



Perspective: Cloud and Tablets — A CRM No-Brainer

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IN THIS PERSPECTIVE

This IDC Health Insights Perspective discusses the increasing adoption of cloud-based CRM and tablet computers for use in the pharmaceutical sales and marketing industry.

Situation Overview

Oracle recently held its annual OpenWorld conference, which each year provides a wide array of product updates, announcements, and demonstrations, in San Francisco. More importantly, it always provides a good opportunity to meet Oracle customers as well as discuss their current and future planned initiatives and gain a deeper understanding of how they are utilizing Oracle's solutions to enhance their businesses.

While both the movement of CRM to the cloud and sales force deployments of next-generation tablets like the iPad are topics we closely track in the pharmaceutical industry, discussions with several top 20 pharmaceutical manufacturers at this year's Oracle OpenWorld conference confirmed one thing very clearly — both cloud CRM and next-generation tablet technology have essentially become "no-brainers" for pharma manufacturers, as one director of CRM at a top 10 pharma so eloquently stated.

Background

Market Overview

Pharmaceutical companies face increased pressure to reinvent their strategic approach to sales and marketing, particularly surrounding the way they interact with physicians, due to the cumulative effect of state and national aggregate spend regulations, gift ban laws, the updated PhRMA code, and the Physician Payment Sunshine Act. These regulatory changes have forced most soft-dollar sales tactics to become obsolete. Even those methods still deemed as acceptable practice have been significantly curtailed by strict spending thresholds. Physician availability has also been greatly reduced, leaving fewer opportunities for sales reps to have meaningful in-person interactions, and availability is anticipated to further degrade once 32 million new

insured patients phase into the U.S. healthcare system due to reform legislation.

Consequently, pharmaceutical companies have increased efforts to shift physicians toward more online touch points through better utilization of closed-loop marketing (CLM), edetailing, and customer relationship management (CRM). There is also a strong need to increase the efficiency and effectiveness of sales reps during their limited face-to-face interactions with physicians. As a result, most pharmas are heavily focused on improving their sales force automation (SFA) capabilities and adjusting their CRM infrastructure to be more agile. Many pharmaceutical companies are now implementing, whether by upgrade or replacement, 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.

CRM Goes to the Cloud

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 cloud-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 upfront costs, most new CRM implementations, and SFA more specifically, are now cloud based.

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 large pharma manufacturers have purchased iPads in large quantities, and many

more companies have plans to switch over to these devices in the near future. It is relatively indisputable now that the tipping point for iPads in pharma sales and marketing has clearly arrived.

The Business Case

Many pharmas have publically shared stories of substantial ROI from moving to the cloud, but one case study presented at Oracle OpenWorld was particularly interesting because it included both realized gains from the adoption of Oracle's CRM On Demand application and detailed anticipated benefits from rolling out iPads across the company's sales force.

Bayer HealthCare Canada, which recently moved to the cloud by upgrading its on-premise Siebel implementation to Oracle CRM On Demand, has received several strong benefits from its technology transition. Historically, the company suffered from too many versions of the "truth," lacking mobile capabilities, and low sales rep adoption (below 70%) of CRM. But after making the decision to move to the cloud, improvements came quickly. The deployment of Oracle CRM On Demand to all Bayer Pharma employees took less than two months, and the return on investment in just a short time has been plentiful. Benefits include a TCO reduction of nearly 60%, 92% fewer help desk calls, and approximately 50% quicker delivery of sales analytics reports. User adoption also increased from 70% to 100%, which is largely due to the added convenience and time efficiencies the system has provided sales reps by allowing for better mobility support with Oracle MSA and the reduction of weekly sales rep downtime from roughly 12 hours to 30 minutes. This has left significantly less administrative work to be completed outside of standard workday hours. Alfie Viskantas, head of Sales Force Excellence at Bayer HealthCare, commented that "Oracle CRM On Demand has allowed Bayer HealthCare to significantly reduce our IT costs while at the same time allowing us the ability to deliver rich analytics to our sales force in a timely manner."

Looking forward, Bayer is planning to turn over its sales force hardware footprint from laptops to iPads. Currently, Bayer provides sales reps a \$3,000 allowance to purchase a laptop computer. Alexei Marcilio, manager of CRM at Bayer HealthCare Pharmaceuticals, explained that "laptops are not only unreliable, but they require very high support costs and sales reps don't like to use them." So the decision to instead provide "highly reliable iPads that cost \$600, require virtually no support, and do a better job of grabbing physicians' attention" seems like an easy decision.

Providing sales reps a device that they like and increasing system utilization and user satisfaction, while simultaneously saving \$2,400 per sales rep and significantly reducing help desk support costs, does

indeed raise the question of why have all pharmaceutical companies not yet made the transition, and how long will it be before most do. The answer — not long; a large majority of pharmas already have plans to make the switch.

Future Outlook

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, will be cloud based.

Traditional on-premise CRM software vendors that now also offer cloud-based solutions (and make it easy for companies to transition to the cloud) will be most successful. 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 cloud-based offerings.

Likewise, most SFA vendors servicing the pharmaceutical industry now have plans under way to launch, or have already launched, an HTML5 version of their software designed specifically for use on tablets like the iPad, which only further demonstrates the significant demand from pharmas to transition to these devices. In October, Oracle officially launches iSales, which is a vertically oriented life science SFA application designed specifically for the iPad. Future releases of iSales will also support its use on Android, BlackBerry, and other tablet-based operating systems.

LEARN MORE

Related Research

- *Best Practices: 2011 Life Science Sales and Marketing IT Benchmark Guide* (IDC Health Insights #HI229768, September 2011)
- *Perspective: Life Science Companies Focused First on Sales and Marketing* (IDC Health Insights #HI229051, June 2011)

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