Growing Pharmaceutical Sales Utilizing Six Sigma and Lean
By Brad Stewart

Six Sigma and Lean have been used for more than two decades to improve manufacturing operations in every industry around the world. But, most people don’t view these measurement and improvement tools as having applicability to the world of pharmaceutical sales and marketing.

Interview
At the recent conference, Applying Six Sigma to Marketing & Sales – hosted by Six Sigma IQ (www.sixsigmaiq.com), teams and individuals from numerous major companies presented information about how Lean and Six Sigma have helped to improve their sales and marketing organizations. And, as you read this, other companies within life sciences, your competitors, are starting to move rapidly to learn and implement these tools.

The following interview was conducted with Edward Abramowich, one of the speakers at this conference, one of the world’s leading experts in utilizing Lean and Six Sigma in sales and marketing and author of Six Sigma for Growth: Driving Profitable Top-Line Results (www.sixsigmagrowth.com). Abramowich is Director Six Sigma, Global Sales Organization, Sun Microsystems and has nearly two decades of experience driving major strategic change and profit improvements through Six Sigma and Lean Enterprise in leading multinational companies, including healthcare.

Stewart: Your book is very intriguing and timely, but the single biggest question I get from people within life sciences is, “Where are the examples of people applying these tools to increase the top-line instead of reducing costs?” Six Sigma and Lean are traditionally thought of as tools designed to improve manufacturing operations and cutting costs. Why the interest now in applying them to sales and marketing and increasing revenues?

Abramowich: The major catalyst for change has come as companies with extensive experience with Six Sigma (i.e., General Electric, Honeywell) have reached a point of diminishing returns from their efficiency focused initiatives. These changes are refocusing traditional Six Sigma initiatives from problem solving to delivering increased revenue, margin and market share.

In recent years, many companies have experienced difficulties in sustaining growth in the face of increased competition and a consequent trend
toward the commoditization of what were once high
demand premium items. In the pharmaceutical industry,
pricing pressures continue to increase from
purchasers, foreign governments and the various
purchasers within the U.S. Additionally, with the
recent passing of the Medicare Modernization Act
(MMA) it is inevitable that pressures on
pharmaceutical pricing and profitability in the U.S.
will continue to increase.

**Stewart:** How can these tools help deal with
margin pressures in our industry?

**Abramowich:** To maintain profitability levels that
are acceptable for investors, pharmaceutical
companies will continually need to increase the
efficiency and effectiveness of their commercial
organizations; provide solid substantiation of the
overall value their products in relationship to the
total healthcare costs for patients, and develop
unique solutions to offer to purchasers instead of
discrete products.

Lean and Six Sigma can provide substantial help
with these efforts, particularly the first and last. Both
of these tools are focused on increasing efficiency
and effectiveness as demonstrated by just a few results:

- Motorola - $14 billion in savings over 10 years
- GE Capital achieved over 50% of their financial
  benefits in revenue growth versus cost reduction
- Quest Diagnostics achieved > $150 million in profit
  improvement in three years
- General Electric increased operating margins from
  13.6% to 19.6% (1995 – 2001)

As for the last point, numerous companies (Sun
Microsystems, Johnson and Johnson, General
Electric) have utilized their internal Six Sigma skills
to help improve operations of partner companies
through collaborative projects as a way of further
deepening their relationships. Also, one of the
processes within Six Sigma, Voice of Customer (VOC),
has proven to be a very valuable way to uncover
needs that customers have that the company is
poorly serving or not serving at all. This, of
course, can open up new business opportune-ities
and value proposi-tions.

**Stewart:** You mention
“solution selling.” What
is solution selling and
how might it apply to the pharmaceutical industry?

**Voice of Customer**

The "voice of the customer" is the term used
to describe the stated and unstated needs or
requirements of the customer. The voice of
the customer can be captured in a variety of
ways: Direct discussion or interviews,
surveys, focus groups, customer
specifications, observation, warranty data,
field reports, complaint logs, etc.

This data is used to identify the quality
attributes needed for a supplied component
or material to incorporate in the process or
product.

**Abramowich:** Major corporations across a wide
range of industries are using Six Sigma methods to
develop solutions to their customers’ problems
rather than offering stand-alone products and
services. Solution selling aims to create powerful
value propositions – typically, a combination of
products and services aimed at solving customers’
business problems.

Within the pharmaceutical industry this might look
like risk sharing arrangements for drug performance
or disease management programs in which the
pharmaceutical company offers a fixed price on
drugs to treat a therapeutic area for a customer's
patient population.

**Stewart:** There’s a lot of talk now in the
pharmaceutical industry about reducing the size
and (cost) of field sales forces. How might these
tools be applied to make the sales force more
effective and efficient?

**Abramowich:** Six Sigma is already having a major
impact on sales forces in other industries. Many
organizations such as General Electric – with their
sales force effectiveness (SFE) program – have
 gained substantial improvements by making the
sales process itself more effective.

Sales force improvement efforts typically look at two
areas:

1. **Effectiveness:** improving sales hit rates or
   success rates in closing sales transac-tions. This
   would typically be done by improving conversion
   rates from non-prescriber to prescriber, or more
   rapidly increasing the volume of use.

2. **Efficiency:** improving the sales process itself.
   Projects usually focus on mapping the existing sales
   process and seeking ways to remove variability and
   non-value-added activities. Sales force problems
   are often misdiagnosed and poorly treated. The
   thinking may be that in order to improve sales all
   that is needed is to
   change the quotas and
   compensation for each
   sales person without any
   changes in the sales
   approach, product mix, or
customer base. Six Sigma
   allows a far more rigorous
   method to improving the
   sales effort by using
   techniques such as sales
   force effectiveness.

**Stewart:** How might Six Sigma help to improve
sales efficiency in pharmaceuticals?
It is not uncommon to find that sales people don’t actually spend much time selling. This problem is rarely caused by a lack of skill or motivation, and more often than not is due to bureaucratic procedures or to poor process and support services. Many organizations have never considered studying the sales process in order to reduce non-value-added activities. There are often quick wins with simple improvements that can lead to significant gains. Often, improvements can be made without any new investments or additional resources.

A good example of an opportunity within the pharmaceutical industry is in the sales force automation (SFA) tools currently being used. Streamlining call planning, call reporting, sales reports, and other sales processes can free up significant amounts of time, which could then be spent face to face with customers.

The field sales automation entry and confirmation process at one industrial firm consumed an average of 20% of the sales person’s time. Streamlining the process led to a 15% reduction in the time spent completing such record keeping, which meant sales people could spend 15% more time with customers actually selling.

**Conclusion**

In an era where significant improvements in efficiency and effectiveness are going to be necessary to remain competitive and profitable in the pharmaceutical and other life sciences industries, as witnessed by Pfizer’s recently announced $4.2 billion cost-cutting initiative, it would be unwise to dismiss these tools without determining if they might be able to offer help in improving sales and marketing in our industry.