A life sciences sector perspective

Competition, coexistence or symbiosis?
The DNA of C-suite sales and marketing leaders
“Health care has been changing at a dramatic pace over the past 10 years. Marketing executives today must gain a greater understanding of the needs of our customers.”

Lisa Bacus, EVP and Global CMO, Cigna
This life science perspective draws on *The DNA of C-suite sales and marketing leaders: competition, coexistence or symbiosis?* The major report examines the changing roles of the chief marketing officer (CMO) and chief sales officer (CSO) across all sectors as digitalization, proliferating channels and the growing power of the customer transform global commerce. Its basis is twofold: it consists of a quantitative survey of some 700 sales and marketing leaders and more than 120 C-suite respondents, of which 152 came from life sciences. In addition, it was enriched by more than 20 in-depth interviews, including sessions with life sciences experts.

The report offers valuable insight into what it is to be a sales or marketing leader today. As well as exploring CMOs’ and CSOs’ own perceptions of their roles and abilities, we consider what the wider C-suite thinks of them. It further considers how the two roles might evolve, with a discussion of the recent emergence of new C-suite leaders who head both sales and marketing.
The life sciences sector continues to be battered by change. In the past decade, it has experienced stalling demand in mature markets, price pressures in the emerging economies and the “cliff” of expiring patents. Now it is being squeezed between two disruptive megatrends.
1. New payment systems

A rising epidemic of chronic disease, aging populations, expanding access and increasing demands from growing middle-class populations in developing economies are causing global health care costs to escalate. To rein them in, both public and private payers are now looking to fund outcomes and value, not volume and activity. Spain-based Dr. Silvia Ondategui-Parra, EY Partner, Life Sciences, says this is changing the nature of sector offerings. “The industry is moving from products into services, and these services are usually the health care system.”

2. New technologies

Big data and information-based technologies, such as social media, apps and wireless sensors, are giving customers fresh ways to monitor and look after their own health. Increasingly, such devices are being introduced by new market entrants, such as IT, data analytics and mobile telephony companies. Iain Scott, EY Lead Analyst, Global Life Sciences Center, says such competition is shaking up the established order. “Life sciences companies need to understand that they will face increased competition – not just from generics companies, which produce cheaper versions of drugs as they come off patent, but also from companies that didn’t used to play in health care at all – like Google – which are now entering the health sciences space. Sector companies need to change their approach and figure something out – quickly.”

Yet technology represents an opportunity as well as a threat to life sciences companies. Pharma businesses are well placed to partner with the providers of technological health products. Already equipped with health treatment knowledge and often with deep consumer understanding, pharma companies that build such partnerships could offer an unbeatable market proposition. Such trends are putting huge pressure on established life sciences companies, disrupting the traditional business model that relied on intensive R&D to identify compounds or products that could serve entire populations. The conventional sales channel, based on sales representatives targeting doctors, has been replaced by more complex relationships with multi-layered – and often non-medical – “customers,” including payers, regulators, patients, health technology assessors and policymakers. Such customers control access to the vast “managed market,” where health care costs are handled by managed care plan providers. In the US, 85% of all prescription drugs are now reimbursed via managed care plans. If pharmaceutical companies’ drugs aren’t sanctioned by such plans, they are left to fight for the dwindling 15% slice of the market.

Thus, at a time when strong customer relationships have never been more important – nor the customer so demanding – the industry is having to rebuild its relationships from scratch. Furthermore, the fragmentation of the customer base is requiring the pharma sector to swiftly develop multiple business models, across diverse channels. Adding to this pressure is a crumbling of trust in the sector, after a series of court cases and investigations saw major industry players accused of bribery and of covering up negative clinical trial results.

Facing these challenges, life sciences organizations must change their mind-set and approach. Required to deliver end-to-end value to a broader customer base, their focus can no longer be on just selling products. They should look to building and maintaining trust-based relationships and to at least consider extending their offerings to include services.
A changing industry demands reshaped roles.
The revolution in the sector requires new capabilities from its sales and marketing leaders. To succeed in the new commercial environment, CSOs have to develop a culture of service, deeper and broader health care knowledge, and collaborative skills. Crucially, they need to build an understanding of the needs and processes of new payers, whom they may have never met before and know little about, and somehow gain access to them. In doing so, it is important that they partner with their organization’s managed market teams to understand their company’s market access strategy and how it impacts the ability to deliver sales revenue. All too often, however, the sales strategy is not aligned with that of the market access team.

Today’s sales roles require very different skills than before. “Sales representatives used to sell drugs to physicians. Now, the decision maker is not the physician, but the ‘payer,’ which might range from a state health authority to a private hospital group. And they’re no longer selling a product but having to negotiate an entire package, often including an innovative pricing model or a reshaped entry agreement. In addition, they must understand the disease and where the therapeutic area portfolio. And they need a much better understanding of the competition, not just from a drug perspective, but as to how they are positioning. It’s all much, much more complex.”

Marketing leaders, meanwhile, should leverage and expand their understanding of user needs and of wider market trends, if they are going to help their companies exploit the new technologies that are enabling patient-directed care. This will include highlighting potential innovations, evaluating new business models and identifying the business and regulatory risks associated with emerging technologies and communication channels. However, innovation does not stop with technological devices. With the health focus now extending from products to services and from treating sickness to preventing ill health, sector marketing leaders must also look to identify and evaluate new service opportunities. Possibilities discussed in the sector range from means to encourage patients to complete their drug programs to actual delivery of care.

Spearheading new opportunities effectively will necessitate new skills, in such areas as analytics, customer segmentation and social media. In line with this, Lisa Bacus, EVP and Global CMO for Cigna, a global health service company, thinks that “an appreciation for data driven decision making” is a primary skill for today’s marketer, as it provides the key to essential customer insights. “Health care has been changing at a dramatic pace over the past 10 years. Marketing executives today must gain a greater understanding of the needs of our customers,” she says. “As we gain greater insights through analytics, we can find better ways to serve the customer and work with them to meet their health care needs.”

This level of understanding, and the means to respond to it, is essential in a world where technology is empowering and informing consumers more than ever before. As a recent article in Managed Healthcare Executive warns: “Consumers expect the same convenient 24x7 service, the same access to cost and quality comparison data, and the same service orientation from health care organizations that they have come to appreciate in other areas of their lives.”

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Such high expectations mean that, today, both CMOs and CSOs are required to work in a different, more dynamic way. Traditional pharmaceutical product development takes years, due to lengthy research and clinical trials, with the R&D function often isolated from sales and marketing. As ambitious market entrants jostle for position, internal life sciences teams must work collaboratively - and quickly.

Marketing and sales leaders need to be proactive ambassadors of their company brands, and that means promoting trust into the brand. The scandals such as “faked” clinical trial data that have beset major pharmaceutical companies recently have not yet registered highly with consumers. That said, media reports of the high-profile court cases, and the fines imposed, may yet turn the public against the industry. Sales and marketing leaders need to be poised to use their roles and channels to defend – and, where necessary, rebuild – their corporate reputations.

Common pressures but no “one size fits all” model

There is no “one size fits all” CMO or CSO role. Each individual’s remit will depend, in particular, on what extent their CEO is transforming their company’s culture and business model, in line with market change. However, common themes and concerns affect all sales and marketing leaders. Our research found a group of highly educated and ambitious individuals, generally with a seat on the executive board, who have a stronger strategic and business focus than their non-sector peers. Despite such attributes, they share a tendency to overlook the importance of new ways of communicating. In the CMO’s case, they also tend to underestimate the significance of the CIO in today’s digitally driven business world.

Breaking down the silos

In all sectors and regions, sales and marketing teams are not aligning their activity, so putting the customer experience and company competitiveness at risk. Life sciences sector CMOs and CSOs seem more open to collaborative working. A high ratio (CMO: 71%, CSO: 70%, 7 percentage points above the average for both roles) says that “sales and marketing are in regular contact about innovative ideas and strategies.” Meanwhile, 86% of all life sciences CMOs - 10 percentage points more than the average - think companies are more successful if the two functions are jointly responsible for the multi-channel approach. Moreover, almost half (43%) support the idea of a merged sales and marketing chief role, although the CSO is less in favor of the concept (15%).

Such challenges are testing and, with the traditionally conservative nature of the industry, will not be easy to achieve. Yet, the very extent of the required change means that an able and determined CSO or CMO could achieve great things, for themselves and their companies. But our survey shows that, while some sales and marketing leaders are rising to the challenge, others are being blown off course by the force of the winds of change.

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This close relationship between the two functions may reflect the fact that, with life sciences marketing traditionally banned to end users, marketers have always worked with sales colleagues at a higher level. Yet, our industry experience suggests that many life sciences CSOs and CMOs still need to work more collaboratively. Indeed, for some companies, realignment of the sales and marketing functions, so they come under one leader – such as the increasingly prevalent chief commercial officer – may be the best solution.

The broader picture

Across all industries, CSOs and CMOs seem focused on their own functions, rather than seeing the broader business picture. But within the life sciences sector, sales and marketing leaders seem to be more outward-looking. For instance, both are intent on developing forecasts and business projects. Similarly, unlike non-life sciences marketing leaders, CMOs are not so intent on brand building alone but have their eyes on commercial issues, assigning the same importance to sales targets, market share and product/service profitability as their CSO colleagues. This outward-looking focus reflects the enormity of the external changes, that have turned life sciences upside down. As discussed above, from the domination of the managed market to the need to partner with IT firms to deliver technological health aids, the rules of the game have been rewritten by outside events and players.

Top-class credentials

Reflecting the technical nature of the industry – and perhaps the complexity of the current market – sector CSOs and CMOs are more highly educated than those elsewhere. Life sciences sales and marketing leaders have a greater ratio of master’s degrees and doctorates than those in any other sector. They also seem more conscious of the need for continued learning. Of all sectors, life sciences CMOs are more highly educated than those elsewhere. Life sciences CSOs and CMOs seem focused on their own functions, rather than seeing the broader business picture. But within the life sciences sector, sales and marketing leaders seem to be more outward-looking. For instance, both are intent on developing forecasts and business projects. Similarly, unlike non-life sciences marketing leaders, CMOs are not so intent on brand building alone but have their eyes on commercial issues, assigning the same importance to sales targets, market share and product/service profitability as their CSO colleagues. This outward-looking focus reflects the enormity of the external changes, that have turned life sciences upside down. As discussed above, from the domination of the managed market to the need to partner with IT firms to deliver technological health aids, the rules of the game have been rewritten by outside events and players.

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Yet, in other important areas, sector CMOs and CSOs appear to be dragging their feet. The new payment-for-outcomes world will require marketers and salespeople to engage with many more types of stakeholders, across multiple channels. Yet, in tracking how their roles have changed over the past five years, new communication methods are barely acknowledged. They will need to wake up to the changing world.

Like the qualifications they hold, the nature of the life sciences CSO and CMO role is at a higher level than average. More than three-quarters (76%) of sales leaders and two-thirds (69%) of CMOs have seats on the executive board. Their ambition for their roles is seen in the high ratio of CMOs and CSOs who judge leadership skills as essential. Reflecting the recent pressures and changes in the industry, both marketing and sales leaders say their roles have become more complex over the past five years.

Executive board relationships

Despite the impressive number of life sciences CSOs and CMOs on executive boards, there is a striking difference between how well the two are perceived to get on with the rest of the C-suite. The CSO wins more respect from the C-suite across all sectors, but, it peaks in life sciences. This could reflect the afterglow from the high returns that salespeople won for Big Pharma under the old business model. As the industry moves towards payment for broad outcomes, not products, this may change.

The split between the CMO and CSO is particularly apparent in their relationship with the CIO. Seventy percent of CSOs believe they get on well with the IT chief, while just 29% of CMOs think they do. This high CSO rating sets the life sciences sales leader apart from other sectors, where they – and the CMO – have a universally poor relationship with the CIO. The CSO’s closeness with the IT director may reflect the critical role technology has played in recent industry developments, enabling them to see IT’s potential as a tool to increase sales. It may also be due to the need for the industry to provide health-outcome-supporting data, in order to be reimbursed by payers. However, the CMO needs to invest more in their relationship with this significant colleague.

### Percentage of CSOs and CMOs who are a member of the executive management team

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<tr>
<th>Sector</th>
<th>CSO</th>
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<td>Consumer products</td>
<td>73</td>
<td>75</td>
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<tr>
<td>Finance</td>
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<td>74</td>
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<td>Oil and gas</td>
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<td>Life science</td>
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<td>69</td>
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<tr>
<td>Power and utilities</td>
<td>50</td>
<td>64</td>
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Skills and focus

Leadership and people management is the main thing that makes the role worthwhile for both CMOs and CSOs. 91% of CMOs and 88% of CSOs feel they add the most value in the area of building a successful team. Both are indifferent about new communication channels with very low ratings over what’s changed in the past five years. Life sciences sales and marketing teams work more closely together than other sectors.

Basic characteristics

- **43.5-year-old male**
- **In the role for 3.8 years**
- **43%** hold a master’s degree
- **69%** are board members

- **42.6-year-old male**
- **In the role for 4.8 years**
- **29%** are board members

Career

- **26%** CMOs and **24%** CSOs expect to be in the same role in five years.

- Few CSOs believe sales and marketing will merge in the future, whereas CMOs are more convinced.

- **43%** CMOs and **15%** CSOs.
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