

Interview Reprint # 44-04

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

Six Sigma

A statistical measurement that focuses on the identification and elimination of variation and defects in the system (< 3.4 defects per million) – ensuring the same, accurate result is delivered each time. The goal of Six Sigma is to increase profits by eliminating variability, defects and waste that undermine customer loyalty. Six Sigma was developed by Motorola in the mid 1980s and was fully embraced by General Electric shortly thereafter.

Lean

Lean is a thought process, which is used to look at any business involving a supplier and a customer/receiver. The key is to identify 'waste' and then determine how to eliminate it. Waste is defined from a CUSTOMER perspective and is anything that a customer would not want to pay for or that adds no value to the product or service from the customer's perspective. Those activities that do not add value are either eliminated or minimized. Lean is one of the core tenants of TPS (the Toyota Production System), where it gained its initial development.

Companies Utilizing Six Sigma and Lean

- General Electric
- Honeywell
- Johnson and Johnson
- Motorola
- Quest Diagnostics
- Starwood Hotels
- Toyota
- University of Pittsburgh Medical Center
- Sun Microsystems
- Wyeth

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 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 opportunities and value propositions.

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

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 transactions. 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?

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.

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.

Pharma Marketing News

Pharma Marketing News

Publisher & Executive Editor

John Mack

VirSci Corporation (www.virsci.com)

215-504-4164, 215-504-5739 FAX

<mailto:editor@pharmamarketingnews.com>

Pharma Marketing News (PMN) is the FREE monthly e-newsletter of the **Pharma Marketing Network**. SUBSCRIBE TODAY

[CLICK HERE FOR ONLINE SUBSCRIPTION FORM](#)

FIRST NAME: _____

LAST NAME: _____

JOB TITLE: _____

COMPANY: _____

COUNTRY: _____

E-MAIL: _____

E-MAIL FORMAT: ___ HTML ___ TEXT

SUBSCRIBE ME TO THE REPRINT NOTIFICATION SERVICE ONLY!

I understand that I will receive only one (1) e-mail message per month with information about ordering, for a low fee, selected article reprints (electronic pdf files) from the current issue of the newsletter. I have no obligation to order or pay for any reprint whatsoever.

We do not sell or disclose the email addresses or other personally-identifiable information about our subscribers to any third parties.

Mail or fax to: VirSci, PO Box 760, Newtown, PA 18940,
215-504-5739 (Fax)