significantly in Japan (**14 percent**), China (**19 percent**), and Latin America (**18 percent**). Meanwhile, spending was down in the United States by **17 percent**, and Europe saw a decline of **7 percent**.

During the 12 months to December 2010, global spending on sales force promotion increased by **2.2 percent** to **$56.1 billion** and represented more than **61 percent** of audited marketing channels. Cuts in U.S. sales force levels were significant, with several major companies cutting rep numbers by more than **10 percent**. European sales force levels saw significant reductions as well. **9 of the top 10 companies** in the United States and Europe cut back on sales force levels. Meanwhile in China, Latin America, and Japan, many of the leading companies added reps for **double digit growth**.

Global marketing expenditure among the leading ten companies was nearly flat in 2010 but accounted for more than **41 percent** of total marketing investment, the same ratio as 2009.

Sources: EvaluatePharma (evaluatepharma.com), Cegedim Strategic Data (cegedimstrategicdata.com)