INCENTIVE COMPENSATION:
A new model — more qualitative metrics

Sales models are evolving to meet the new challenges of today's market, and incentive compensation and measurement plans are changing as a result.

As the new environment of pharma sales shifts to more specialized and consumer-centric approaches, the industry will need to respond to adequately compensate and incentivize its sales teams. Our experts say prescription numbers will remain the predominant measurement for sales rep performance in the near term, but eventually, the industry will have to create IC plans that include alternative methods of measurement. Our experts report that the change has begun, albeit very slowly. New measures will be added to the compensation mix to more broadly capture the performance of sales representatives and while script metrics won't disappear, they will definitely have a smaller impact on sales representatives' overall pay.

Many companies are evolving their salesforces and their approaches to customer centricity; however, the evolution is still in its infancy.

CHRIS COLAPIETRO
HighPoint Solutions

Qualitative Metrics Are Emerging

New qualitative approaches are being developed to measure the performance of sales representatives. Some leading-edge companies are also measuring customer satisfaction and the ability to build relationships, and they are using these data to reward their representatives. Other measures that help determine the success of a salesperson include appropriate product promotion, business acumen, customer focus, the ability to train others, and achievement in leadership roles. Anonymized patient-level data can measure the number of genuine new patient prescription starts (new prescription is only a measure of new pieces of paper), as well as dosage titration and compliance and persistence. Our experts discuss the various metrics being considered that will reshape the yardstick of sales success.

COLAPIETRO. HIGHPOINT SOLUTIONS. One of the most likely drivers moving companies away from a script-centric incentive compensation model, in the near term, are privacy laws, such as New Hampshire's Prescription Confidentiality Act, which bans the sale of prescriber-identifiable drug data for marketing purposes. As the industry continues to evolve from a personal selling model to a more holistic, relationship-based selling model that emphasizes services and education, we believe the incentive compensation metrics will follow. In the near future, metrics, including peer-to-peer interaction facilitations and customer loyalty continuum progressions, will become part of incentive plans.

JENNINGS. INVENTIV SELLING SOLUTIONS. Metrics will begin to focus on the value that representatives deliver to healthcare providers and, ultimately, to patients. Healthcare providers will be asked to complete customer satisfaction surveys rating the level of service that they receive from individual representatives as well as pharmaceutical companies as a whole. Sales teams will be measured on their ability to be seen as a resource as well as to execute marketing initiatives, such as patient education, that don't necessarily have sales goals attached to them. The insights gained through these satisfaction surveys will make it increasingly evident which sales teams are succeeding in their efforts to be customer focused.

KEEFER. PUBLICIS STRATEGIC SOLUTIONS GROUP. A number of additional metrics will likely be included in the incentive compensation mix, focusing on factors that relate more directly to how well each sales representative is fulfilling the value proposition for physician offices. Satisfaction surveys measure some of the more qualitative issues, such as how well the representative is providing physicians with information that adds value to their practice and if the representative is offering services, such as patient education materials and samples, that help provide better patient care. Activity metrics can be more quantitative when tablet PCs are being used and can include information relating to whether the representative is calling on the right physicians at the appropriate frequency and if samples are being allocated appropriately.

MEROLD. SYMPHONY METREO. There definitely will be new metrics, some driven by the changing influence of managed care and others because companies have to work smarter now that they have had to downsize. For example, we are building metrics that determine the rep's ability to influence new patient starts or understand what activities really drive new prescription share growth for specific local markets. Bringing in longitudinal data sets will add value; profitability will be another emerging metric, as well as such qualitative factors as how well sales reps build a professional relationship with their physician community.

MOSBY. WILSON LEARNING WORLDWIDE. The complexity of today's environment requires a shift in go-to-market strategies, with sales representatives serving as leaders of well-integrated service teams who work together to address the needs of healthcare providers. Specifically additional stakeholders in sales management, operations, marketing, medical, and managed care, can create an innovative environment internally while building strong credibility for the company in the eyes of customers. While quantitative measurements such as market share, revenue, and territory growth will continue to be key factors, due to the new service model, there will be a need to set and integrate additional baseline qualitative measurement perimeters. Examples of these qualitative metrics might include measuring the sales team's ability to extend the length of sales calls, create perceived value to the customer during the sales call, and the use of resources and value-added tools and services. Other metrics include factors that increase customer satisfaction, effectively

New data sources will allow new brand prescription-based measures and metrics to supplement existing simplistic total prescription and sales volume approaches.

STEPHEN FOX
IMS Health

Experts on this topic

CHRIS COLAPIETRO. VP, Strategy and Marketing, HighPoint Solutions, a provider of specialized IT services dedicated to the life-sciences and healthcare industries. For more information, visit highpoint-solutions.com or e-mail chis.colapietro@highpoint-solutions.com.

STEPHEN FOX. Global Practice Leader, Sales Performance Center of Excellence, IMS Consulting, part of IMS Health, a provider of market intelligence to the pharmaceutical and healthcare industries. For more information, visit imshealth.com.

SANDY JENNINGS. Executive VP, inVentiv Selling Solutions, a division of inVentiv Health, and a provider of comprehensive sales programs to the healthcare and life-sciences industry. For more information, visit inventivhealth.com.

RICK KEEFER. President, CEO, Publicis Strategic Solutions Group, a division of Publicis Healthcare Communications Group, which aligns four Publicis message delivery companies under one cohesive leadership team. For more information, visit psellingsolutions.com.

BOB MEROLD. General Manager, Symphony Metreo Inc., which delivers comprehensive technology-enabled services integrating across large data sets to improve commercial effectiveness and real-time decision-making. For more information, visit symphony-metreo.com.

CELESTE MOSBY. VP, Life Sciences, Wilson Learning Worldwide, a provider of human performance improvement solutions for Global 2000, Fortune 500, and emerging organizations worldwide. For more information, visit wilsonlearning-americas.com.

KURT NELSON, MBA. President, The Lantern Group Inc., a company that works with organizations to improve how they communicate and train their employees on their incentive compensation plans. For more information, visit lanterngroup.com.

STEPHEN REDDEN. Principal and Leader of the Incentive Compensation Practice, ZS Associates, a global management consulting firm that helps companies across industries design, implement, and administer results-driven goals and incentive plans. For more information, visit zsassociates.com.

MARK SALES. Global Practice Leader for Stakeholder Management, Kantar Health, a healthcare-focused global consultancy, delivering evidence-based guidance to support clients' success. For more information, visit kantarhealth.com or e-mail mark.sales@tns-global.com.

JENNIFER SZCZEPANSKI. Director of Incentive Compensation, PDI Inc., which provides commercialization services for established and emerging biopharmaceutical companies, is dedicated to maximizing the return on investment for its clients by providing strategic flexibility, sales, and marketing expertise. For more information, visit pdi-inc.com.

JEFF WOJCIK. Principal and Leader of the Sales Operations Practice, TGaS Advisors, a provider of benchmarking and advisory services to the pharmaceutical and biopharmaceutical industries. For more information, visit tgas.com or e-mail jwojcik@tgas.com.

There are so many influence points today that it's more difficult to evaluate a sales representative's effectiveness solely by prescription data.

RICK KEEFER
Publicis Selling Solutions

As organizations transition to new commercial models, qualitative measurements will become more predominant in 2010 incentive compensation plans.

SANDY JENNINGS
inVentiv Selling Solutions

Qualitative data will create a way to predict future sustained performance, although it is a little more difficult to realize immediate value.

CELESTE MOSBY
Wilson Learning Worldwide

launching new products, creating more effective clinical-based discussions, improving the customer's ability to impact patient outcomes, and increasing the quality of support during the total office call. The impact of each of these and other activities can be effectively evaluated. Because this is a paradigm shift in how the pharmaceutical industry has measured performance, it will be important to define and communicate new standards separating adequate from exceptional performance.

REDDEN. ZS ASSOCIATES. There are several new qualitative metrics in the pharmaceutical industry that supplement results-based metrics. These include measures of customer satisfaction, appropriate promotion, and successful completion of training curricula, among others. Two metrics that are being discussed more frequently are anonymous patient-level data to reward appropriate use of products and detailing quality metrics to reward the quality of physician interactions, not just the number of calls per day. In some cases, these qualitative measures are included explicitly in sales compensation plans, as qualifiers with their own target amounts, or for performance management, but not explicitly in the sales compensation plan.

NELSON. THE LANTERN GROUP. We have observed a number of new metrics — both qualitative and quantitative — emerge over the past few years. These metrics tend to have two focal points: customer focus and business drivers. Some of the customer-focus metrics include the use of outside data gathering services that provide customer satisfaction measures for doctors, customer trust and value scores, customer-centric behaviors, and number of new prescribers, as well as internal measures of customer engagement or focus. Business driver metrics tend to focus on territory-specific measures that are determined by the sales rep and his or her district manager. These measures are typically more of a management-through-business-objectives style and reflect the unique dynamics of the particular territory. Business drivers tend to revolve around specific managed care plan growth, gaining access to specific physicians, specific messaging effectiveness, subjective performance measures, and key business behavior measures.

SALES. KANTAR HEALTH. With the introduction of varying versions of a new commercial model that is less focused on coverage and frequency and more on a key account selling model, new metrics become important, such as relationship building, business planning, and those skills more associated with marketers. Also, a value must be put on the actual interaction between the rep and the customer; we need a measure of how this interaction affects the business, and unfortunately the script is no longer a valid measurement for many interactions.

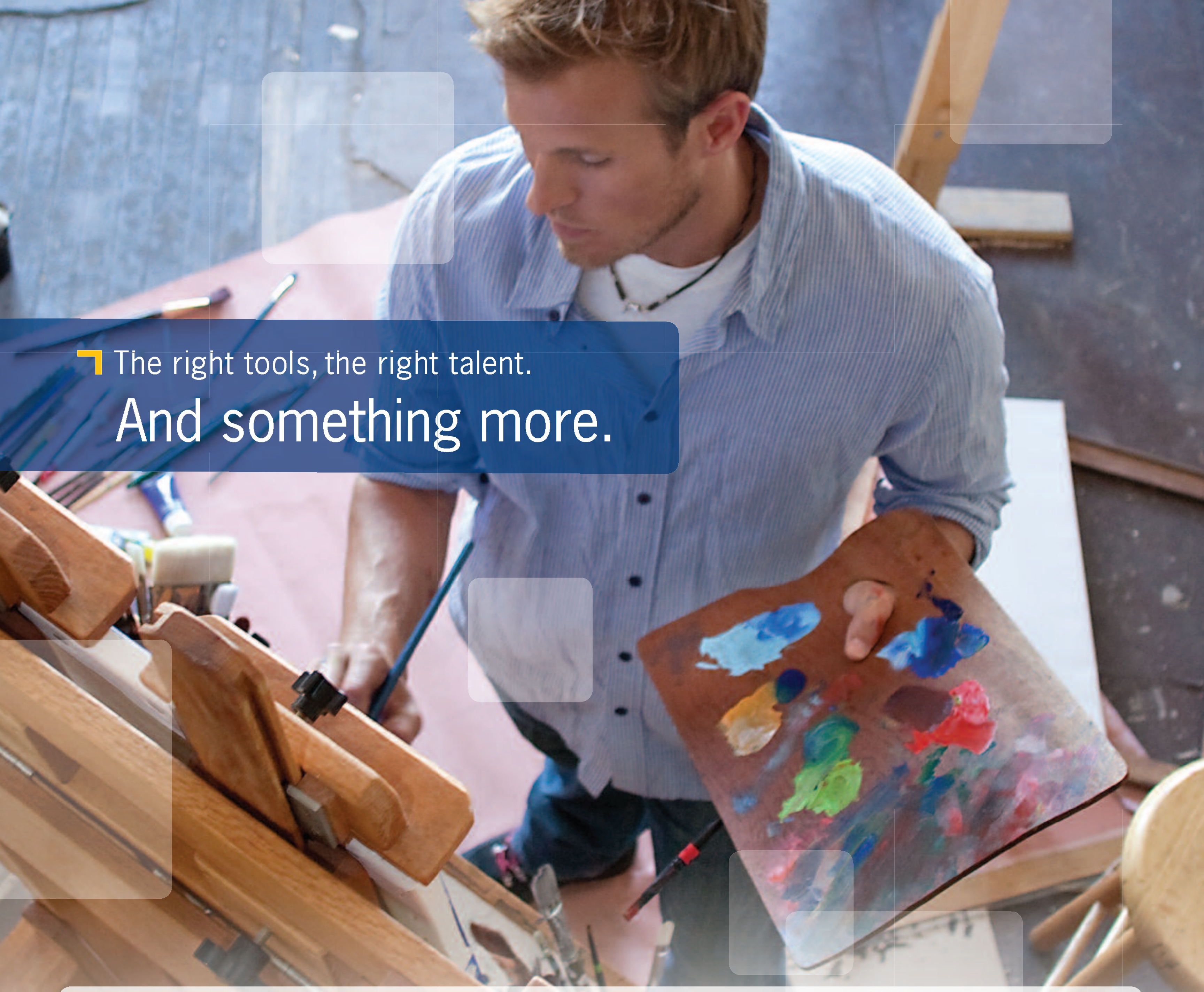
SZCZEPANSKI. PDI. The industry buzzword centers on profitability measurement today rather than the historic metrics of reach and frequency. The blanket approach of multiple reps calling on physicians assumed that profitability was present in most or all territories. Now that we are moving away from that sales model, we are also looking for ways to identify call quality; in other words, we need metrics to measure whether promotional efforts have been effective in producing physician recall that can lead to increased script volume. Such an approach can be very complex to execute at the territory level, although many in the industry are currently finding ways to do this on a national and regional level.

WOJCIK. TGAS ADVISORS. A January 2009 benchmark showed that three-quarters of the companies surveyed already include some non-quantitative measures in their incentive compensation programs, primarily management through business objectives. A few companies are trying to augment prescription credit with other types of measures at the district or regional level, such as data on customer satisfaction with a sales team. The cost to move to the territory level has been prohibitive, but once technology makes this information available, companies are likely to use it to determine if it drives sales.

Challenges of Qualitative Metrics

Our experts tell us that much of the industry is interested in the concept of qualitative metrics, but nobody is doing it very well right now, mostly because there is no successful model to embrace. Eventually, however, data will be used to determine what is driving results and how much is a result of an individual rep's actions and how much is caused by uncontrollable factors, such as managed care or lack of physician access. There also has been a shift to determine what is helping or hurting profitability. Companies are trying to work smarter by determining if samples are boosting or depressing sales, for example, or what may be affecting the physician's behavior within the office. Our experts discuss other challenges of working with a qualitative model.

COLAPIETRO. HIGHPOINT SOLUTIONS. The main



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inVentiv Selling Solutions | a division of inVentiv Health | 800.416.0555 | www.inventivhealth.com/sellingsolutions challenge will be verifying the results. As the term qualitative metrics implies, the metrics themselves cannot be quantified. In the short term, we believe the most realistic way companies will seek to verify qualitative results is by incorporating them into their market research studies.

FOX. IMS HEALTH. There are two major challenges. First is getting buy-in and then acceptance from the salesforce. Since this approach is new, it will take time for sales teams to understand and accept these new metrics. The second challenge is more mathematical — making sure the metrics used are sound and that differences in calculated performance are statistically significant based on data volumes. What works for one product might not work for another.

JENNINGS. INVENTIV SELLING SOLUTIONS. Because of the lack of hard data and measurable assessments of patient outcomes, subjectivity and bias in measuring performance will be major challenges. In addition, as managed care and regionalization trends continue to evolve, sales organizations will need to look at metrics on a localized level, and not rely on the convenience of a one-size-fits-all metric plan. Other factors — such as geography, local or regional; managed care challenges; and Medicaid populations — need to be considered when setting goals and measuring the effectiveness of sales reps. This requires that goals are set in conjunction with feedback from the front-line managers. In addition, it will be necessary to develop and execute training programs to prepare field managers for their participation in this process.

MEROLD. SYMPHONY METREO. The industry's biggest strategic issues are how to work smarter with fewer resources and managing the large amount of data needed to operate an information technology infrastructure that can't keep up with the current pace of change. If IT departments are going to take a traditional approach, these units will wait a year or more before the new solutions can be implemented, and this is simply unacceptable. New solutions are desperately needed to focus the activities of the smaller sales rep forces; they need analytic support to more appropriately weigh what the rep can influence and separate out some of the factors that have nothing to do with the reps themselves, such as managed care, lack of physician access, use of Internet, or the impact of other physician programs.

MOSBY. WILSON LEARNING WORLDWIDE. Simple, concrete measures, such as market share growth and an increase in script numbers, are clearly easier to define and quantify with direct, easily accessible data. As qualitative metrics are added

Prescription activity will continue to be a method used within the industry for measuring sales performance as it has been in place for decades and will be difficult to replace in the short term.

JENNIFER SZCZEPANSKI
PDI

Integrating Managed Markets into Incentive Plans

Pharmaceutical senior leadership identified managed markets as the most important focus for industry in 2009, according to the TGaS Advisors Annual State of Commercial Operations benchmark. This has deep implications for new sales models and incentive compensation. Although the changing commercial model necessarily includes managed markets, companies have not, for the most part, integrated their sales and managed markets operations effectively. Another benchmark, "Future of Managed Markets 2009: Aligning Resources to Customers," revealed that pull-through ranked as one of the top three concerns for leaders in this area. Current changes in business structure, however, may help resolve this ongoing dilemma. Five of the top 10 pharmaceutical companies are moving to regional business unit structures to be "closer to the customer." Regional profitability, a key measure that can be included in the metrics and incentive compensation programs, has the potential to draw sales and managed markets together to maximize pull-through. For this to be effective, however, profitability measures need to be reconfigured to include rebates.

If managed markets rebates and incentives are calculated in regional profitability and incentive compensation, the salesforce will:

- Pay more attention to managed markets pull-through issues to maximize the contracts they have.
- Be motivated to give input into the types of contracts, mix of customers contracted, and rebate levels.
- Develop better planning, collaboration, and strategies to address local market needs, such as more selective local market contracting.
- Increase communications with field sales leadership.

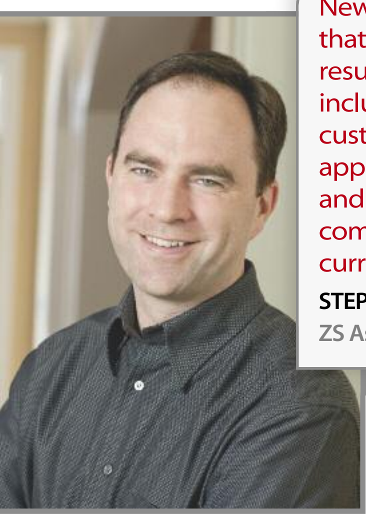
Source: Brian Bamberger, Managed Markets Practice Leader, VP, TGaS Advisors; Mr. Bamberger may be e-mailed at bbamberger@tgas.com.

More companies are looking at alternative measures, both qualitative and quantitative, to help discern the performance and pay-out for sales people.

KURT NELSON
The Lantern Group

Three-quarters of companies surveyed already include some non-quantitative measures in their IC programs.

JEFF WOJCIK
TGaS Advisors



New qualitative metrics that supplement results-based metrics include measures of customer satisfaction, appropriate promotion, and successful completion of training curricula, among others.

STEPHEN REDDEN
ZS Associates

to the assessment of sales success, one challenge will be to address the fact that measures of this sort are often subject to the observations and judgments of different decision-makers, such as sales executives, immediate district managers, and even the customer. For example, determining how much value was brought to a sales call will most likely require measurable feedback from a physician. Because this type of assessment is a little more complex, it will be a challenge to come up with one set of metrics that fully describes and aligns the sales team's and the organization's performance. Once new standards have been determined, another critical challenge will be to prepare sales executives to communicate these standards to the team and to coach for and assess behavior change on the part of team members, especially the sales representatives. Figuring this out will be a welcome paradigm shift, because using quantitative data alone has only revealed what has happened in the past. Qualitative data will create a way to also predict future sustained performance, although it is a little more difficult to realize immediate value. Every organization hopes future projections will become real, but because of the many business factors that could impact qualitative outcomes — market dynamics, new regulations, organizational changes, tenure of the salesforce, time to proficiency for new sales professionals, new product launches, for example — belief in the value of measuring qualitative outcomes will take patience.

NELSON. THE LANTERN GROUP, The difficulty with the new measures is the ability to accurately measure these metrics at a territory level. Many of the new metrics work well at a regional level but they become more suspect the closer they get to a territory level. This is going to create significant trust issues with the field. If the data cannot be effectively measured at a territory level it will not provide the type of performance measure required to engage sales representatives. Many of the new measures are also subjective. This provides a number of challenges, ranging from issues of fairness to people gaming the system. While we see a greater focus on providing clear accountability and transparency in these subjective measures, the salesforce may still perceive them as unfair. Another difficulty with the new measures focuses on sales representatives' buy-in to the measures. We have noticed that sales representatives who have been in the industry for a while tend to have an aversion to changing the main ele-

Calculating Fair Market Value

The "more is better" methodology of selling is dead. The Wall Street Journal now predicts that the number of pharmaceutical sales representatives in the United States will drop to 70,000 by the year 2015. This is a tremendous change from the boom of the 1990s and the early 2000s, when the total number of reps exceeded 100,000.

While some companies saw the writing on the wall and began adapting a few years ago, other companies now find themselves well behind. For those companies stuck in the past, reducing salesforce mirroring, creating more personal relationships with targets, and uncovering new ways to reach physicians are the orders of the day.

The companies that will excel will be those that innovate now and find new avenues for connecting with targets and that develop relationships where doctors actually call on reps for information.

Cutting Edge Information's report Reinventing Pharmaceutical Sales Forces analyzes the state of the pharma sales arena and reveals how innovative leaders are winning in a time when most companies find themselves in trouble.

Whether a salesforce is growing or shrinking, compensation claims the majority of its resources. Primary care groups spend an average of 62% of their allocations on compensation for reps and managers, and this expense carves out 60% of budgets for specialty and hospital teams. Travel, training, and technology are also significant expenditures.

Top reps claim average total annual compensation of well more than $100,000. High-level district mangers take home between $150,000 and $200,000 mark. Average and starting compensation packages are naturally lower, but the main concerns for sales managers are hiring, training, and fielding talented personnel.

Source: Cutting Edge examines the investment levels of surveyed companies as well as resource allocations and the compensation levels of reps, district managers, and regional managers across the performance spectrum. To download the full report, go to http://www.cuttingedgeinfo.com/reinventing-sales-forces/?download.

> Compensation plans need to work on the value of the interaction and on skills needed by key account management as opposed to just scripts delivered.
>
> **MARK SALES**
> Kantar Health

ments of their incentive plans. Where we've seen these new measures introduced, we've also encountered individuals responding with "I'm a sales person — pay me to sell." Companies that implement these new measures need to put extra focus on the communication and training around these plans not only to address any buy-in issues, but also to educate individual sales representatives on what they need to do to maximize their payout with the new plan.

SZCZEPANSKI. PDI. Measuring profitability on a territory level is difficult as so many different factors impact the rep's ability to sell. Physician access is one issue, but the patient mix, formulary position, and the role of consumer advertising all impact how a brand is prescribed within a territory. Essentially we want to know if the message is getting through; does the quality and quantity of calls produce the results required as well as material return on investment. Currently reps are not typically incentivized to drive use of non-personal channels such as Webinars, e-detailing, etc. But as the industry continues to move from the traditional brick-and-mortar sales approach to a combination of personal and nonpersonal activities, all tactics will need to be factored into the rep's measurement of success.

REDDEN. ZS ASSOCIATES. Today, many companies struggle to achieve meaningful pay differentiation with qualitative metrics — many view these compensation elements as gimmes. Having quantifiable, activity-based sales achievements tied to results can help ensure that top performers significantly out-earn lesser-performing colleagues. Another challenge is continued data restrictions and changes in data quality. Many companies are taking a pragmatic approach, either removing unreliable data sources or making approximate payout adjustments rather than getting bogged down with accounting for every nuance. In addition, some of the emerging metrics may not be granular enough to be applied at the territory level and are only applicable at district or regional levels.

WOJCIK. TGAS. There are multiple factors that impact effectiveness of sales. Managed care is the most obvious and most widely discussed. A number of companies now consider managed care access as part of their goal-setting process and adjust sales territory level goals based on the formulary status of the product. Another factor of growing importance is access. A number of physicians and physician groups now restrict their availability, and some groups require sales reps to be certified before they are given access to a facility. These restrictions make it increasingly difficult to measure the true effectiveness of a sales rep. A TGaS Advisors benchmark study found that, given restricted access, most companies would move to a ZIP-code level for performance measures. We no longer have one measure but several different combinations for each customer type. The real challenge is to build the infrastructure and flexible systems that can manage these new combinations of data input and measures.

MOSBY. WILSON LEARNING WORLDWIDE. Incorporating a qualitative approach to measurement will have to be implemented initially within individual pharmaceutical companies, as every organization sets its own priorities, has its own product and service mix, and its own sales culture. In time, there will be a baseline of expertise on what works and what doesn't. As best practices are established, finding the similarities in qualitative information that are considered important and have some commonality across various pharmaceutical organizations will be an important next step in standardizing this type of measurement. This will be the relatively easy part, as the industry begins the complex task of standardizing qualitative measurements of success linked to outcomes, as it has already been done for quantitative metrics. This will take some serious discussion by experts in measurement and evaluation. To measure the impact of sales activities, for example, it will be important to define the most common outcomes sales teams should work to achieve, describe more broadly what success looks like, and strive to measure ROE, return on expectations, which answers the question: what is the expected value of achieving certain qualitative goals? ✦

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Aligning Compensation Plans With NEWER SALES MODELS AND METRICS

BY ROBIN ROBINSON

The industry not only needs to change its metrics, it also must focus on how those metrics may impact the incentive compensation plans. Leadership buy-in, a shift to a more team-based approach, and retaining high performers are all new challenges presented by the changing sales environment. Our experts give their advice on how to better align the incentive packages to motivate today's sales reps.

BOB MEROLD. SYMPHONY METREO. Senior-level managers need to pay more attention to the creation and deployment of analytics across their organizations, with special emphasis on the need for an IT infrastructure that can more quickly meet growing analytic needs. In most companies today, implementing a new analytic takes at least 12 to 18 months; such a large time lag is a huge problem. Companies that are able to move faster will gain a competitive advantage. This requires direct involvement from senior-level management because the problem spans across multiple departments and today these units are both understaffed and not well-coordinated. Senior managers need to realize that to evolve the business, the company needs to make changes much faster today. Other industries are doing it. For example, when a cola delivery truck driver pulls into a grocery store parking lot, he already has yesterday's sales figures, along with a formula that tells him what to stock that day, and he can make adjustments to react to immediate market conditions. In these companies, the ability to deploy information and make better real-time decisions is a huge strategic value and can translate to a couple of extra margin points on the bottom line. Pharma needs to embrace that same type of thinking and more aggressively deploy analytics that drive real-time commercial decisions. Only senior leadership can create a cohesive plan and assume the business risk such an initiative entails. What management will discover is the hidden benefit of such an effort: a greatly improved internal organization that works far more effectively across functions when everyone operates off objective analytics.

CELESTE MOSBY. WILSON LEARNING WORLDWIDE. There will now need to be a new connection between compensation models and the new customer-centric sales and measurement approach. The critical first step is to strongly link compensation plans to a process for identifying new measurement opportunities and then create methods to measure performance based on the new metrics. Some qualitative metrics are based on individual feedback and judgment calls. So, compensation plans must establish a model that integrates currently used quantitative measures of success with the new evaluation metrics for activities that impact healthcare provider decisions, patient/consumer behaviors, and stimulation in market demand. Explanations of how different metrics are linked to business performance will be the key. This will help align metrics associated with the new sales model and with the quantitative data already used. For example, brand metrics are considered to be effective tools for measuring the qualitative parameters of brand performance in a given market, and the organization takes time to measure the effectiveness of brand growth and sustainability activities. This same type of thought process can be applied to measuring individual performance. To support this, all executives from sales, marketing, and training must be on the same page and work together to decide how using all of these measurement data points can have practical implications to established and future compensation models for the integrated service team.

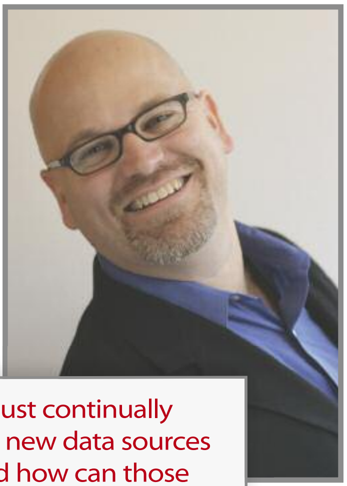
KURT NELSON. THE LANTERN GROUP. Compensation plans need to be able to account for the changing dynamics of the industry. Companies need to be able to define what the key business drivers are that need to be addressed by sales representatives and then develop compensation models that can impact those drivers. This will require a shift in thinking for many companies. Not only will this new model require companies to look at other measures, it might require them to rethink their entire pay model. Creating more individualized plans, where representatives design their own plan — within specific parameters — as some managed market teams have done is a trend that we believe will expand in the future. This involves companies letting go of some of the control that they have typically had in compensation and pushing this down the organization. Some organizations might look at reducing the amount of pay at risk and increasing base salaries if they are focused on driving more customer-centric behaviors. Other companies might need to shift more pay to at-risk drugs or increase the use of short-term incentives to drive the performance of specific drugs that are in tight competitive markets. The one-size-fits-all model of compensation plans needs to be thrown out.

JENNIFER SZCZEPANSKI. PDI. It is in the company's best interest to excite, motivate, and retain its top performers. This means developing a long-term incentive plan to encourage retention. A fully loaded primary care rep now costs his or her employer about $250,000 annually to cover salary, benefits, car, cell phone, laptop, plus any bonuses. We are now seeing companies move away from the traditional compensation model of quarterly fixed incentive pools to a less traditional mix between variable and fixed compensation. While the use of compensation trips and those types of rewards are being analyzed after the severe criticism of AIG executives taking an incentive trip after the government bailout, the truth is that these types of perks are very important to the top performers. It is a highly motivating technique for engaging top performers, and one that provides return on investment over a longer horizon of time. Points programs for non-cash prizes and rewards are another compensation method being explored. We like to say, "Cash is king until you win a prize." Because non-cash incentives are lasting, physical reminders of the achievement or performance, they are good motivators. While cash is a quality reward, it is spent and easily forgotten. Typical incentive programs are quarterly and when they are over, they're over. Longer-term incentives such as non-cash contests, points programs, and even stock options tend to single out the high performers and provide them with motivation to remain engaged and driven to succeed over a much longer period of time. ✦

PharmaVOICE welcomes comments about this article. E-mail us at feedback@pharmavoice.com.

BY ROBIN ROBINSON

EVOLVING Compensation Models



Organizations must continually look to see what new data sources are out there and how can those data sources effectively help them measure representative performance.

KURT NELSON
The Lantern Group

Compensation plans have always had to evolve to meet the needs of the market, and today is no different. But today the target is moving faster. New plans now must align with organizational goals that are in constant flux and require more flexibility in creating structures for individual sales representatives, with the additional focus on new methods of measuring performance. The changes in compensation plans have traditionally been driven by several factors, including the evolution of closed loop marketing, healthcare reform, and the decrease in prescription data availability. Many of the concerns in the future are the same ones of today: how do companies discern sales that were driven by sales representative actions versus e-detailing methods; how do companies account for performance driven by managed care wins or losses versus representative effort; and how do companies reward maintenance versus growth?

"Organizations must continually look to see what new data sources are out there and how can those data sources effectively help them measure representative performance," says Kurt Nelson, president of The Lantern Group. "The compensation plans of tomorrow will be different, but they will also contain much of what we already have today."

The key, he says, is that companies have to ensure that the new plans are understood and bought into by the field. Participants are not only looking for the "what" of the plan, but also the "why" behind the plan. It is vital that organizations communicate and train their reps to effectively create engagement and drive performance.

Certainly what happens with healthcare reform under the Obama Administration will have an impact on the way pharma companies create compensation plans in the future.

"The impact on managed care, formularies, and how difficult it will be to pull through brand products will have a significant impact on compensation models," says Jennifer Szczepanski, director of incentive compensation at PDI. "Compensation models may need to be regionally based to reflect selling conditions within that locality as the formularies established by the regional payers dictate reimbursement terms for the brand being promoted."

Formulary position can significantly impact access and utilization and make the selling proposition that much more formidable if the brand is not included. Nonetheless, she says, reps need to be well-versed on the managed care environment within their territories and compensation plans need to continue or begin to take these regional differences into consideration.

The profile of the traditional rep is also changing, Ms. Szczepanski says.

"There is a continual shift away from the traditional rep profile toward a variable sales rep profile that is dependent upon where the product is in its lifecycle and the demands of that therapeutic category or overall product complexity," she says. "Although these reps command a good compensation package, they are more motivated by accomplishment and recognition than just achieving a specific compensation level."

With the increasing shift in influence to managed care, government, organizations, and care givers, a new set of measures must be put in place to gauge performance by the new team-based selling that's coordinated by KAMs (key account managers) and IAMs (integrated account managers), according to Stephen Fox, global practice leader, sales performance center of excellence, IMS Consulting.

"As more products lose patent protection, incentive plans can now be put in place to measure prescribing dynamics at a very fine level of detail," he says. "For example, it is possible to measure what percentage of business is lost by switches to a generic compared with losses to another branded competitor. Therefore, reps can be incentivized to protect against generic erosion."

"We anticipate that continued compliance requirements will influence incentive plan designs, ensuring in particular that sales crediting practices discourage off-label promotion," says Stephen Redden, principal and leader of the incentive compensation practice at ZS Associates. "Data restrictions and other data-related challenges will also factor into compensation plans; to the extent that sales data become untrustworthy, the emphasis on these data in the sales compensation plans will decline. We also anticipate that increased transparency in drug pricing will strengthen managed care programs' influence at the local level and sales compensation plans will need to recognize the resulting local variations in growth potential."

As longitudinal patient data become more robust, these new measures may be another way to calculate the impact of a sales rep, says Jeff Wojcik, principal at TGaS Advisors.

"While we have started to report a number of companies beginning to provide this information to the field as part of their performance reporting and targeting, only 25% of the companies in the benchmark currently do so on a routine basis," Mr. Wojcik says. "We have not yet run across any salesforce compensation plans being run with these measures." ✦

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