

Reprint

Scenarios on the Future of Pharma Marketing: No Time like the Present to Think the Unthinkable

By John Mack

A recessionary economy, a deficient pharmaceutical pipeline, double-digit health premium inflation, the future of the Medicare Trust Fund, a volatile Wall Street, the promise of genomics and a shy venture capital community, a risk-averse FDA, the threat of smallpox....there's a lot that's uncertain and/or uncomfortable about the future of health and health care in the U.S.

There's no better time than the present to apply scenario planning principles to your business in the health marketplace, according to Jane Sarasohn-Kahn, MA, MHSA, Management Consultant and Health Economist. She was speaking at the Strategic Research Institute's 2nd Pharmaceutical Marketing Global Summit held in Philadelphia, PA, February 24 through 26, 2004.

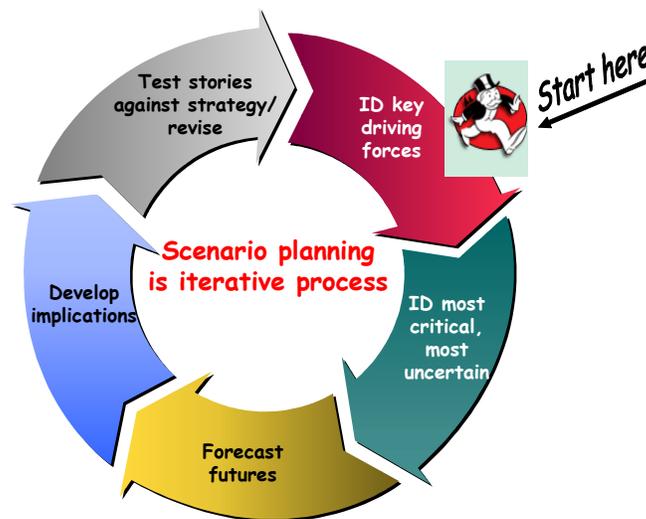
"Straight-line forecasts and baseline strategic plans won't help you navigate through rocky terrain and blurry vision," says Sarasohn-Kahn. Traditional forecasts assume away uncertainty, whereas scenarios *start* with uncertainty.

Scenario planning involves making tough choices regarding:

- The problem and the timeframe,
- The forces that are driving the market, and,
- Certainties and uncertainties.

The nature of the "problem" to be considered is unlimited. It can be a market segment, a technology, a public policy—whatever challenge is at hand and is dependent on future forces that are uncertain and critical. The timeframe for the problem is important to clarify: an appropriate timeframe for scenarios regarding a pharmaceutical product requiring

FDA approval, for example, could 5 to 10 years.



Scenario Planning Methodology

Sarasohn-Kahn outlined the scenario planning methodology, which is an iterative process that begins with identifying key driving forces (see FIGURE). Driving forces are the factors that

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Driver	Examples for Pharma Marketing
Technology	Genomics, Personalized Medicine, IT
Demographics	Aging boomers, Growing frail elderly
Economics	Wall Street, Labor markets
Health system	Physicians, New prescribers, Payment
Politics	Elections 2004-08, Advocacy
Regulation	FDA, FTC, DHHS, OIG, State regulations
Social/Cultural	Self-care, Social networks, CAM, Media
Environment	Smoking, Chemical exposures
Globalization	India, China, Mergers, Markets

determine and shape the problem. They are “tectonic forces” that steer, energize, destabilize, and constrain the future.

Drivers of pharmaceutical marketing, according to Sarasohn-Kahn, are numerous and include cultural, demographic, technology, economic, health system, and political issues (see TABLE).

The next step in the methodology is to identify uncertainties. Once the major drivers are identified, then they are categorized by which are certain (e.g., demographic trends) vs. which are uncertain (e.g., politics). For pharmaceutical marketing, Sarasohn-Kahn identified a few likely suspects, including:

- Regulation of DTC
- Regulation of marketing to physicians
- Benefits/pace of adoption of consumer-directed health plans
- Physician access
- New prescribers

Selecting the primary driving forces is the most important aspect of scenario planning, for it is the most critical and most uncertain forces that create and constrain the scenarios. In identifying the driving forces, it is useful to populate them with data for the scenario planning team to analyze. This database will be useful for the overall strategic planning effort.

By collecting information on driving forces, it will become clearer which ones are most uncertain. Many will be unquantifiable: for example, politics. In health and health care, politics can be among the most crucial drivers, because politics can determine whether a new technology receives

reimbursement or FDA approval, whether prescription drugs will be covered by Medicare, and if consumers’ health information will be private under Federal or State law.

Once the primary driving forces are identified, scenarios can be created based on which small set of drivers are most important and most uncertain to the problem at hand. The scenarios are stories about the future. They should be mutually exclusive, internally consistent, plausible, and together comprise a broad constellation of possible futures.

An Exercise in Pharma Scenario Planning

The most uncertain driving forces of pharmaceutical marketing for purposes of planning out to 2008 are government regulation—will it be looser or more restrictive?—and physician access—will doors be open or closed? Using these two drivers as examples, Sarasohn-Kahn created 4 scenarios to examine as examples of how scenario planning works (see FIGURE).

To illustrate how scenarios can help you envision a strategy, we’ll look at two scenarios: “The Consumer is King” and “No Entry.”



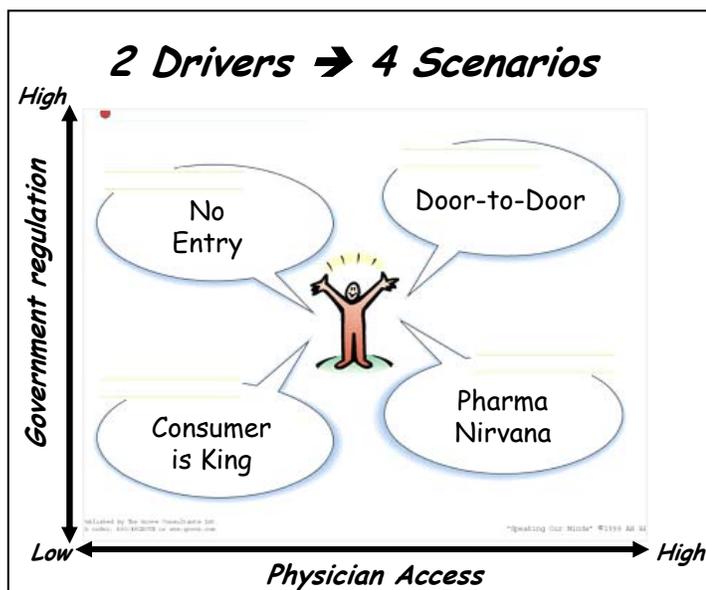
SCENARIO: The Consumer is King. In this scenario, government regulation and physician access are low. That is, while it is difficult to gain access to physicians, there are relatively few government regulations in place regarding consumer marketing.

To plan for this scenario, Sarasohn-Kahn envisioned a strategy: “become the P&G of pharma marketing” by gaining deep consumer insights, catering to consumer needs for lower prices (e.g., sponsor re-importation storefronts at Kinko’s and UPS stores), and reaching out to consumers through consumer-driven channels such as viral marketing and blogging on the Internet.



SCENARIO: No Entry. In this scenario, physician access is low and government regulation is high. Sarasohn-Kahn suggested a strategy for this scenario that involves a more rational use of the sales force rather than bringing on more salespeople. Salespeople should focus on demonstrating value and there should be less emphasis on advertising and more on PR, suggests Sarasohn-Kahn.

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Wild Cards

Wild cards are driving forces that have a low probability of occurrence—e.g., less than 10%—but which have a high impact. A wild card is “the thing you don’t know you don’t know,” says Sarasohn-Kahn. Examples include 9/11, the anthrax letters, the SARS outbreak, a Larry King interview, etc. Wild cards “can blow your scenarios apart,” cautions Sarasohn-Kahn. Your strategy should be your umbrella and protect you against wild card events.

This is Not Your Father’s Forecasting

Straight-line forecasts and single-point market sizing aren’t as useful as they were before Enron, 9/11, and the threat of bioterrorism in the U.S. Scenario planning helps organization leaders contemplate futures and anticipate the change that is inevitable in health and the larger global community.

The best scenario planning exercises are those that stretch the corporate imagination to think the unthinkable.

A caveat: scenario planning is no panacea and won’t create a strategy as a byproduct. Instead, scenarios help you test whether your strategy is robust across different futures. Scenario planning fails when it does not get embedded into a larger context: whether in the broad strategic planning effort, in corporate communications, and into the larger corporate strategy. When used in this way, scenario planning helps us live and work with uncertainty a little easier.



To close her presentation, Sarasohn-Kahn offered the pharma industry several broad suggestions vis-à-vis marketing in the year 2008. Pharma needs to think the unthinkable, improve its image (“Big Pharma’s image lies somewhere between that of Big Oil and Big Tobacco,” quipped Sarasohn-Kahn), devote more resources to PR (“the world doesn’t realize the value of your products yet,” says Sarasohn-Kahn), and get deep consumer insights into disease states. (See CHART).

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From “Dr. Strangelove” to Shell Oil—the Origins of Scenario Planning

Herman Kahn was the godfather of scenario planning. Stanley Kubrick’s role model for “Dr. Strangelove,” Kahn worked out various scenarios on military strategy and nuclear conflict during the Cold War. The objective of these exercises was to “think the unthinkable.” By doing so, Kahn and his colleagues created knowledge about various futures. Some futures were desirable, some were not. By understanding the factors that drove toward an undesirable future, planners could identify the factors that led to that endgame and could avoid it or, at least, ameliorate some of the most negative impacts.

The Royal Dutch/Shell Group was among the first to adopt scenario planning as a corporate strategy tool. By integrating scenario planning into its larger planning process, Shell was able to generate scenarios about the unthinkable—such as an Arab oil embargo—and prepare for that exogenous shock to the oil market. Practically speaking, integrating scenarios into planning led Shell to lock into long-term contracts for oil. By so doing, Shell locked in prices and sheltered itself from the oil shock era of 1973 through 1979.

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