IDC Health Insights

IDC MarketScape: Worldwide Pharmaceutical Sales Force Automation Applications 2011 Vendor Assessment

IDC Health Insights: Life Science Business Systems Strategy

EXCERPT #HI228379E

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IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC MarketScape: "IDC MarketScape: Worldwide Pharmaceutical Sales Force Automation Applications 2011 Vendor Assessment" by Eric Newmark (Doc # HI228379). All or parts of the following sections are included in this excerpt: IDC Manufacturing Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, and Synopsis. Also included is figure 1.

IDC HEALTH INSIGHTS OPINION

The pharmaceutical sales force automation (SFA) applications market is experiencing increased demand, as pharmaceutical manufacturers look to improve their sales force efficiency and effectiveness to adapt to the industry's changing sales environment. Widespread regulatory reform at both the state level and the national level, coupled with a changing healthcare landscape, has complicated traditional sales channels and introduced several challenges that impact sales representatives' ability to interact with physicians. In response, pharmaceutical companies are implementing, whether by upgrade or by replacement, newer SFA solutions that help better automate, simplify, and advance sales rep capabilities, with a strong emphasis on enhanced mobility, ease of use, streamlined user interface, and system flexibility. With these points in mind, it is not surprising that the qualities defining market share winners of the next few years are not necessarily the ones that brought success to today's leaders. This study identifies several key criteria by which vendors can be judged now and over the next three to five years. When evaluating vendors, beyond diligent vetting of references to verify vendor claims, some key criteria to consider are:

- Deployment compatibility with PDAs/smartphones, iPads, and other HTML5 devices, as well as available delivery models such as on-premise, hosted, multitenant SaaS, and dedicated SaaS

- Breadth of functionality (signature capture, edetailing, embedded analytics, etc.) and functional flexibility, allowing features to be turned on/off and bought modularly

- Vertically oriented product design and organizational structure, coupled with deep pharma-specific market knowledge

IN THIS STUDY

This IDC MarketScape provides a comprehensive evaluation of the leading sales force automation applications available for the pharmaceutical industry.

IDC MarketScape reports are designed to identify factors conducive to success in a particular market, both long term and short term, and then assess vendors participating in the market against those factors. The evaluation is based on a comprehensive framework that includes both qualitative and quantitative metrics, as well as end-user feedback, and then provides vendors with market positioning relative to or compared with other market participants. This particular study provides a comprehensive vendor assessment of the pharmaceutical SFA applications market.

Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions, on the IDC MarketScape, detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability. The IDC MarketScape framework was developed in response to requests from IDC customers for an assessment of vendors in a given market that is transparent, consistent, and rigorous.

SITUATION OVERVIEW

Introduction

Market Dynamics

Pharmaceutical sales reps have historically leaned heavily on soft-dollar promotional budgets to help create influence and capture the attention of physicians with items like free pens and notepads. More importantly, as physician availability has continually grown more scarce over the years, sales reps have relied a great deal on taking physicians out to lunches, dinners, and offsite meetings to help create an environment where sales reps can capture the physicians' undivided attention. However, because of the cumulative effect of state-level aggregate spend regulations, gift bans laws, the updated PhRMA code, and the Physician Payment Sunshine Act, most soft-dollar sales tactics are now becoming obsolete. Even those tactics still deemed as acceptable practices have been significantly curtailed by strict spending thresholds. Consequently, opportunities for meaningful in-person physician interactions are becoming even scarcer, and this will continue to diminish as 32 million new insured patients phase into the U.S. healthcare system because of reform legislation.

These developments have placed newfound pressure on pharmaceutical companies to alter the way they approach and interact with physicians. Not only have efforts increased to shift physicians toward more online touch points, driving investment in closed-loop marketing (CLM), edetailing, and customer relationship management (CRM), but there is strong need to increase the efficiency and effectiveness of sales reps during the limited time they do interact with physicians face-to-face. In response, most leading pharmaceutical companies are implementing, whether by upgrade or by replacement, newer next-generation sales force automation applications that help automate, simplify, and advance sales rep capabilities, with a strong emphasis on enhanced mobility, ease of use, streamlined UI, and system flexibility.

The Emergence of SaaS

Although the majority of CRM and SFA implementations over the past decade were on-premise deployments, the market has been shifting toward lighter, more flexible SaaS-based alternatives. As the world becomes increasingly flat, local and domestic sales strategy is a fading mentality that is being increasingly replaced by the need to think globally. With entrance into each new market comes the need for new infrastructure and systems to support these endeavors, and the traditional brick-and-mortar software implementation often no longer makes sense. Instead, expansion into new markets can be technologically supported quicker, and often cheaper, by utilizing cloud-based technology.

At the same time, life science companies frequently need to reshape their sales and marketing operating models to adapt to the continually evolving healthcare environment. The flexibility to adapt to a quickly changing market is significantly hampered by a heavy on-premise, often customized, implementation. For these reasons, along with shorter implementation time and lower up-front costs, nearly all new CRM implementations, and SFA more specifically, in the United States are now SaaS based. In 2011, as the term *cloud* becomes increasingly common vernacular, we anticipate at least 90% of all new CRM investments in the United States, and more than 50% globally, to be SaaS based.

Traditional on-premise CRM software vendors that now also offer SaaS-based solutions (and make it easy for companies to transition to the cloud) will likely retain most customers. However, vendors that focus too little on simplifying customer transition to the cloud risk significant customer attrition. There are still some pharmaceutical companies that prefer on-premise and plan to maintain that approach for the foreseeable future, making it important that vendors still offer that mode of deployment, but the future of SFA is clearly in SaaS-based offerings.

FUTURE OUTLOOK

IDC MarketScape Pharmaceutical Sales Force Automation Applications Market Vendor Assessment

The IDC MarketScape vendor assessment for the SFA in the pharmaceutical industry represents IDC's opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC divided potential key strategy measures for success into two primary categories: capabilities and strategy.

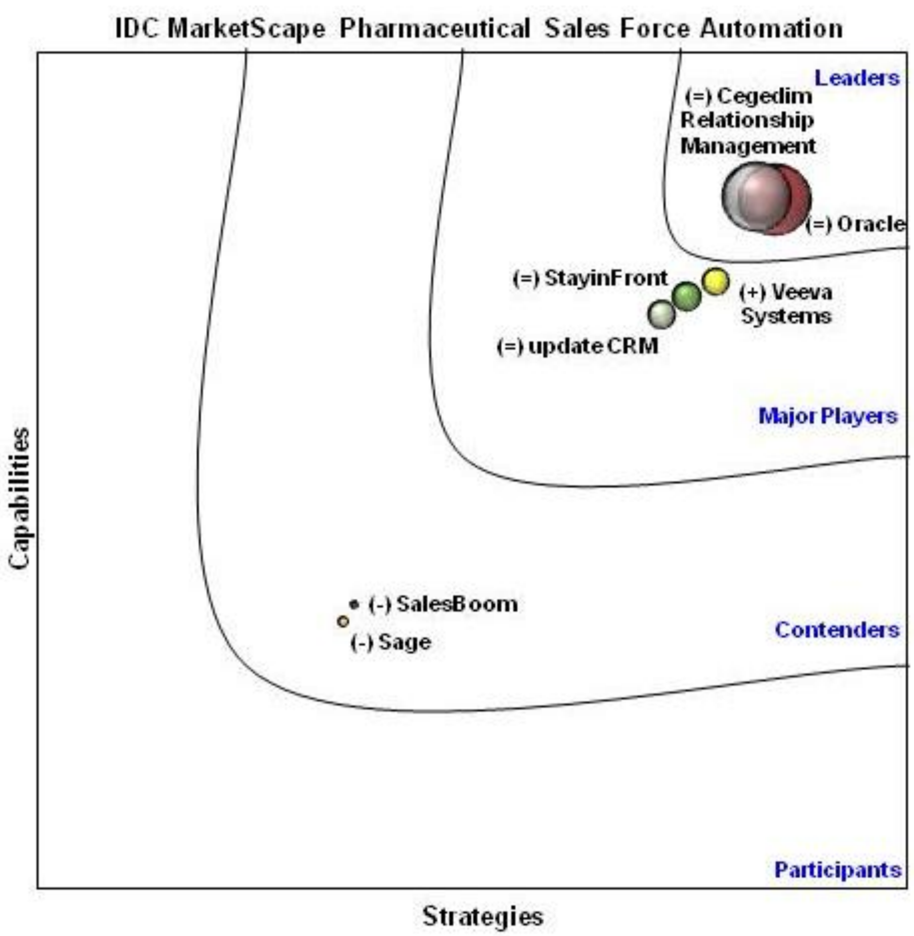
Positioning on the y-axis reflects the vendor's current capabilities and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategy axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategy category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years. Under this category, analysts look at whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 1 shows each vendor's position in the vendor assessment chart. Its market share is indicated by the size of the bubble, and a (+), (-), or (=) icon indicates whether or not the vendor is growing faster, slower, or even with overall market growth.

FIGURE 1

IDC MarketScape Pharmaceutical Sales Force Automation Applications Vendor Assessment



Source: IDC Health Insights, 2011

Vendor Summary Analysis

This section provides a brief profile on a vendor evaluated in this MarketScape, including commentary on their strengths, weaknesses, and positioning in the vendor assessment graph.

Oracle

Oracle has served the pharmaceutical industry for the past 26 years and is headquartered out of Redwood Shores, California. Oracle has revenue of approximately $27 billion and has a very large customer base. IDC estimates that Oracle has over 200 pharmaceutical companies utilizing its SFA software, with a user base exceeding 125,000 users.

Oracle offers a full array of deployment choices, including on-premise, hosted, and multitenant and dedicated SaaS. Oracle's SFA software is also available on PC, PDA/smartphone, and tablet PC, and it has an iPad HTML5 version currently under development to be released this year.

Oracle's pharmaceutical SFA application scored very highly in this MarketScape, ranking as a Leader in the pharmaceutical market. The software is among the best in the industry for breadth of functionality, functional flexibility, and user interface and is highly tailored to the pharmaceutical industry's specific needs. One area for SFA improvement mentioned by customer references is a mediocre user interface when used on smaller screened mobile phones. Overall, Oracle has a well-established base of strong customer references.

ESSENTIAL GUIDANCE

The Tablet Craze

While tablet PCs have been used in the field within pharma sales for quite some time to enable electronic signature capture and more interactive display of edetailing information, the explosion of next-generation tablet devices like the iPad has rocked the boat in this space. Pharma is undergoing an enormous shift, with widespread interest in transitioning toward HTML5-based tablet devices like the iPad, as the industry seeks a quicker, lighter, and more attractive way of displaying drug-related information. Several major pharmaceutical companies are putting the cart before the horse by purchasing iPads in large quantities prior to even owning a single application to run on the iPad. It is true that many existing Web-based SFA products delivered via a hosted or a SaaS model will run equally well in an iPad Web browser, but there is little incremental value over a traditional tablet PC with this scenario since no HTML5 capabilities are being utilized. Most SFA vendors servicing the pharmaceutical industry do have plans under way to launch an HTML5 version of their software, and a few already have, but these solutions are brand new and still immature. Although many pharmas are indeed planning to shift toward these devices, this unwavering excitement and investment certainty for a technology that still has no proven ROI in the pharma setting over existing tablet PC–based approaches should be approached with caution. While the swap is easier for SMBs, large pharmas must be cautious and avoid equipping thousands of sales reps with new tablets that could ultimately generate little ROI.

Actions to Consider

Although some aspects of evaluation seem obvious when selecting an SFA system, it's surprising how often companies skip some of these steps. Most notably, we often see companies only document what their current system is lacking and not its positive aspects, only to later realize that their new system lacks some of these important components. Likewise, we see companies fail to include all stakeholders in the evaluation process, until the decision has already been made. Here are some common sense items to keep in mind when evaluating SFA vendors:

- Including representatives from all stakeholder groups from the very beginning of the search process can dramatically improve stakeholder attitude and system utilization post implementation.

- Clearly understand what problems you're trying to solve, both technical and business process oriented, to make certain your new system fits your existing processes and you are not changing processes to fit a new system.

- Document both positive and negative aspects of your current solution to ensure your new system solves existing problems but doesn't create any new gaps by dropping features you currently rely on.

- Make sure all functional requirements are signed off on by all stakeholders in your company, and involve them from the beginning of the evaluation process.

In addition to these items, it is equally important that companies perform thorough due diligence on all functional aspects of prospective SFA applications and not rely on vendor slideware information. All vendor claims should be vetted through multiple customer references and further proven through prototype or live demonstration. Here are some additional criteria to consider during vendor evaluations:

- Consider whether or not you need a vendor that provides multiple deployment options (on-premise, hosted, SaaS), and if so, how easily your company can switch between them or use multiple modes in unison, as needed.

- Carefully evaluate SFA administrative design capabilities and whether a business user will be able to manage and configure the system on an ongoing basis or whether maintenance and system tweaks will need to be performed by somebody more technical with programming knowledge.

- Reverse integration of aggregate spend information back to CRM and SFA systems will become essential post-2012 for preventing noncompliant sales force behavior in the United States, since email alerts of threshold warnings and infractions are not a suitable long-term solution. Evaluate how difficult it will be to perform this integration with any system you are considering.

- Does the vendor allow you to select à la carte functionality and/or purchase functional components of the system modularly, allowing for tiered implementation over time that better meets your budget and current needs.

- Observe whether vendors are vertically organized internally. This helps ensure their leadership is more in tune with industry-specific needs and increases the likelihood product development will be closer aligned with your needs going forward.

- Will you be solely reliant on the vendor for product support, or does the vendor have a broad partner or systems integrator network well trained on its product that is equally capable of supporting your future needs?

- Consider each vendor's financial stability, pricing model, whether the vendor is an acquisition target, and if the vendor's culture will be a good match for your company's societal order.

Synopsis

This IDC Health Insights report provides an assessment of where the pharmaceutical sales force automation (SFA) applications market is going, how the major vendors compare with each other, and what criteria are most important for pharmaceutical manufacturers to consider when making their buying decision. The pharmaceutical sales force automation applications market is experiencing increased demand, as pharmaceutical manufacturers look to improve their sales force efficiency and effectiveness to adapt to the industry's changing sales environment. Widespread regulatory reform at both the state level and the national level, coupled with a changing healthcare landscape, has complicated traditional sales channels and introduced several challenges that impact sales representatives' ability to interact with physicians. In response, pharmaceutical companies are implementing newer SFA solutions that help better automate, simplify, and advance sales rep capabilities, with a strong emphasis on enhanced mobility, ease of use, streamlined user interface, and system flexibility.

Eric Newmark, program director, Life Science Business Systems, noted that "Considering the significant shifts in the pharmaceutical sales and marketing space, it is not surprising that the qualities defining market share winners of the next few years are not necessarily the ones that brought success to today's leaders. Whether you are upgrading or altogether replacing your current system SFA solution, this MarketScape provides valuable guidance."