

How to track you marketing spend effectiveness better!

White Paper – Christiane Skubch and Norbert Skubch

Target group

Responsible executives for the marketing budget – or parts of it – of therapeutic areas in pharmaceutical companies (innovative medicines as well as generics) and persons in the IT responsible for the provisioning of planning, tracking and simulation marketing spend applications.

Accept the need for action

Marketing expenses are significant in nearly almost all industries. This is of course also true for the pharmaceutical industry. However, their exact determination – i.e., a precise calculation of their share in a pharmaceutical company's revenue – is still a challenge. The reason is, they are not as transparent as, for example, the expenditures for research and development.

Across all industries, between 5 and 15 percent of sales in German-speaking countries are used for marketing as a whole. ¹ Clear outliers are of course also possible. We should assume that the pharmaceutical industry is at the upper end of this range.

There are a number of reasons for the wide range – for example: the intensity of competition in the relevant market, one's own competitive market position, the importance of the brand in the competition, the target groups and their behavior pattern, the complexity of the product itself or the entire product portfolio to be marketed, as well as the diversity of the channels to be used.

In future, advertising costs – as major part of marketing – will continue to rise. According to the media agency Zenithmedia, worldwide advertising expenditure in 2020 sums up to around 586 billion US\$ – an increase in costs to more than 652 billion US\$ is forecasted by the end of 2023. ²

This means, marketing is and will remain a significant cost block for all companies in nearly all segments.

On the other side, marketing is a cost block with a decreasing impact due to the increasing flood of information and overstimulation. With decreasing tolerance of doctors, pharmacists, patients, and consumers to information offers that are not considered as relevant for them, managers within marketing are facing considerable challenges.

The key conclusion is quite simple: timely control and management of marketing expenditures including an action-guiding assessment of the effectiveness of used funds is competitively differentiating and is therefore essential.

¹ Source: Marketingbudget Online 2021

² Source: forecast of advertising spending worldwide by 2023, B. Weidenbach, 30 July 2021

Develop a focused business logic as sound foundation

The ability to focus marketing activities to specific target groups has improved to a breathtaking dimension in the recent past. In the meantime, we even have AI supported instruments to implement this as a self-learning system.

Despite the general progress, in many companies a large number of hurdles in the daily business become visible at the same time. In the worst case, John Wanamaker's sentence "Half the money I spend on advertising is wasted; the trouble is I don't know which half." remains still valid.

A decisive hurdle is very often the lack of quality of one's own marketing data. Insufficient quality can show up in incomplete, inconsistent, outdated, weakly related and / or biased data. Therefore, the first step towards the direction of data science-based marketing must be a closure of the data quality gap.

This can be an exhaustive task that usually requires persistence, the willingness for perfection, but also a clear structural thinking.... and all these attributes belong to JSC's genes.

We are able to setup a straightforward data structure with focus on the core entities of marketing planning and tracking covering cost- / impact-causing activities, orders, invoices with and w/o reference to orders, cost allocation elements, accruals and deferrals.

The recommended activity structure covers for example conferences / congresses / symposia, material development, MSA, sales representatives, websites, social media, SEO / SEA, displays, traditional advertising, public relation, training / education, and co-operations.

We define supplementing slice and dice, drill-down functionality per core entity and setup aggregation procedures of core elements according to your planning, tracking and reporting requirements – for example costs / impact level for a substance or an entire indication in a defined time period.

Together with your marketing experts, we also specify the rules of inference with regard to the possible relationships between measures and their market success finally allowing for example trend analyzes based on correlation / regression.

On the one hand, all marketing costs become transparent – a complete cost overview and breakdown on a monthly basis and with a time horizon of up to several years is possible making their tracking easier. On the other hand, we setup the foundation for a future-oriented data driven and predictive analytic based marketing.

Provide a reliable solution and act agile

Data structure and business functionality is one side of the coin. The other side is: in order to bring the concept to reality quickly, one has to think in terms of IT systems right from the start.

It is best to work with a system in which the business logic can be modelled and new / changed functional requirements can be mapped quickly during the introduction of the system itself – that is the original understanding of agile software development.

JSC has a proven, ready to use prototype, which can be the starting point for joint work.

In that context, the subsequent development path could be very different for each client. For some customers, the prototype is sufficient – some want to transfer it to a larger system in order to make the functionality available world-wide.

That can be any database, front-end platform and can run on premise or in the (private) cloud. Due to the sensitivity of marketing information, data security should be given utmost attention.

If an already pre-selected, usually cloud-based software shall be the starting point for the joint project work, JSC can thoroughly assess the candidate and can ensure its seamless integration into the client's existing IT landscape later on.

Based on our experience, we do not talk about months but only about a few weeks in order to provide a future-oriented and resilient architectural recommendation. Duration of the entire project depends on the desired functional scope, data complexity and determined technical platform.

Working fast should not mean working incorrectly! – Therefore, we attach great importance to data quality and functionality according to marketing requirements.

We ensure, for example, that there is controlled data redundancy – realized via semi-automated links – between the ERP system and the dedicated marketing system. That improves Marketing's credibility and thus also facilitates the cooperation with Controlling. The dedicated system closes the time gap between visibility of a spend in the ERP system and already consumed or committed budget.

In our discussions with involved persons, we always receive the feedback, that an up-to-date tracking of marketing expenses is of outstanding importance:

- to steer spend against budget internally in a transparent and timely way, ...
- to understand the effectiveness of marketing spend, and ...
- to lead budget utilization discussions with Controlling based on up-to-date data and not time delayed SAP data.

We can support you to solve your challenge. How? – We are pleased to discuss the solution for your challenges with you and look forward to hear from you.

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