# Customer Segmentation – A strong foundation for achieving commercial excellence

Abstract: Commercial excellence is the much talked about word heard amongst commercial operations, sales and marketing teams in all the life-science companies' world over. The pressure is also on commercial IT teams to deploy systems that will flesh-out key information for its business partners to measure excellence achieved during commercialization of the product. The ultimate goal of pursuing commercial excellence is to measure and improve upon successful investments. The various business processes for achieving commercial excellence i.e. territory management, targeting, sales planning, sampling, reporting and analytics, coaching, incentive compensation etc. need tools and an integrated system which will effectively measure business outcomes.

Many within the commercial planning department acknowledge that deciling although is the simplest method of segmentation of customers, falls short of expectations once measuring the ROI with the segmented customers comes into the equation. Deciling involve segmentation (clustering) of the physicians only on the basis of the prescriptions written for the product.

There are multi-variate multidimensional ways of segmenting the Physicians, provided relevant data is available within the commercial eco-system. Efforts should be spent in bringing this data into the segmentation activity so as to create more refined clusters of physicians based on common needs. This paper points out to these attributes for customer segmentation.
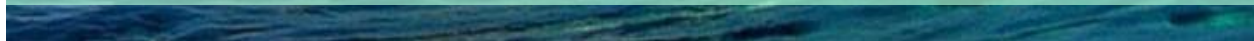
Every organization has an existing commercial ecosystem and campaign management tools that utilizes customer segments for running campaigns.

Deciling is widely used for customer segmentation, since the prescription data is readily available and the technique is considered to be the easier and reliable way for targeting activities. The shortcomings with deciling are twofold:

1. It does not consider other behavioral attributes of the physicians towards therapy, promotional inputs, social influence, aspirations etc. that will most likely influence prescription generation.

2. Measurement of campaign success is difficult since it is not clear whether the promotional efforts have satisfied the latent needs of the customer as the segmentation is based on of physicians prescribing volume and not his needs.

Fig1.Use of prescription volume data creates segmentation within a territory (deciling)

> *The traditional method for segmentation of Physicians has serious short-comings. This univariate method of bucketing based on potential volume of prescription assumes that the growth in prescriptions is only dependent on the potential to prescribe.*
>
> *This assumption goes against the customer centricity model and usually results in non-optimal use of promotional tools and sales call efforts.*

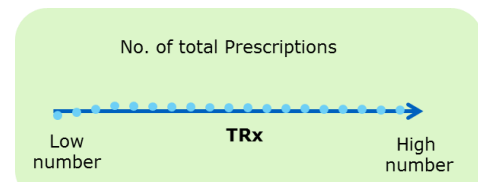There is no way to analyze the reason for ineffective promotional campaigns since the segmentation is not customer-centric in nature. It is therefore necessary to create a vivid customer segmentation that will bucket them in smaller groups with common needs. This involves bringing in more quantitative data regarding demography and behavioral attributes.

We believe that if such multi-variate segmentation is carried out, it would give a single version of truth, bring out the true value of the customer and will aid the marketing, sales and customer contact center to run their campaigns and measure the success with individual segments. Segmenting physicians in this manner should provide a strong foundational route in creating dynamic Master Customer Management framework to capture, every interaction be it traditional or digital or through customer care. Commercial data that can be used for multi-variate segmentation

is received through various channels and in various formats.

Addition of another attribute like growth of the therapy area (TA) market within the territory will give an added advantage of clustering physicians based on potentiality of prescription in a growing market

Based on commercial data of prescription, sales and disease, such bi-variate segmentation technique can be applied for total prescriptions (TRx) versus growth, patient population; new prescription (NRx) versus patient population growth.

Bi-variate segmentation gives a better understanding of how each group of Physicians needs to be approached and what to expect from each group.
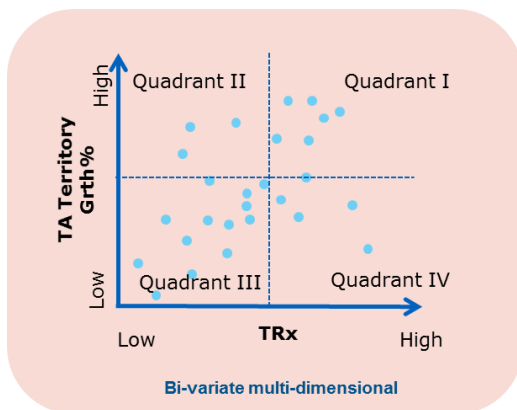

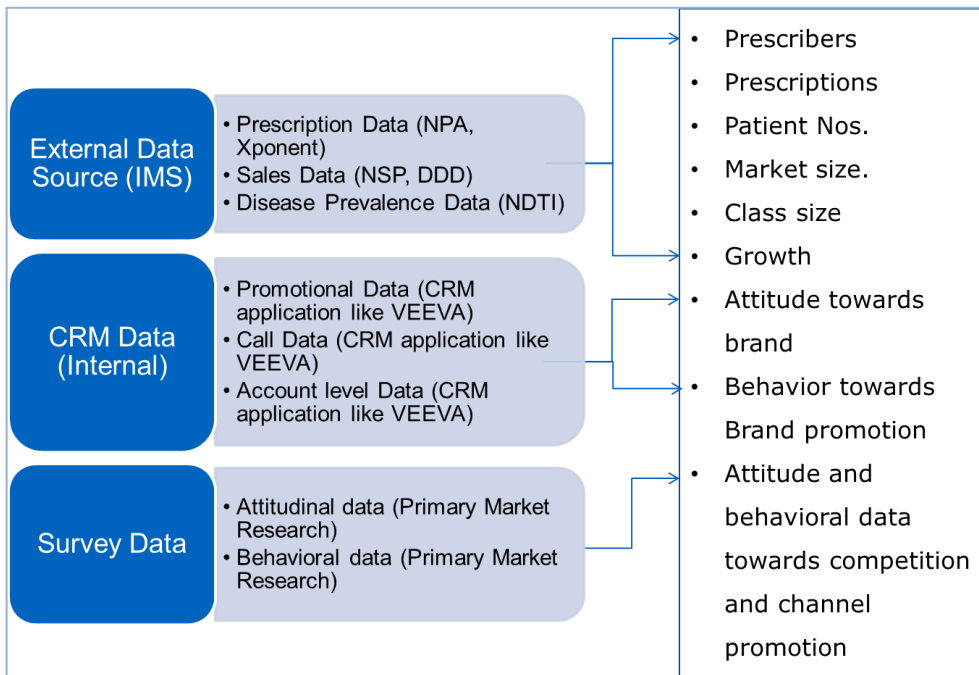*Fig 2; Use of bi-variate segmentation provides more refined segments, as compared to univariate deciling method*

Addition of internal CRM data (mapped to the prescribers) should make it possible to add more attributes and more dimensions to the segmentation.

CRM data captures physicians' attitude towards brand promotion tools, spent response, promotional preference that can be clubbed together to cluster towards commercial / scientific / social orientation.

Multi-dimensional multi-variate segmentation is possible using these clusters and mapping them against TRx, NRx versus therapy area growth or patient population growth.

As a starting point, pharmaceutical companies should start using bi-variate multi-dimensional segmentation to bucket the customers as this will involve minimal changes in the existing IT systems.

The data is available within the CRM and can be made use of.

External Data Source (IMS)	• Prescription Data (NPA, Xponent) • Sales Data (NSP, DDD) • Disease Prevalence Data (NDTI)	• Prescribers • Prescriptions • Patient Nos. • Market size. • Class size • Growth
CRM Data (Internal)	• Promotional Data (CRM application like VEEVA) • Call Data (CRM application like VEEVA) • Account level Data (CRM application like VEEVA)	• Attitude towards brand • Behavior towards Brand promotion
Survey Data	• Attitudinal data (Primary Market Research) • Behavioral data (Primary Market Research)	• Attitude and behavioral data towards competition and channel promotion

There is no dearth of customer data as is thought of by some. What is needed is to capture user data from all traditional and digital touch points and use it to refine customer segmentation, not as a one-time task but as a continuous process. Today, CRM, syndicated data bases, primary research outcomes can provide all relevant information to carry out multi-dimensional multi-variate segmentation

With the change in segmentation technique, the challenges that pharmaceutical companies' will face is the change in data model in various systems, changes in business rules and in reporting. This would involve redesigning of the entire architecture and building the ecosystem from scratch.

It is simpler to carry out the segmentation outside the ecosystem and push the outcome into the campaign management, CRM for planning the sales call. The promotional response analytics and other analytic reports can be made directly available to the BI layer for performance reporting and ad-hoc report generation.

For those organizations who wish to revamp or upgrade the commercial ecosystem, it is worth spending time and effort to facilitate utilization of data for segmenting the physicians on demographic, behavioral and psychographic attributes.
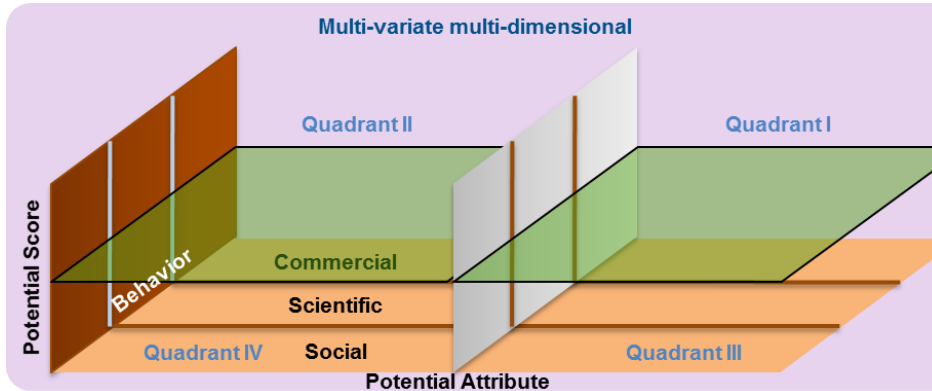

Fig:3 Multi-variate Multi-dimensional segmentation provides smaller customer segments

Conclusion: By using statistical modeling techniques like K means clustering or predictive modeling it is possible to create segmentation based on attributes mentioned above, using data that is subscribed from commercial data providers and internal CRM data.

It will be possible to quantify and then apply attitudinal and behavioral primary research data towards competitive brands, various promotional tools, aspirations of various segments, thereby enhancing commercial excellence. Response curve analysis can then be conducted for such clusters using logistic regression technique to identify which segments were most influenced by a particular promotional tool / campaign.

The goal of sales support team is to provide the sales and marketing teams with refined clusters of customers with common needs that will involve not just commercial, but also scientific, social and behavioral attributes.

This will help in deciding which promotional tools will be best suited for individual segments, and calculating their ROI. It will put an end to unproductive use of resources on one hand and improving customer satisfaction on the other.

Milind Malshe

The author is CEO and founder of Infocision India Pvt. Ltd. He has worked for more than two decades with life-science companies and the largest ITES Company in India. Visit us at www.infocision.in or drop a mail at info@infocision.in