

## Optimizing the Marketing Portfolio – Aligning Investments with Growth Opportunities

*Evolving strategies, new indications, changing market dynamics, competitor initiatives,  
and shifts in market position – all of these can create new growth opportunities  
and all of these require rethinking the marketing portfolio*

**The Client:** A mid-size pharmaceutical company just completed a strategic review of its largest product and realized that its marketing programs were not aligned with the growth opportunities identified in the research. Senior managers began asking if the company was getting the most out of its marketing efforts. Could the company do more to grow the business and increase the return on its marketing investments?

**The Problem:** The company's marketing investments were keeping sales at a consistent level – no losses, but also no significant gains. Management realized that resources were not aligned optimally to capture the growth potential, but lacked the data and analyses to know how to improve the mix for a better overall return on marketing spend. With no benchmarks in place to understand the impact of individual marketing initiatives, the company was making investment decisions, essentially, in the dark. The team of marketing, brand, customer, and channel managers, all of whom had their pet projects and priorities, had no way to reconcile their differences and reach consensus on next year's marketing budget.

**The Solution:** Based on the in-depth market analysis and a review of each of the company's marketing programs, Cogent evaluated every investment as well as the overall portfolio mix for its strategic fit, financial impact and risk/return profile. Cogent identified gaps and opportunities for realignment and provided the management team with the tools and insights to evaluate individual investments and model different portfolio mixes. Based on rigorous research and data generation, Cogent created the foundation for fact-based, objective decision-making, which enabled the company to agree on how to allocate funds in an efficient, results-driven way to ensure renewed growth.

**The Results:** The company followed a collaborative process to generate many new and revamped ideas for marketing initiatives. The team involved in the decision-making found ways to focus the discussion on objective criteria and away from the personal preferences, instinct, and poorly grounded convictions that had previously dictated strategy. Provided with the facts and tools to evaluate marketing programs (individually and as part of a portfolio), the team was able to reach consensus on next year's budget, which represented a significant investment shift toward new customer groups not previously targeted and toward a broader, different set of marketing objectives. Cogent's analysis projected a 15% growth at the same level of marketing spend, which represented a significant turnaround following two years of single digit growth rates. The actual results even exceeded expectations: the year the new budget and marketing programs were implemented generated sales growth of 22%.



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### **The need for realigning the marketing mix**

The results of a strategic analysis of growth opportunities for the company's flagship product uncovered the need to focus on market expansion to drive further growth. A review of the current marketing portfolio revealed that the majority of investments were aimed at maintaining and growing market share with hardly any effort on driving new patients to the physician, increasing treatment initiation, or maintaining patients on treatment longer.

While it was simple to generate new ideas supporting market expansion objectives, as with most companies, this client had a fixed marketing budget and senior management was not going to approve an overall increase in spending without clear evidence of incremental growth.

With a fixed overall budget and a team fixated on current programs, there was no funding for new marketing initiatives. No one was willing to reduce investments on existing programs for fear of the unknown impact of such reductions. A lack of concrete data and a moderate level of success can paralyze a company when it comes to re-evaluating its investment allocations.

Cogent Consulting was tapped to develop a fact-driven marketing portfolio analysis and planning process with an aim of achieving the right marketing mix for long-term success. Once Cogent evaluated the investment mix, we found that a number of programs were, in fact, not generating the positive returns that brand managers' instincts led them to expect. We also showed that there were a number of opportunities to drive higher returns – some based on improving existing programs, some based on adding new programs, and some based on finding the optimal mix to maximize synergy effects between programs.

### **Synergy for full potential**

Building on the strategic market analysis, Cogent Consulting adapted its proprietary MAP (Marketing Analysis Program) to model the individual and collective impact of consumer awareness initiatives, physician education programs, treatment initiation efforts, patient re-win initiatives and compliance/persistence programs. With this interactive tool, the team was able to evaluate and project results of numerous program ideas based on their investment requirements, reach, impact, financial returns, risk profiles and other pertinent success metrics. Cogent was also able to show the impact of different combinations of programs, taking into account the synergy effect of combining, for example, a patient diagnosis / treatment initiation effort with a compliance / persistence program. That is, we determined by how

### **Marketing Program Evaluation**

Example: Patient adherence initiative

Evaluation Metric	Year 1	"Life-time"
Total Investment	\$3.0 mm	
Total patients reached	140,000	
Patients taking action	35k (25%)	
Incremental treatment days	870,000	945,000
Incremental GP	\$3.9 mm	\$4.3 mm
ROI	30%	43%
Risk (ROI at 90% C.I.)	24% - 37%	32% - 56%
\$ Investment / Trmt Day	\$3.45	\$3.17



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much the combination of more patients on treatment and longer treatment duration could increase product usage over the impact of both programs individually.

The MAP program was integral in developing the objective criteria against which the investments were evaluated and selected, eliminated or altered. The team was able to transcend its pre-conceived notions of which programs were critical and indispensable. Furthermore, some of the new ideas that everyone supported initially for their 'strategic fit' turned out to be inadequate in terms of generating sufficient returns – even with synergy effects figured into the equation.

### **The right combination of analytics and process**

Consistent with the overall strategic shift towards market expansion, the company needed to rethink all aspects of its marketing and promotional activities, which had implications not only for marketing and sales, but also medical affairs, clinical development, managed markets and other functions. Expanding focus from market share objectives to consumer awareness, treatment initiation, and compliance and persistence goals implied that it was no longer adequate to think of the prescriber as the primary target audience; consumers and patients would play an equally critical role.

#### **Marketing Portfolio Optimization Process**

*Collaborative, transparent, fact-driven, objective*

- ☑ Define key strategic priorities based on objective market assessment
- ☑ Identify critical target customer groups and desired behavior changes
- ☑ Develop specific marketing objectives for each customer / stakeholder group
- ☑ Brainstorm with internal and external teams to conceive new / improved marketing initiatives
- ☑ Model individual marketing initiatives for relative attractiveness
  - Strategic fit
  - Investment requirements (level, timing)
  - Expected financial impact (NPV, ROI)
  - Risk level
- ☑ Combine programs into a well-balanced portfolio
  - Maximize synergy effects
  - Balance risk, investment levels, payback periods, continued obligations, etc.
- ☑ Test / validate program performance metrics to improve forecasting accuracy
  - Pilot as necessary

In order to drive team participation and leverage existing expertise, Cogent facilitated several workshops generating understanding and buy-in. We built consensus at the highest level first – establishing strategic priorities – and worked through a series of steps to agree on key target audiences, key levers or behavior changes, and key marketing objectives and potential programs for each of those priorities.

We solicited input for marketing ideas, both internally and from external partners and service providers, and then applied objective criteria to evaluate, prioritize and, ultimately, combine marketing initiatives

into a portfolio of programs. This portfolio now incorporated different perspectives, met the strategic objectives, fit the budget constraints, acted synergistically and generated significantly higher returns than the previous business plan.

By encouraging the team to think outside their comfort zone and rely on fact-based information rather than unconfirmed beliefs, Cogent helped build consensus on how to shift the marketing mix and re-align the budget to achieve the company's strategic objectives and improve ROI.

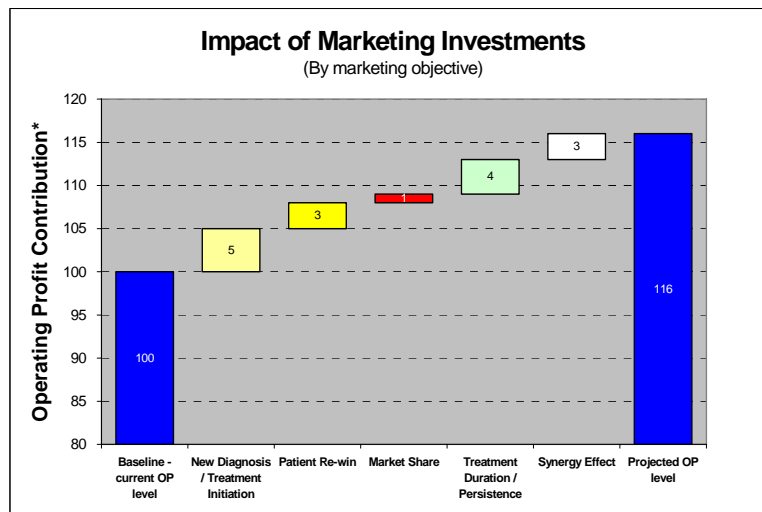


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Senior management has approved the budget re-allocation and made resources available immediately to pilot several of the newest initiatives. This will contribute to the foundation that has been built by capturing additional data on in-market program impact and further improve the company's ability to project future marketing investment returns.

### **A lasting impact**

With these plans in place, the company now projects next year's marketing investments to generate approximately 50,000 incremental patients. Based on the mix of tactical marketing programs selected from each of the consumer, physician, and patient initiatives, we are able to predict an increase of 15 percent in operating profits in the first year without significantly altering the total budget. The same level of investment applied in a strategic way, and aligned with fact-driven marketing analysis, can yield higher returns for years to come.



\* To protect confidential data, profit contribution levels are indexed to 100 for the baseline operating profit level

An undertaking such as this is not merely a one time solution for the client, but a leap toward building a sustainable, internal capability to manage, adapt, and optimize the marketing investment portfolio. Of course, similar shifts will be required in the future as competitors respond to the new initiatives, as the marketing programs' results change market dynamics, as new data become available and as the client's market position evolves. By providing the data, the process and the tools to track marketing programs, improve forecasting, and drive decision-making, Cogent introduced a level of discipline and rigor that will allow the company to continually optimize their investments well into the future.

*Cogent Consulting can help you apply measurable, data-driven strategies to your commercial planning and marketing portfolio optimization. To learn more, contact Cogent Consulting.*